Tristel Plc

Annual Report and Financial Statements

For the year ended 30 June 2011

Registered number 04728199

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Chairman's introduction

It is a great disappointment to report that the year ended 30 June 2011, our seventh as an AIM listed company, was the first in which profits did not improve on the previous year. Notwithstanding the disappointment, significant progress was made to grow the scale and capabilities of the Group.

Group turnover increased by 6% to £9,287,000 (2010: £8,764,000). Within this overall figure, sales of our proprietary chlorine dioxide based products, which are used in ***hospital infection control,*** were flat at £7,163,000 (2010: £7,121,000); sales of the portfolio of products branded "Medichem", which are primarily used in ***animal healthcare,*** increased by 27% to £2,086,000 (2010: £1,643,000), and we achieved our first sales of the "Crystel" range which is sold to ***pharmaceutical and personal care*** product manufacturers. The sales of these products were £38,000. This is a new activity that took the year to establish and was only completed towards the end of it.

With this latest initiative the Group now serves three markets:-

- Hospital infection control – the products that we manufacture and sell are all high-performance disinfectants grouped together under the Tristel brand. They are used to prevent and control hospital acquired infections (HAI's). It is the original activity of the Group and the market is global;

- Animal healthcare – we act as contract manufacturer for Medichem International (Marketing) Limited ("Medi-Mark"), a United Kingdom company that concentrates on the veterinary and small animal husbandry marketplace. The products we sell to Medi-Mark are disinfectants and are shown in our accounts as domestic sales, albeit that Medi-Mark sells the products worldwide. The products are marketed under a number of well established brands which we jointly own with Medi-Mark via our subsidiary company Medichem International Limited;

- Pharmaceutical and personal care product manufacturers. This is a new activity that commenced during the year and required a major investment in our manufacturing facility, including the construction and fit-out of a clean room. The products are disinfectants and detergents and are grouped together under the Crystel brand. This market is also global.

In all three markets we are able to achieve high margins because the products enjoy either intellectual property protection, have little competition, or are intensely regulated. Many of our products enjoy all three advantages. The gross margin achieved during the year of 63.5% (2010: 64.4%) reflects this strategic positioning.

In order to support the creation of the Crystel portfolio of disinfectants and detergents, which we completed during the year from a standing start, we had to increase operating costs significantly. Total administrative expenses rose by 29.4% to £5,381,000 (2010: £4,160,000). Our average headcount increased to 90 personnel (2010: 50).

The cost of developing the new product range amounted to £490,000 which is shown within the "marketable product development" category of Intangible Assets. A further spend of £555,000, included within Fixed Assets additions, represents the cost of constructing a clean room, improvements to our production facility and purchases of plant and equipment. These investments were made in advance of the revenues that will result from them. Whilst we knew that this would be the case at the time that the investments were committed to and then made, we had hoped that the revenues would build more quickly than they in fact did; and whilst establishing Crystel we also continued to invest heavily in the expansion of our infection control business, focusing on international growth, and great strides forward have been made. During the year our Chinese subsidiary gained its first product registrations for Tristel products and our German operation established a foothold in the German hospital market. As we have identified above, the Tristel and Crystel businesses are global opportunities and our plans to realise their potential are ambitious. Execution of the plan in 2010-11 may have broken our record of continuous profit growth, but our vision is far sighted and our strategy long term, and we are confident that profits growth will resume in the current financial year.

EPS and dividend

Basic earnings per share were 1.27 pence (2010: 3.84 pence), a decline of 66.9%. The fall resulted from the lower level of profit and the increase in the number of ordinary shares in issue. In November 2010 we issued 6,842,105 ordinary shares to raise £3.9m (gross) which we have used to fund the expansion of the Group's manufacturing facility, to establish the new Crystel activity, to repay bank debt and to settle a substantial portion of a long term royalty liability.

In line with the Company's long term historic dividend policy of paying approximately 50% of after-tax profits to shareholders, the Board is recommending that the final dividend is 0.12 pence (2010: 1.4 pence), making the total dividend for the year 0.555 pence (2010: 1.825 pence). If approved, the final dividend will be paid on 16 December 2011 to shareholders on the register at 18 November 2011.

Looking to the future the Board intends to increase the dividend cover to 2.3 times until such time as pre-tax profits have returned to last year's underlying level of £1.5 million. Our intention then will be to reduce the dividend cover to 2 times. One-quarter of the planned annual dividend will be paid as an interim payment and three-quarters at the year end.

Board Changes

We are also pleased to welcome Christopher Samler to our Board. Christopher was CEO of Weston Medical Group plc and more recently Chairman of TQ Education & Training which recently was sold to Pearson plc. He brings great experience in healthcare and will be the senior independent director. It is the intention of my colleagues Peter Clarke and Antonio Soler, both non-executive Directors, to stand down from the Board at our forthcoming Annual General Meeting. Further details of the revised Board structure will be given at the Annual General Meeting.

Employees

As ever, our people are the key asset of this Company and we wish to thank them for their commitment, professionalism and effort during a year of great change.

Outlook

The year ended 30 June 2011 posed the greatest challenges of any in our fifteen year history. These were not imposed by the macro economic environment in which we operate which, for us, continues to be very benign, but by our ambitions to expand the Group. Having risen to these challenges, and in working to overcome them, we are better placed than ever to build the long term value of your business.

Francisco A. Soler
Chairman
21 October 2011

Tristel designs, develops, manufactures and sells infection control, contamination control and hygiene products. They incorporate a variety of chemistries.

During the course of the past seven years, during which we have been listed on the AIM market, we have sought to build a Group that is exposed to several distinct markets that are all global in their scale of opportunity. At the commencement of the year we were involved in two markets – Hospital infection control and Animal healthcare. During the year we made a significant step towards our long term goal by entering a third through the creation of the Crystel portfolio of products. This portfolio is sold to manufacturers of pharmaceutical and personal care products.

In each of the three markets that we now serve, which are described in greater detail below, we manufacture and sell consumable products rather than high value capital products. They achieve high margins because they enjoy intellectual property protection, sell into uncontested markets, or are intensely regulated. Whenever and wherever we can we seek all three competitive barriers as we create products.

Our strategy is best understood if we explain how it evolved.

Hospital infection control

When Tristel joined the AIM market in 2005 we were only involved in Hospital infection control. As we have described in previous Annual Reports, microbiologists and infection control officers devise their infection prevention and control strategies in terms of the vectors, or routes, of transmission of infection within a hospital. These vectors are instruments, water, surfaces and skin. Our internal financial reporting does not separate the different vectors; they exist within the single "hospital infection control" segment of the business. However, in order to explain our business it is helpful to consider them in turn. In 2005 we were concerned with only one – the disinfection of instruments.

Instruments vector

There are many types of medical instrument that cannot tolerate sterilisation by heat (autoclaving). As a consequence, they have to be disinfected with a liquid chemical disinfectant. The best known of these instruments are the large, complex, multi-channelled endoscopes that are used in gastro-intestinal (GI) endoscopy. Tristel's origins lie in the disinfection of these endoscopes. In the year ended 30 June 2005 over 85% of our revenues were generated from Tristel products used to disinfect them. However, even back in 2005, we could foresee that our ability to create a global business capitalising on the uniqueness of our proprietary chlorine dioxide would be limited if we focused only upon these types of instrument; the reasons being that, with the highest profile, GI endoscopy is highly competitive and overseas expansion would be difficult for technical reasons.

Our counter strategy has been to create products that disinfect the smaller and less complex heat sensitive instruments that are used in other departments of a hospital such as Ear, Nose and Throat (ENT), Cardiology, Urology, and Ultrasound. Our motivations have been to create products that can sell into the least contested areas of the hospital infection control market (we prefer uncontested) and that can succeed overseas as well as in the United Kingdom. We could also create the opportunity to secure patent protection on the packaging and delivery methods developed, establishing new intellectual property assets to complement patents on the Tristel chemical formulation.

In last year's Annual Report we grouped these different types of instrument into two categories, the first being GI endoscopy, and the second being all other departments using smaller endoscopes such as ENT, Cardiology, Urology, Human Reproductive Health (IVF) and Neo-natal. This year we have adopted different terminology to describe the two categories: Multi-channelled endoscopy (MCE) replaces GI endoscopy because it sweeps up a wider range of instruments that share the common feature of having multiple channels (lumens) running through them and which, as a consequence, are best disinfected in automated endoscope washing machines. Non and single-lumened instruments (N&Sli) becomes the second category and relates to the smaller instruments that have a single or no lumen. These include nasendoscopes (used in ENT procedures), cystoscopes (used in urology) and bronchoscopes (used in respiratory), as well as the many types of ultrasound probes and scopes that are used in other departments in hospitals.

As observed above, MCE instruments should be disinfected in endoscope washing machines and the Tristel products which we sell into the MCE area are used in such washers. During the first half of the last decade, when we were establishing a leading market position in the United Kingdom in the MCE area, there was a clear divide between the suppliers of disinfectants and the suppliers of washing machines. However, over time the companies that manufacture and sell the machines have developed or sourced their own disinfectants (all of which are based on peracetic acid, super-oxidised water or aldehydes). They have done this to capture and retain the profit margin on the disinfectant – the consumable element.

From the strategic perspective the structure of this MCE business posed two great challenges. First, from the outset it restricted our MCE business to the United Kingdom because in overseas markets the majority of machines already had their own disinfectant. Second, over time our revenues could fall if the United Kingdom machine suppliers acquired their own disinfectants. We faced the choice of involving ourselves in this high value capital equipment business, in which no companies seem able to be consistently profitable, or pursue an alternative direction. We did the latter.

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

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

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

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

One of the key features of Stella is that it does not require mains power supply or mains water and has no need for service or maintenance. It is battery powered. Stella has, as a consequence, enormous potential in all lesser resourced healthcare markets. We believe that Stella can make a considerable difference to hygiene standards in the developing world.

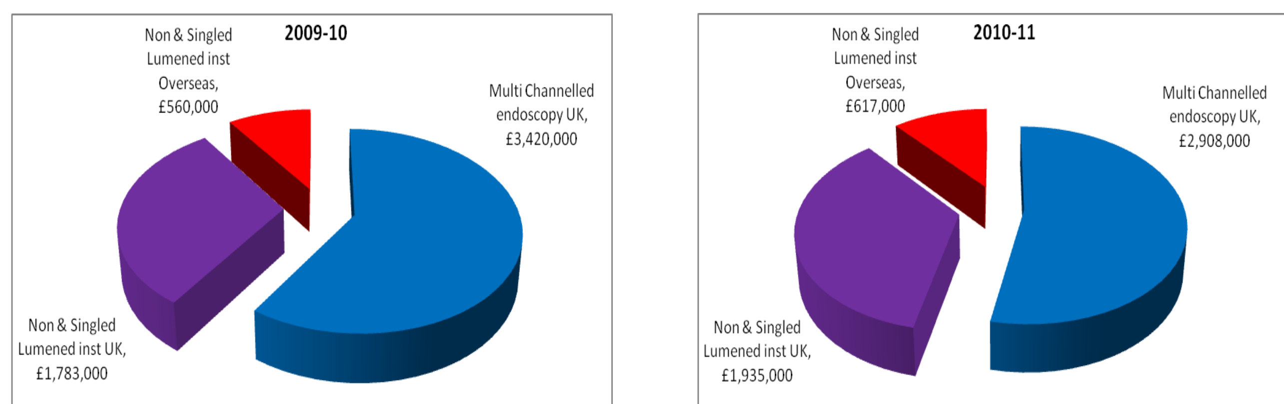
Stella units have been sold in the United Kingdom, Republic of Ireland, Belgium, Germany, Italy, Spain, Dubai, New Zealand and China.

The Wipes System and Stella with Fuse challenge the orthodox conventions of endoscope decontamination, but they are gaining widespread acceptance. In the United Kingdom the Wipes System has been acknowledged by the Society of ENT Consultants (ENT UK) as the most widely used and practical decontamination method of processing nasendoscopes and the Society's updated guidelines for nasendoscope decontamination published in 2010 commented: "A large number of hospitals have used the chlorine dioxide cleansing system for a number of years without any reports of undue consequences". During the year the Italian Society of ENT consultants published new guidelines to its members for the decontamination of nasendoscopes and referred by name to the Wipes System, Stella and Tristel's chlorine dioxide chemistry as acceptable decontamination methods. Again, during the year both the regulatory bodies in Hong Kong and Australia (the Therapeutic Goods Association) approved the Wipes System for use on nasendoscopes and other non-lumened heat sensitive instruments.

Last year we commented that we had initiated two clinical studies at the Bay of Plenty Clinical School, New Zealand. The first of the studies, which is complete, has investigated the efficacy, safety and health economics of Stella and Fuse in flexible cystoscope decontamination procedures in urology. The second, still ongoing, is investigating the efficacy, safety and health economics of the Wipes System in flexible nasendoscope decontamination procedures in ENT. The urology study is being presented at the International Societe d'Urologie congress in Berlin in October 2011 and at the World Endourology congress in Kyoto, Japan in December 2011. We anticipate that the study will be published in an eminent peer reviewed scientific journal during the current financial year. The ENT study is expected to be completed in early 2012.

Instruments vector – financial performance and future outlook

The shifting pattern of the Hospital infection control Instruments vector can be seen from the following charts:



Sales in 2010-11 of MCE products were £2,908,000, a decline of 15% from the previous year. All sales were in the United Kingdom. The reasons for the fall are explained above.

Total sales of N&Sli increased from £2,343,000 to £2,552,000, a rise of 9%, with domestic sales increasing by 8.5%, even though we had achieved very high market penetration in United Kingdom ENT and cardiology by the end of 2009-10. Overseas sales increased by 10.2%.

In last year's Annual Report we commented that our MCE activity would remain restricted to the United Kingdom and that in revenue terms MCE was considered to be a no growth area for the business. Whilst the first observation was correct, the second was widely off the mark. The unanticipated decline in MCE revenues exacerbated the mismatch between costs and revenues that occurred elsewhere within the Group during the year. Our business plan now assumes that the revenue decline will continue.

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

Water vector

Following the chronology of the Group's development, we entered the water disinfection market via the purchase of Vernagene Limited in 2006.

That company had for a number of years been the distributor of a chlorine dioxide chemistry that is different from our proprietary formulation. The chemistry is manufactured by Bio-Cide International Inc., Oklahoma, United States. The chlorine dioxide chemistry is used to control *Legionella*, a bacterium found in drinking water and cooling towers. *Legionella* is the cause of Legionnaire's disease.

The chemistry is also used in horticulture to reduce spoilage and increase the shelf-life of plants such as orchids.

The Group continues to be Bio-Cide's exclusive distributor for the entire European market. The supply agreement was renewed on 13 June 2008 and has a 20-year term. In association with the supply agreement, Tristel is the representative of Bio-Cide in the industry group that is sponsoring the registration of sodium chlorite and chlorine dioxide under the Biocidal Products Directive (BPD). Tristel and Bio-Cide share the costs and benefits of membership of this industry group.

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

Water vector – financial performance and outlook

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

Total sales within the Water vector were £611,000 (2010: £646,000). Export sales were £235,000 (2010: £124,000) and domestic sales £376,000 (2010: £522,000).

Surfaces vector

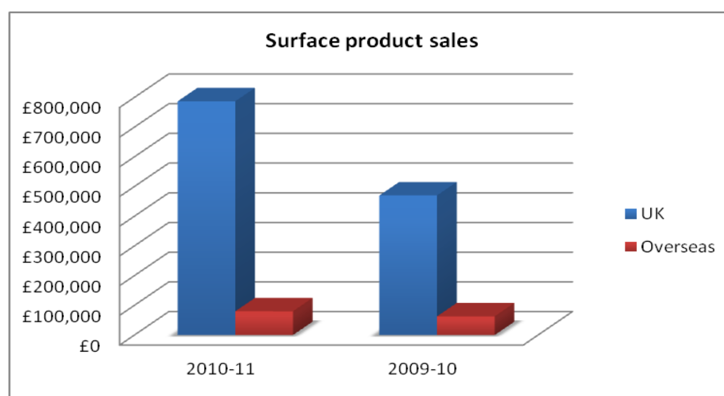
In 2007 we developed our first product using our chlorine dioxide chemistry to disinfect hospital surfaces, such as ward floors, operating theatre walls, bed mattresses, commodes and patient trolleys. Whereas when we started in the Instruments vector the target disinfectant chemistry to replace was glutaraldehyde, in the Surfaces vector the target chemical to replace is chlorine.

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

One disappointment during the year was the decision by The Clorox Company (Clorox) to terminate the licence that we had granted them to commercialise our chlorine dioxide chemistry in the United States hospital market.

Surfaces vector – financial performance and outlook

Our surfaces portfolio has increased its penetration into the United Kingdom hospital market and sales overseas are starting to gain traction. The progress made over the course of the past two years is demonstrated in the following chart.



Since the year end the surfaces portfolio has been augmented by the inclusion of a sporicidal surface wipe which was launched at the United Kingdom Infection Prevention Society meeting in Bournemouth in September 2011.

Other

Other Hospital infection control revenues were £225,000 during the year (2010: £177,000), of which £153,000 was generated in the United Kingdom (2010: £177,000) and £72,000 overseas (2010: £nil).

International

Tristel has a clear strategy to expand its business internationally.

As stated in the Chairman's introduction, our Hospital infection control business is involved in both the domestic and overseas marketplace, whereas all sales in our Animal healthcare business are generated in the United Kingdom. There were no overseas sales from our nascent Crystel business during the year, but overseas expansion will be a critical element of this activity in future years.

In the majority of countries where we sell products, the business model employed is to use a national distribution partner. During the year eighteen distributors purchased Tristel Hospital infection control products with an aggregate value of £726,000 (2010: £654,000) for re-sale in their national market, an increase of 11% on the prior year.

Additionally, we have established wholly owned or partially owned operations in the following countries:-

Tristel New Zealand Limited, New Zealand (100% owned)
Tristel NZ is based in Tauranga, North Island. Its team supervises product development, manufacture and all aspects of the supply chain process for the Stella decontamination system. The team also serves the New Zealand and Australia Hospital infection control markets.

Shanghai Stella Medical Equipment Co. Limited, China (85% owned)
SSME is based in Shanghai and its team is managing the regulatory process within China, Hong Kong and Taiwan for the three Tristel Hospital infection control products – the Wipes System; Stella and Fuse, and the Surfaces range. Stella, Fuse and Tristel Jet (a surfaces product) have received their regulatory approvals and are being actively marketed.

Tristel Asia Limited, Hong Kong (85% owned)
TAL acts an intermediate holding company for SSME and also sells Hospital infection control products in Hong Kong.

Tristel Italia Srl, Italy (20% owned)
TIL is a sales and marketing operation serving the Italian Hospital infection control market.

Tristel Germany (branch)
TG is a branch operation located in Berlin. The team is a sales and marketing operation serving the German Hospital infection control market. During the year TG succeeded in including the Wipes System in Germany's Association for Applied Hygiene (Verbund fur Angewandte Hygiene or VAH).

International – financial performance and future outlook

Tristel's Hospital infection control business has the opportunity to be global both in reach and scale, as does the Crystel business.

There will be opportunities in the future to use the overseas distributors that we have established for our Hospital infection control products to serve the Pharmaceutical and personal care manufacturing companies located in their countries with the Crystel portfolio. This opportunity will be for both our distributor partners and our owned operations.

Group export sales increased by 34.4% during the year from £748,000 to £1,004,000 and international expansion will continue to be a major driving force for the growth of the Group.

Animal healthcare

Medi-Mark has established a strong presence in animal healthcare over the course of the past eighteen years. It is a family owned and run business that Tristel has been very familiar with throughout the period. Its main brands are:-

- Trigene Advance
  A range of surface disinfectants which are available as liquid concentrates, ready to use products, trigger sprays and wipes. The disinfectants are intermediate level biocides and the formulation is proprietary to Tristel. The Trigene range is sold by Medi-Mark worldwide and is very popular in the small animal sector;

- Meddis
  An intermediate level disinfectant which is used to decontaminate veterinary, dental and medical instruments;

- Perascope
  A range of peracetic acid based products that are used for instrument disinfection in hospitals;

- Medizyme
  An instrument cleaner.

Animal healthcare – financial performance and future outlook

Sales to Medi-Mark were £2,086,000 (2010: £1,643,000), a 26.8% increase on the prior year. This increase reflects the fact that we manufactured the entire Medichem portfolio throughout the year whereas we manufactured only a part of it during the previous year.

The Medichem business is solidly based with a consistent track record over the past decade. Whilst we exert no influence over the management of Medi-Mark and the business they generate, we can assist its continued growth through our manufacturing performance and new product development.

Pharmaceutical and personal care product manufacturers – the Crystel business

During the course of the year we created seventeen distinct formulae, validated their technical capabilities and documented them for acceptance by the Pharmaceutical and personal care product manufacturers that are our target customers. The formulae are for detergents and disinfectants that are used to clean manufacturing plants and manufacturers' clean rooms.

We created an imaginative and exciting master brand for the portfolio – "Crystel" – using gemstones and precious metals as the individual product brands.

The detergents and disinfectants are categorised as "non-sterile" and "sterile" in terms of our manufacture of them. The sterile products have to be made in the clean room that we built in our Newmarket facility and are used in pharmaceutical manufacturers' clean rooms to disinfect surfaces during the production of drugs.

It is a very demanding activity in terms of regulation and manufacturing practice, and high margins can be achieved as a result.

We are in the process of establishing distributors in overseas markets and will serve the United Kingdom customer base with our own sales force.

Pharmaceutical and personal care market – financial performance and future outlook

Sales commenced during the year and totalled £38,000 (2010: nil).

We expect a very significant increase in sales during the current financial year as the Crystel portfolio is now complete and in manufacture, and the selling effort is gaining momentum.

GROUP RESULTS AND FINANCE

Revenue

Group revenue increased by 6% to £9,287,000 (2010: £8,764,000).

Margins and operating profit

The gross margin declined very marginally to 63.5% from 64.4% in 2010.

Excluding amortisation of intangibles, share-based payments and non-recurring items, operating profits decreased by 52.5% to £824,000 (2010: £1,735,000). The pre-tax margin fell to 5.5% from 19.7%.

The declines in the operating and pre-tax margins reflect the very substantial increase in operating expenses that we incurred to enhance our manufacturing capability to establish the Crystel portfolio and to establish operations in Germany and China.

Earnings

The basic earnings per share were 1.27 pence (2010: 3.84 pence), a decrease of 66.9%. The decline in earnings per share was impacted by the issue of 6,842,105 ordinary shares in November 2010 which raised £3.9m (gross) and has been used to fund the expansion of the group's manufacturing facility, repay debt and in partial settlement of a long term royalty liability.

Capital and Intangible expenditures

We have made a considerable investment into our manufacturing facility during the year, having constructed a clean room which will provide the controlled manufacturing environment necessary for the production of the sterile products which form the major part of the Crystel product range. Alongside this we have extended and enhanced our existing manufacturing facility, increasing bulk production capacity by two thirds.

As a result of the capital works we are now able to manufacture to GMP standards which we identified as a key requirement to the success of the new area of the business. The total cost of this investment was £555,000 (2010 buildings and improvements to leasehold: £390,000). Purchases of vehicles, plant and equipment amounted to £325,000 (2010: 324,000)

We have invested £1.9m (2010: £3.1m) in intangible assets, including £906,000 in the development of new products, £528,000 in partial settlement of a long term royalty obligation and £530,000 in obtaining patents and regulatory approvals. Expenditures on innovation, product development and regulatory approvals are a feature of our business. It is vital that we maintain a long term view and continue to invest in these revenue generating assets of the future.

Treasury and deployment of capital

The year started with net debt of £270,000 derived from cash balances of £986,000 less interest bearing loans of £1,256,000. The cash inflow from the issue of shares repaid the outstanding debt, allowed for the partial settlement and capping of a long term royalty obligation and funded the capital works and expansion of the business. Cash at 30 June 2011 was £441,000.

The year ahead

Having established during 2010-11 the capabilities to serve the three markets described above, the prerogative in the current year is to deliver the revenues from each that will restore the level of Group profitability that we target.

Paul C Swinney
Chief Executive
21 October 2011

Brief biographies of the Group's directors are given below.

Francisco A Soler (aged 65), Non-Executive Chairman
(Chairman of the Nominations Committee & member of the Remuneration Committee)
Francisco Soler is a founding shareholder of the Group and has been an active investor in a number of companies around the world. Among them, he was a member of the Board of United States Can Company (US Can), a company that was listed on the New York Stock Exchange before being taken private by a private equity Group. He was chairman of Leisure Tennis Limited, the owner of the Harbour Club leisure facility in central London, which was sold to Cannons Group Plc in August 1998 and of Harbour Club Milano which was sold to the Aspria Group in 2009. He is a Knight of the Order of Malta.

Paul C Swinney (aged 53), Chief Executive
(Member of the Nominations Committee)
Paul Swinney started his career with Brown, Shipley & Co in 1980. He worked for the European banking operations of Norwest Bank Minneapolis and Maryland National Bank, before joining OSI Finance, a specialist in shipping finance, in 1987. In 1993 he co-founded the business that was to become Tristel Plc. He has been chief executive and a shareholder since inception.

Elizabeth Dixon (Aged 41), Finance Director
Elizabeth Dixon trained within a top ten accounting firm before moving into industry with the Holiday Property Bond Group, where she developed her career through a series of finance roles, ultimately becoming UK finance manager. Having joined Tristel in 2007 as chief Group accountant, Elizabeth went on to join the Board of Tristel Solutions Ltd in August 2009 and was appointed as Group finance director in June 2010.

Paul Barnes (aged 57), Non-Executive Director
(Chairman of the Audit Committee & member of the Remuneration Committee)
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 Solutions Ltd in June 2004 and was finance director through the Group's IPO and listing until June 2010.

Peter Stephens (aged 56) Non-Executive Director
(Chairman of the Remuneration Committee & Member of the Audit and Nominations Committees)
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 47), Non-Executive Director
(Member of the Remuneration Committee)
Peter Clarke is currently a consultant to H&R Healthcare Limited and Oliver, Bell and Kinge LLP. Prior to this he worked as a sales manager at LRG Limited, Databeat Systems Limited and Eurocopy plc. He is one of the founding shareholders and a Board member since inception.

Antonio Soler (aged 35), Non-Executive Director
(Member of the Audit and Remuneration Committees)
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. Antonio currently works as a private equity investor and serves as a non-executive on six Company Boards.

Bruce Green (aged 66) Non-Executive Director
Bruce Green is a Chartered Chemist, member of the Royal Society of Chemistry and a Chartered Scientist. He has been involved with the formulation of many famous brands both in the UK and in North America and holds numerous chemistry patents. He has acted as a consultant to Tristel since the establishment of the business in 1993 and is the original inventor of Tristel's proprietary chlorine dioxide technology.

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

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

Remuneration Committee
The Remuneration Committee comprises certain of 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
The 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.

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 that are reviewed annually by the Board. They are included in the selection of directors subject to retirement by rotation at each Annual General Meeting.

Directors' Remuneration

The directors received the following remuneration during the year to 30 June 2011.

Name of director	Salary and fees £'000	Bonus £'000	Taxable Benefits £'000	Share Based Pmts IFRS-2 £'000	2011 Total (Excl. pension) £'000	2010 Total (Excl. pension) £'000	2011 Pension £'000	2010 Pension £'000
Executive								
Mr Paul Swinney	142	-	21	9	172	192	21	20
Ms Elizabeth Dixon	62	1	1	-	64	6	7	-
Non-executive								
Mr Francisco Soler	-	-	-	-	-	-	-	-
Mr Paul Barnes	31	-	-	4	35	45	-	3
Mr Peter Stephens	20	-	-	-	20	20	-	-
Mr Peter Clarke	12	-	-	-	12	12	-	-
Mr Antonio Soler	40	-	-	-	40	40	-	-
Mr Bruce Green	12	-	-	-	12	12	-	-
Aggregate Emoluments	319	1	22	13	355	327	28	23

Mr Paul Swinney's service contract contains a provision 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:

Name of director	Total shares granted	Total shares vested at 1 July 2010	Shares vesting in the year	Total shares vested at 30 June 2011	Exercise price	Earliest date of exercise	Date of expiry
Executive							
Mr Paul Swinney	250,000	250,000	-	250,000	59.50p	23/12/05	22/12/15
	250,000	250,000	-	250,000	53.75p	12/10/09	12/10/19
	250,000	250,000	-	250,000	53.75p	30/06/10	12/10/19
	500,000	-	-	-	65.00p	On change of control	12/10/19
Ms Elizabeth Dixon	60,000	30,000	15,000	45,000	53.75p	23/07/08	23/07/18
	60,000	15,000	15,000	30,000	53.75p	04/08/09	04/08/19
Non Executive							
Mr Paul Barnes	43,750	43,750	-	43,750	53.75p	12/10/09	12/10/19
	43,750	43,750	-	43,750	53.75p	30/06/10	12/10/19
	87,500		-	-	65.00p	On change of control	12/10/19

Options held by the directors are subject to vesting arrangements over the life of the options. An initial tranche of options became exercisable on the grant of the options. Further tranches become exercisable over periods ranging from twelve months to thirty-six months from grant, or as detailed in the specific instances above, on change of control of the Group.

Directors' Shareholdings

The interests of the directors in the shares of the Company at 30 June 2011 and 30 June 2010 were:

Ordinary 1p shares	**30 June 2011**	**30 June 2010**
Executive		
Mr Paul Swinney	1,162,742	1,159,742
Ms Elizabeth Dixon	8,000	1,009
Non-executive		
Mr Francisco Soler	7,521,477	7,207,277
Mr Peter Stephens	1,128,521	1,095,681
Mr Paul Barnes	572,680	556,260
Mr Peter Clarke	21,811	21,811
Mr Antonio Soler	10,000	-
Mr Bruce Green	960,016	950,016

The market price of the Company's shares as at 30 June 2011 was 48.25p.The range during the year was 39p to 72p (source - London Stock Exchange).

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 six 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, directors are subject to retirement by every third year by rotation at each Annual General Meeting.

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

	Eligible to attend	**Attended**
Francisco Soler	13	13
Paul Swinney	11	11
Elizabeth Dixon	11	11
Paul Barnes	16	13
Antonio Soler	16	12
Peter Stephens	16	15
Peter Clarke	13	12
Bruce Green	11	11

Committees of the Board

Remuneration Committee
The Remuneration Committee comprises certain of 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 14 to 16.

Audit Committee
The Audit Committee comprises certain of the non-executive directors under the Chairmanship of Mr Paul Barnes. 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.

Nominations Committee
The Nominations Committee comprises 2 non-executive and 1 executive directors, under the Chairmanship of Mr Francisco Soler. The committee meets twice per year to consider whether or not directors retiring by rotation should be put forward for re-appointment at the annual general meeting (AGM); to give full consideration to succession planning for directors and other senior executives; and to identify and nominate for the approval of the board candidates to fill Board vacancies as and when they arise.

Relations with Shareholders
The Board considers effective communication with shareholders to be very important and encourages regular dialogue with both institutional and private investors. The Board responds promptly to questions received verbally or in writing. Directors regularly attend meetings with both private and institutional 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 the Group's size, and covers financial, operational, compliance (including Health and Safety) and risk management areas. There are limitations in any system of internal control, which can provide reasonable but not total assurance with respect to the preparation of financial information, the safeguarding of assets and the possibility of misstatement or loss.

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

The directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2011.

PRINCIPAL ACTIVITY
The principal activity of the Group in the year under review was that of the design, manufacture and sale of infection control, contamination control and hygiene products. Tristel Plc is a Public Limited Company and is incorporated and domiciled in the United Kingdom. The financial statements are presented in UK Sterling.

The company's subsidiary Tristel Solutions limited formed a new branch in the period located in Berlin, Germany.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS
The Chairman's statement on pages 3 to 4 and the Chief Executive's Report on pages 5 to 12 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 £9,286,535 (2010: £8,764,458); Gross margin for the year is 64% (2010: 64%).

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

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

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

Operating Risks
These include the Group's ability to continue to supply in a timely manner the Group's existing product portfolio; the ability to achieve, in a timely manner, regulatory approval in those regions where it is necessary; 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.

The Group seeks to employ personnel with the appropriate qualifications and experience; engage professional advisors and consultants with the relevant expertise; and utilise reputable and reliable suppliers of goods in order to ensure its ability to work to, and supply products that reach the very highest standards.

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

Operating Risks - continued
The sudden or unexpected loss of a facility due to fire or natural disaster could impact upon the Group's ability to meet customer expectations. The Board has developed a Disaster Recovery Plan, which sets out the process necessary to swiftly relocate people, process and production in order to ensure a continuity of supply.

The challenges in maintaining worldwide legal compliances in respect of financial, environmental, health & safety requirements are significant. In particular within the UK, new legislation with regard to bribery and corporate manslaughter pose a risk to the Group and its officers. Senior members of the Board, supported by specialist advisors, take responsibility for maintaining legal compliance. Through a risk management process the implications of new regulations and legislation are assessed and the necessary changes and mitigation put in place.

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. The Board's strategy of diversification into different industries and markets reduces the Groups exposure to a single sector, country or customer.

Financial Risks
The Group's activities expose it to a number of financial risks including 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, loans and borrowings. 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.

Credit Risk
The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, which are concentrated in a large number of low value customer accounts alongside several very large 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. The credit risk on trade and other receivable are managed by agreeing appropriate payment term with customers, obtaining credit agency ratings of all potential customers; by requiring wherever possible payment for goods in advance or upon delivery; and by closely monitoring customers balances due to ensure they do not become overdue.

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 rate to ensure certainty of cash flows. However where borrowings are linked to base rate, consideration is given to the impact of, and potential for, fluctuation prior to entering into the arrangement. Group cash balances and expected cash flow are monitored on a daily basis to ensure the Group has sufficient available funds to meet its needs.

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.

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

RESULTS AND DIVIDENDS
There was a profit for the year after taxation amounting to £437,000 (2010: £1,195,000).

A final dividend of £464,000 (1.4p per share) was paid during the year in respect of the year ended 30 June 2010. (2009: £383,000 (1.295p per share)).

An interim dividend of £174,000 (0.435p per share) was paid during the year in respect of the year ended 30 June 2011 (2010: £141,000 (0.425p per share)) and the directors recommend a final dividend of 0.12p per share (2010: 1.4p per share). The total distribution of dividends for the year ended 30 June 2011 will be £222,000 (2010: £605,000).

A review of the Group's performance for the year ended 30 June 2011 is contained in the Chairman's Statement on pages 3 to 4 and the Chief Executive's Report on pages 5 to 12.

SHARE ISSUE
On 23 November 2010 the Company issued 6,842,105 new ordinary shares of 1p each for an aggregate consideration of £3,900,000. The shares were issued to reduce bank borrowings, restructure a royalty obligation and fund the expansion of the business.

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.

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

The directors compile a 24 month budget and cash flow forecast each year, which is stress tested for potential future influences and events. Funding is sought as necessary, in the most appropriate and cost effective form, to a level which provides sufficient headroom to the Group's cash requirements. A £750,000 Bank facility in the form of a revolving overdraft secured via an intercompany guarantee was in place, but not utilised, at the balance sheet date.

The funds derived from the share issue during the year were utilised to repay debt, reduce a long term royalty obligation and strengthen working capital. The Group has made a considerable investment in fixed assets and intangible assets during the year enabling the launch of a new product range addressing the pharmaceutical and personal care market. Whilst this has resulted in a significant outflow of cash during the year the Board expects the activity to contribute significantly to future cash generation.

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

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

DIRECTORS

The directors shown below have held office during the period from 1 July 2010 to the date of this report.

PM Barnes	PC Clarke
EA Dixon	BC Green
AF Soler	FA Soler
PFH Stephens	PC Swinney

One third of the directors retire by rotation and will be proposed for re-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 2011, the policy cost £4,800 (2010: £3,145).

Details of directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 14 to 16.

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 2011 were equivalent to 35 days purchases (2010: 33 days).

Trade creditors of the Group at 30 June 2011 were equivalent to 58 days purchases (2010: 57 days), based on the average daily amount invoiced by suppliers during the year.

CORPORATE GOVERNANCE

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

POST BALANCE SHEET EVENT

During August 2011 the company's and its' subsidiary Tristel Solutions Ltd received repayments of corporation tax amounting to £97,000 and £257,000 respectively, in respect of a retrospective research and development tax relief claim. The repayment has been accounted for post year end on the basis that at the reporting date there was no certainty of success. A professional fee payable upon success of the claim amounting to £32,500 was paid by the subsidiary post year end and accounted for in that period.

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 2011:

	No. of shares	% of issued share capital
Amarti Global Investors Limited	2,554,281	6.39%
ISIS EP LLP	2,176,842	5.44%
Downing Corporate Finance	2,119,392	5.30%
Unicorn Asset Management	1,635,329	4.09%
Williams De Broe	1,610,437	4.03%

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 to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The directors have elected to prepare the parent company financial statements in accordance with IFRSs. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Group'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, will be proposed for re-appointment in accordance with the Companies Act 2006.

ON BEHALF OF THE BOARD:
Elizabeth Dixon
Director
21 October 2011

Independent auditor's report to the members of Tristel plc

We have audited the financial statements of Tristel plc for the year ended 30 June 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance within the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
21 October 2011

Tristel Plc
Consolidated Income Statement
For the year ended 30 June 2011

	Note	**Year ended 30 June 2011 £'000**	Year ended 30 June 2010 £'000
Revenue		**9,287**	8,764
Cost of sales		**(3,387)**	(3,120)
Gross Profit		**5,900**	5,644
Other operating income		**3**	20
Administrative expenses:			
Share based payments		**(29)**	(44)
Depreciation, amortisation and impairment		**(663)**	(636)
Other		**(4,689)**	(3,480)
Total administrative expenses		**(5,381)**	(4,160)
Operating profit		**522**	1,504
Finance income	4	**12**	7
Finance costs	4	**(28)**	(20)
Exceptional finance income	5	**-**	233
Results from equity accounted associate	14	**2**	-
Profit before tax		**508**	1,724
Taxation	7	**(71)**	(529)
Profit for the year		**437**	1,195
Attributable to:			
Non controlling interests		**(39)**	(20)
Equity holders of parent		**476**	1,215
		437	1,195
Earnings per share from total and continuing operations attributable to equity holders of the parent			
Basic – pence	10	**1.27**	3.84
Diluted - pence	10	**1.21**	3.67

All amounts relate to continuing operations.

The notes form part of these financial statements

Tristel Plc
Statement of Consolidated Comprehensive Income
For the year ended 30 June 2011

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Profit for the period	**437**	1,195
Other comprehensive income		
Exchange differences on translation of foreign operations	**(73)**	(9)
Total comprehensive income for the period	**364**	1,186
Attributable to:		
Non controlling interests	**(39)**	(20)
Equity holders of the parent	**403**	1,206
	364	1,186

The notes form part of these financial statements

Tristel Plc
Consolidated Statement of Changes in Equity
For the year ended 30 June 2011

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total attributable to owners of the parent £'000	Non controlling interests £'000	Total equity £'000
1 July 2009	269	2,663	478	-	1,416	4,826	-	4,826
Transactions with owners:-								
Dividends paid	-	-	-	-	**(524)**	**(524)**	**(125)**	**(649)**
Shares issued	**63**	**2,887**	-	-	-	**2,950**	-	**2,950**
Non controlling interests arising on consolidation	-	-	-	-	-	-	**137**	**137**
Share based payments – IFRS 2	-	-	-	-	**44**	**44**	-	**44**
	332	**5,550**	**478**	-	**936**	**7,296**	**12**	**7,308**
Profit for the year ended 30 June 2010	-	-	-	-	**1,215**	**1,215**	**(20)**	**1,195**
Other comprehensive income:-								
Exchange differences on translation of foreign operations	-	-	-	-	**(9)**	**(9)**	-	**(9)**
Total comprehensive income	-	-	-	-	**1,206**	**1,206**	**(20)**	**1,186**
30 June 2010	**332**	**5,550**	**478**	-	**2,142**	**8,502**	**(8)**	**8,494**
Transactions with owners:-								
Dividends paid	-	-	-	-	**(638)**	**(638)**	-	**(638)**
Shares issued	**68**	**3,601**	-	-	-	**3,669**	-	**3,669**
Share based payments – IFRS 2	-	-	-	-	**29**	**29**	-	**29**
	400	**9,151**	**478**	-	**1,533**	**11,562**	**(8)**	**11,554**
Profit for the year ended 30 June 2011	-	-	-	-	**476**	**476**	**(39)**	**437**
Other comprehensive income:-								
Exchange differences on translation of foreign operations	-	-	-	**(73)**	-	**(73)**	-	**(73)**
Total comprehensive income	-	-	-	**(73)**	**476**	**403**	**(39)**	**364**
30 June 2011	**400**	**9,151**	**478**	**(73)**	**2,009**	**11,965**	**(47)**	**11,918**

The notes form part of these financial statements

Tristel Plc
Company Statement of Changes in Equity
For the year ended 30 June 2011

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
1 July 2009	**269**	**2,663**	**673**	**3,605**
Transactions with owners:-				
Dividends paid	**-**	**-**	**(524)**	**(524)**
Dividends received	**-**	**-**	**593**	**593**
Shares issued	**63**	**2,887**	**-**	**2,950**
Share based payments – IFRS 2	**-**	**-**	**44**	**44**
	332	**5,550**	**786**	**6,668**
Profit and total comprehensive income for the year ended 30 June 2010	**-**	**-**	**857**	**857**
30 June 2010	**332**	**5,550**	**1,643**	**7,525**
Transactions with owners:-				
Dividends paid	**-**	**-**	**(638)**	**(638)**
Shares issued	**68**	**3,601**	**-**	**3,669**
Share based payments – IFRS 2	**-**	**-**	**29**	**29**
	400	**9,151**	**1,034**	**10,585**
Profit and total comprehensive income for the year ended 30 June 2011	**-**	**-**	**639**	**639**
Exchange differences	**-**	**-**	**(19)**	**(19)**
30 June 2011	**400**	**9,151**	**1,654**	**11,205**

The notes form part of these financial statements

Tristel Plc
Consolidated Balance Sheet
As at 30 June 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Goodwill	11	**779**	779
Intangible assets	12	**6,843**	5,150
Property, plant and equipment	13	**1,496**	1,021
Investments accounted for using the equity method	14	**45**	72
Deferred tax	22	**11**	74
		9,174	7,096
Current assets			
Inventories	15	**1,613**	1,388
Trade and other receivables	16	**2,685**	2,475
Cash and cash equivalents	17	**441**	986
		4,739	4,849
Total assets		**13,913**	11,945
Capital and reserves			
Share capital	23	**400**	332
Share premium account		**9,151**	5,550
Merger reserve		**478**	478
Foreign exchange reserve		**(73)**	-
Retained earnings		**2,009**	2,142
		11,965	8,502
Non controlling interests		**(47)**	(8)
		11,918	8,494
Current liabilities			
Trade and other payables	18	**1,879**	1,612
Interest bearing loans and borrowings	19	**49**	1,256
Current tax		**-**	583
		1,928	3,451
Non-current liabilities			
Interest bearing loans and borrowings	19	**67**	-
Total liabilities		**1,995**	3,451
Total equity and liabilities		**13,913**	11,945

The financial statements were approved and authorised for issue by the Board of directors on 21st October 2011, and were signed on its behalf by:

Elizabeth Dixon
Director

The notes form part of these financial statements

Tristel Plc
Company Balance Sheet
As at 30 June 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Intangible assets	12	**3,543**	3,534
Investments	14	**1,963**	1,938
Deferred tax	22	**18**	27
		5,524	5,499
Current assets			
Trade and other receivables	16	**5,576**	1,805
Cash and cash equivalents	17	**165**	796
		5,741	2,601
Total assets		**11,265**	8,100
Capital and reserves			
Share capital	23	**400**	332
Share premium account		**9,151**	5,550
Retained earnings		**1,654**	1,643
		11,205	7,525
Current liabilities			
Trade and other payables	18	**60**	221
Current tax liabilities		**-**	354
Total liabilities		**60**	575
Total equity and liabilities		**11,265**	8,100

The financial statements were approved and authorised for issue by the Board of directors on 21st October 2011, and were signed on its behalf by:

Elizabeth Dixon
Director

The notes form part of these financial statements

Registered number 04728199

Tristel Plc
Consolidated Cash Flow Statement
For the year ended 30 June 2011

	Note	**2011**	2010
		£'000	£'000
Cash flows from operating activities			
Cash generated from operating activities	i	**589**	1,638
Corporation tax paid		**(591)**	(383)
		(2)	1,255
Cash flows from investing activities			
Interest received		**12**	7
Purchase of intangible assets		**(1,533)**	(3,095)
Acquisition of investments		**(4)**	(74)
Purchases of property, plant and equipment		**(880)**	(714)
Proceeds from sale of property, plant and equipment		**20**	442
Net cash used in investing activities		**(2,385)**	(3,434)
Cash flows from financing activities			
Loans (repaid) / received		**(1,140)**	1,202
Interest paid		**(28)**	(20)
Share issues		**3,900**	3,102
Cost of share issues		**(231)**	(152)
Dividends paid		**(638)**	(649)
Net cash from / (used) in financing activities		**1,863**	3,483
Net (decrease) / increase in cash and cash equivalents		**(524)**	1,304
Cash and cash equivalents at the beginning of the period	ii	**986**	(338)
Exchange differences on cash and cash equivalents		**(21)**	20
Cash and cash equivalents at the end of the period	ii	**441**	986

The notes form part of these financial statements

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

	2011	2010
	£'000	£'000
Profit before tax	**508**	1,724
Adjustments for non cash items:		
Depreciation of plant, property & equipment	**392**	312
Amortisation of intangible assets	**271**	187
Impairment of plant, property & equipment	**-**	23
Impairment of intangible assets	**-**	75
Impairment of investments	**-**	39
Results from associates	**(2)**	-
Share based payments – IFRS2	**29**	44
(Profit) / loss on disposal of property, plant and equipment	**(5)**	2
Government grants	**(3)**	(20)
Finance costs	**28**	20
Finance income	**(12)**	(7)
	1,206	2,399
Increase in inventories	**(225)**	(587)
Increase in trade and other receivables	**(641)**	(843)
Increase / (decrease) in trade and other payables	**249**	669
Cash generated from operations	**589**	1,638

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 2011	30 June 2010
Year ended 30 June 2011	**£'000**	£'000
Cash and cash equivalents	**441**	986
	441	986

	30 June 2010	30 June 2009
Year ended 30 June 2010	**£'000**	£'000
Cash and cash equivalents	**986**	18
Bank overdrafts	**-**	(356)
	986	(338)

Tristel Plc
Company Cash Flow Statement
For the year ended 30 June 2011

	Note	**2011 £'000**	2010 £'000
Cash flows from operating activities			
Cash generated from operating activities	a	**(3,196)**	1,325
Corporation tax paid		**(355)**	(278)
		(3,551)	1,047
Cash flows from investing activities			
Purchase of intangible assets		**(99)**	(2,586)
Acquisition of investments		**(15)**	(418)
Interest received		**3**	6
Net cash used in investing activities		**(111)**	(2,998)
Cash flows from financing activities			
Interest paid		**-**	(2)
Shares issued		**3,900**	3,102
Cost of share issue		**(231)**	(152)
Dividends paid		**(638)**	(524)
Dividends received		**-**	593
Net cash from / (used in) from financing activities		**3,031**	3,017
Net (decrease) / increase in cash and cash equivalents		**(631)**	1,066
Cash and cash equivalents at the beginning of the period	b	**796**	(270)
Cash and cash equivalents at the end of the period	b	**165**	796

The notes form part of these financial statements

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

	2011	2010
	£'000	£'000
Profit before tax	**648**	1,207
Amortisation of intangibles	**90**	85
Impairment of investment	**-**	164
Finance costs	**-**	2
Finance income	**(3)**	(6)
	735	1,452
Increase in trade and other receivables	**(3,771)**	(26)
Decrease in trade and other payables	**(160)**	(101)
Cash generated from operations	**(3,196)**	1,325

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 2011	30 June 2010
Year ended 30 June 2011	**£'000**	£'000
Cash and cash equivalents	**165**	796
	165	796

	30 June 2010	30 June 2009
Year ended 30 June 2010	**£'000**	£'000
Cash and cash equivalents	**796**	-
Bank overdrafts	**-**	(270)
	796	(270)

The notes form part of these financial statements

1. **ACCOUNTING POLICIES**

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

Changes in accounting policies
The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2010:

Amendment to IFRS 2 • Group cash-settled Share Based Payment Transactions
Amendment to IAS 1 • Presentation of Financial Statements

IFRS 2 Group cash-settled Share Based Payment Transactions (effective 1 January 2010)
The amendment to IFRS 2 clarifies that an entity that receives goods or services in a share based payment arrangement must account for those goods or services regardless of which entity in the Group settles the transaction, or whether the transaction is settled in shares or cash. The standard did not have a material effect on the Group's financial statements.

IAS1 Presentation of Financial Statements - revised 2007 (effective I July 2012)
The revision to IAS1 requires presentation of a comparative balance sheet at the start of the first comparative period, in some circumstances. Management considers that this is not necessary this year since the 2009 balance sheet is the same as that previously published.

Basis of consolidation
The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2011. Where audited financial statements at this date are not available due to non concurrent year ends, Management accounts at 30 June 2011 have been used. 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.

During the prior year the Group acquired the manufacturing rights and knowhow to a range of disinfection and cleaning products branded "Medichem". Incidental to the purchase of manufacturing rights the Group acquired 50% of the share capital of Medichem International Limited ("MIL"), the company which also owns the "Medichem" trademark. Further details are set out in note 12.

1. **ACCOUNTING POLICIES - continued**

Basis of consolidation - continued

The Board do not consider that the acquired assets and liabilities meet the definition of a business combination, on the grounds that there is not a combination of inputs, outputs or processes moving forward. The Board further considers that due to ownership of the knowhow and manufacturing rights, MIL is a subsidiary and as such 100% of the assets and liabilities and the result for the year have been consolidated on a line by line basis, with an adjustment made for non controlling interests.

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 is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

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

Associates

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost and, when activities are, in the opinion and judgment 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.

Significant judgments and estimates

The preparation of financial statements in conformity with IFRS management is required to make judgments, 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.

1. **ACCOUNTING POLICIES - continued**

Significant judgments and estimates - continued

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 the following:

Intangible assets, goodwill & Investments

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

Research and development

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

Useful lives of fixed assets

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

Recognition of deferred tax assets

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

Share-based payments

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

Taxation

A key judgement was made after the reporting date, in determining the treatment of a corporation tax refund arising from unclaimed research and development tax relief, attributable to the 30 June 2009 and 30 June 2010 financial years. A claim was submitted to HMRC on 30 June 2011, and £352,000 was repaid by HMRC in August 2011. At 30 June 2011 management could not determine the certainty of success, the repayment being contingent upon agreement by HMRC. As such the repayment is treated as a post balance sheet event and will be reported in the period in which the repayment occurred.

Revenue

Revenue is the amount receivable by the Group in the ordinary course of business with outside customers for the Group's products and for ancillary goods provided, excluding value added tax and trade discounts. Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, which is generally when the customer has taken undisputed delivery of the goods. The Group acts as principal for all revenues and its terms throughout the different sectors are identical.

Where the Group generates revenue from after sales service and maintenance contracts consideration is initially deferred, included in other liabilities and is recognised in revenue when the service is performed.

Interest receivable is reported on an accruals basis, using the effective interest method.

1. **ACCOUNTING POLICIES - continued**

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 the cash-generating unit acquired. 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. The details of these assumptions are set out in note 11.

Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged over the useful life of the asset, as detailed below:

Patents and licences - Straight line over the life of the asset, of between seven and twenty years

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off as incurred, except where the directors are satisfied, having due regard to the nature and scope of each development project assessed, as to the technical, commercial and financial feasibility of the project. In such cases, the identifiable expenditure of the relevant project is deferred and amortised over the period during which the Group is expected to benefit, as administration costs, as detailed below. Provision is made for any impairment. The amortisation of Intangible assets is charged to Administrative Expenses in the Income Statement.

Development costs - Straight line over useful economic life of seven years, or over number of units sold / budgeted sales

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

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

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

1. **ACCOUNTING POLICIES - continued**

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

Buildings	- Straight line over 25 years
Short leasehold and improvements to property	- Straight line over the lease term
Plant and machinery	- 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. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

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

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

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than GBP are translated into GBP upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Exchange differences are charged or credited to other comprehensive income and recognised in the Foreign Currency Reserve in equity.

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

1. **ACCOUNTING POLICIES - continued**

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

Leased assets
In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

All 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 instruments
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.

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

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

Trade and other receivables
Trade and other receivables are 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 and other 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 all current and prior period profits, losses and share based payments
- 'Foreign exchange reserve' comprises foreign currency translation of the financial statements of the Group's foreign entities into GBP

1. **ACCOUNTING POLICIES - continued**

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

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

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

Pension costs
For money purchase schemes the amount charged to the Income Statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

1. **ACCOUNTING POLICIES - continued**

EU Adopted IFRSs not yet applied

As of 30th June 2011, the following Standards and Interpretations are in issue but not yet effective and have not been adopted early by the Group:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 12 Disclosure of interests in other entities (effective 1 January 2013)
- IFRS 13 Fait value measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 24 (Revised 2009) Related party disclosures (effective 1 January 2011)
- IAS 27 (Revised) Separate financial statements (effective 1 January 2013)
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective 1 January 2013)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the Group.

2. **SEGMENTAL ANALYSIS**

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

The first segment concerns is the manufacture, development and sale of infection control and hygiene products which incorporate the Group's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Hospital infection control"). This segment generates approximately 77% of Group revenues

The second segment, which constitutes 22% of the business activity, relates to the contract manufacture of disinfection and cleaning products for sale to one entity, and onward distribution by that entity, principally into veterinary and animal welfare sectors ("Animal healthcare").

The third segment addresses the pharmaceutical and personal care product manufacturing industries ("Pharma & personal care"). This is a new activity and has generated less than 1% of the Groups revenues this year.

Within the hospital community, different aspects of infection control can be categorised into "vectors" or "routes of transmission" of infection. References to these "vectors" are made within the Chief Executives Report on pages 5 to 12. However, the Group does not report separately upon the vectors within its internal management information, and does not consider them to be separate sectors for the purposes of IFRS 8.

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

The Groups centrally incurred administrative expenses and operating income, and assets and liabilities cannot be allocated to individual segments.

2. **SEGMENTAL ANALYSIS – continued**

Sale of products	**Hospital infection control £'000**	**Animal health - care £'000**	**Pharma & Personal care £'000**	**Group 2011 £'000**	Hospital infection control £'000	Animal health - care £'000	Group 2010 £'000
Revenue from external customers	**7,163**	**2,086**	**38**	**9,287**	7,121	1,643	8,764
Segment revenues	**7,163**	**2,086**	**38**	**9,287**	7,121	1,643	8,764
Cost of material	**2,370**	**1,004**	**13**	**3,387**	2,185	935	3,120
	4,793	**1,082**	**25**	**5,900**	4,936	708	5,644
Centrally incurred income and expenses not attributable to individual segments:							
Other operating income				**3**			20
Depreciation and amortisation of non financial assets				**(663)**			(499)
Impairment of non financial assets				**-**			(137)
Other administrative expenses				**(4,689)**			(3,480)
Segment operating profit				**551**			1,548

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

	2011	2010
Segmental operating profit	**551**	1,548
Results from equity accounted associate	**2**	-
Share based payments	**(29)**	(44)
Finance income	**12**	7
Finance costs	**(28)**	(20)
Exceptional finance income	**-**	233
Group profit before tax	**508**	1,724

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

	Hospital infection control £'000	**Animal health – care £'000**	**Pharma & Personal care £'000**	**2011 £'000**	Hospital infection control £'000	Animal health - care £'000	2010 £'000
United Kingdom	**6,159**	**2,086**	**38**	**8,283**	6,373	1,643	8,016
Rest of the world	**1,004**	**-**	**-**	**1,004**	748	-	748
Group revenues	**7,163**	**2,086**	**38**	**9,287**	7,121	1,643	8,764

2. **SEGMENTAL ANALYSIS – continued**

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.

Hospital infection control revenues were derived from a large number of customers, including £1,591,000 from a single customer which makes up 22.4% of this segment's revenue (2010: £1,246,000 being 17.5%). Animal healthcare revenues were all derived from a single customer (2010: 100%).

During the year ended 30 June 2011, 22.8% of the Group's revenues were earned from a single customer (2010: 18.7%).

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

	2011 £'000	2010 £'000
United Kingdom	**9,103**	7,060
Rest of the world	**71**	36
Non Current assets	**9,174**	7,096

3. **EMPLOYEES AND DIRECTORS**

Group	**2011 £'000**	2010 £'000
Wages and salaries	**2,350**	1,660
Social security costs	**224**	153
Other pension costs	**66**	57
	2,640	1,870

The charge of £29,000 (2010: £44,000) to share based payments in accordance with IFRS 2 arises from transactions accounted for as equity-settled share based payments. No remuneration is paid through the company.

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

Group	**2011 Number**	2010 number
Executive directors	**2**	2
Non-executive directors	**5**	5
Sales and marketing	**26**	15
Administration	**28**	9
Production	**29**	19
	90	50

3. **EMPLOYEES AND DIRECTORS – continued**

	2011	2010
	£'000	£'000
Directors' emoluments	**355**	327
Aggregate pension contributions to money purchase schemes	**28**	23
	383	350

	2011	2010
	number	number
Money purchase schemes	**2**	2

Remuneration of the highest paid Director during the year was:	**2011**	2010
	£'000	£'000
Emoluments	**172**	158
Aggregate contributions to money purchase schemes	**21**	20
	193	178

Remuneration by director is detailed in the Directors' Remuneration Report on pages 14 to 16.

Company
No remuneration was paid by the company during the year.

Key management compensation	**2011**	**2011**	2010	2010
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Short-term employee benefits	**393**	**-**	286	-
Post-employment benefits	**28**	**-**	23	-
Share based payments IFRS 2	**9**	**-**	41	-
	430	**-**	350	-

The key management figures given above includes directors.

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

4. **FINANCE INCOME AND COSTS**

	2011	2010
	£'000	£'000
Finance income:		
Deposit account interest	**10**	2
Staff loan interest	**1**	2
Other interest	**1**	3
	12	7
Finance costs:		
Bank interest	**(28)**	(20)

5. EXCEPTIONAL INCOME

There was no exceptional income during the year.

In July 2009 the Group acquired the manufacturing rights and knowhow to a range of disinfection and cleaning products branded "Medichem", whereby the consideration was payable over five years. Full details of the transaction are included in the Note 12 Intangibles on pages 51 to 53 of these financial statements. In June 2010 an agreement was made with the vendor to settle the remaining deferred element of the consideration early. This took place during the prior year and resulted in a discount against fair value of £232,713. Given the nature of the discount the Directors consider it to be an exceptional item. The exceptional income increased the tax charge for the prior year by £67,487.

6. PROFIT BEFORE TAX

The profit before tax is stated after charging/(crediting):	**2011**	2010
	£'000	£'000
Cost of inventories recognised as expense	**2,495**	2,035
Depreciation - owned assets	**392**	312
(profit)/ Loss on disposal of property, plant & equipment	**(5)**	2
Impairment of property, plant & equipment	**-**	23
Patents and licences amortisation	**106**	86
Development costs amortisation	**165**	101
Impairment of development costs	**-**	75
Impairment of Investments	**-**	39
Auditor's remuneration	**40**	43
Foreign exchange (gain)	**(88)**	(72)
Operating lease rentals - land and buildings	**204**	119
- vehicles and equipment	**33**	22
Research costs expensed	**98**	80

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

	2011	2010
	£'000	£'000
Audit services		
- audit of these financial statements	**16**	16
- audit of financial statements of subsidiaries	**21**	21
	37	37
Non-audit services		
- taxation services		
Parent Company	**-**	-
Subsidiaries	**-**	3
- other services	**3**	3
	3	6
	40	43

7. TAXATION

The taxation charge represents:

	2011	2010
	£'000	£'000
Current taxation:-		
Corporation tax	**5**	563
Adjustment in respect of earlier years	**3**	9
Total current tax	**8**	572
Deferred tax:-		
Origination and reversal of temporary differences	**63**	(43)
Total deferred tax	**63**	(43)
Total tax charge in Income Statement	**71**	529

Factors affecting the tax charge
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:

	2011	2010
	£'000	£'000
Profit on ordinary activities before tax	**508**	1,724
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	**142**	482
Effects of:		
Expenses not deductible for tax purposes	**50**	47
Different rate tax bands and change in tax rates	**(20)**	(2)
Enhanced relief on qualifying scientific research expenditure	**(153)**	(11)
Adjustment in respect of prior years	**3**	9
Tax losses not utilised and other timing differences	**49**	4
Total tax charge for year	**71**	529

8. PARENT COMPANY INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £638,466 (2010: £857,351).

9. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:	**2011 £'000**	2010 £'000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2010 of 1.4p (2009: 1.295p) per share	**464**	383
Interim dividend for the year ended 30 June 2011 of 0.435p (2010: 0.425p) per share	**174**	141
	638	524
Proposed final dividend for the year ended 30 June 2011 of 0.12p (2010: 1.4p) per share	**48**	464

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

10. EARNINGS PER SHARE

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

	2011 £'000	2010 £'000
Retained profit for the financial year attributable to equity holders of the parent	**476**	1,215
	Shares '000 Number	Shares '000 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**37,305**	31,668
Effect of dilutive potential ordinary shares		
Share options	**1,985**	1,495
	39,290	33,163
Earnings per ordinary share		
Basic	**1.27p**	3.84p
Diluted	**1.21p**	3.67p

The calculation of the weighted average number of shares is based on the years ended 30 June 2011 and 30 June 2010. The calculation of diluted earnings per share includes outstanding options on 2,075,000 ordinary shares at 30 June 2011 (1,937,500– 30 June 2010).

11. GOODWILL

Group	**Total**
	£'000
Cost at 30 June 2009, 30 June 2010 & 30 June 2011	**779**
Net book value	
At 30 June 2011	**779**
At 30 June 2010	779

The acquired goodwill in respect of Newmarket Technologies Limited ("NTL"), formerly Tristel Technologies Limited, was tested for impairment in accordance with IAS 36. During the prior year there was a transfer of trade and a sale at book value of all assets and liabilities of NTL to fellow subsidiary Tristel Solutions limited ("TSL"). The relevant revenue lines previously associated with NTL are separately identifiable within TSL and continue to form the basis of impairment testing and for this purpose the revenue lines are identified as a single cash-generating unit.

The asset has been evaluated by reference to actual performance against forecast of the CGU for the prior year, and in respect of forecasts for the four years ending 30 June 2015. The Board have estimated that relevant revenue generation will continue for a minimum of 5 years from the balance sheet date. The forecasts assume static revenue and gross margin levels, derived from the historic performance of the CGU. In order to check for sensitivity the impairment review has assumed a 15% reduction in revenue, a 10% reduction in gross margin, and reduction in the life of the asset to 4 years from the balance sheet date. After this sensitivity analysis the value of future cash flows, based on value in use calculations, continues to exceed the carrying value of the asset. As such, in the opinion of the directors, no goodwill impairment is considered necessary.

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

Company
The Company has no goodwill to account for.

12. INTANGIBLE ASSETS

During the prior year the Group acquired the manufacturing rights and knowhow to a range of disinfection and cleaning products branded "Medichem". This acquired intellectual property has an indefinite life, and as such has been tested for impairment in accordance with IAS 36. For this purpose the value of the asset has been evaluated by reference to the benefits of future profit and cash flows arising from the products manufactured over a 5 year period. Historic trading performance has been referred to in forecasting future turnover and gross margin percentages. These forecasts have been supported by performance in the post balance sheet period.

The forecasts assume small revenue growth and static gross margin levels. In order to check for sensitivity the impairment review has assumed a 15% reduction in revenue and a 10% reduction in gross margin, after which the current value of future cash flows, based on value in use calculations, continues to exceed the carrying value of the asset. As such in the opinion of the directors no goodwill impairment is considered necessary.

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

12. **INTANGIBLE ASSETS - continued**

Group	Patents and licences £'000	Development – Marketable products £'000	Development – Products in development £'000	**Totals £'000**
Cost				
At 1 July 2009	1,743	1,426	99	**3,268**
Reclassification	-	1	(1)	**-**
Additions	2,611	402	82	**3,095**
At 30 June 2010	4,354	1,829	180	**6,363**
Reclassification	-	59	(59)	**-**
Additions	99	1,794	71	**1,964**
At 30 June 2011	4,453	3,682	192	**8,327**
Amortisation				
At 1 July 2009	706	245	-	**951**
Charge for year	86	101	75	**262**
At 30 June 2010	792	346	75	**1,213**
Charge for year	106	165	-	**271**
At 30 June 2011	898	511	75	**1,484**
Net book value				
At 30 June 2011	3,555	3,171	117	**6,843**
At 30 June 2010	3,562	1,483	105	5,150

During the prior year a decision was made to discontinue 2 projects which sought to develop new and alternative delivery systems for the Group's core chemistry. Further investment into these projects was not thought to be viable at that time and accordingly a full impairment loss of £75,000 was recognised in the prior year.

12. **INTANGIBLE ASSETS – continued**

Company	Patents and licences £'000	**Totals £'000**
Cost		
At 1 July 2009	1,525	**1,525**
Additions	2,586	**2,586**
At 30 June 2010	**4,111**	**4,111**
Additions	99	**99**
At 30 June 2011	**4,210**	**4,210**
Amortisation		
At 1 July 2009	492	**492**
Charge for year	85	**85**
At 30 June 2010	**577**	**577**
Charge for year	90	**90**
At 30 June 2011	**667**	**667**
Net book value		
At 30 June 2011	**3,543**	**3,543**
At 30 June 2010	3,534	3,534

13. **PROPERTY, PLANT AND EQUIPMENT**

Group	Buildings	Short leasehold	Improvements to property	Plant and machinery	Fixtures and fittings	Motor vehicles	**Totals**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost							
At 1 July 2009	-	43	379	769	114	225	**1,530**
Net exchange differences	-	-	-	2	-	3	**5**
Additions	320	-	70	233	3	88	**714**
Disposals	(320)	(43)	-	(5)	-	(60)	**(428)**
At 30 June 2010	**-**	**-**	**449**	**999**	**117**	**256**	**1,821**
Net exchange differences	-	-	-	2	-	2	**4**
Additions	-	-	434	187	25	234	**880**
Disposals	-	-	-	-	-	(69)	**(69)**
At 30 June 2011	**-**	**-**	**883**	**1,188**	**142**	**423**	**2,636**
Depreciation							
At 1 July 2009	-	15	65	328	63	79	**550**
Net exchange differences	-	-	-	-	-	2	**2**
Eliminated on disposal	(3)	(43)	-	(5)	-	(36)	**(87)**
Charge for year	3	5	46	178	19	61	**312**
Impairment	-	23	-	-	-	-	**23**
At 30 June 2010	**-**	**-**	**111**	**501**	**82**	**106**	**800**
Net exchange differences	-	-	-	2	-	-	**2**
Eliminated on disposal	-	-	-	-	-	(54)	**(54)**
Charge for year	-	-	83	190	21	98	**392**
Impairment	-	-	-	-	-	-	**-**
At 30 June 2011	**-**	**-**	**194**	**693**	**103**	**150**	**1,140**
Net book value							
At 30 June 2011	**-**	**-**	**689**	**495**	**39**	**273**	**1,496**
At 30 June 2010	-	-	338	498	35	150	1,021

During the prior year, following the early vacation of leased premises, an impairment loss in relation to non recoverable leasehold improvements amounting to £23,000 was recognised.

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

14. INVESTMENTS

Group

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

Tristel Italia Srl (Incorporated in Italy)	**2011**	2010
Nature of business: Supply of infection control products		
Class of shares	**€1 Ordinary**	€1 Ordinary
Holding	**20%**	20%

	2011	2010
	£'000	£'000
Assets	**177**	95
Liabilities	**158**	124
Aggregate capital and reserves	**19**	(29)
Turnover	**171**	78
Profit / (Loss) for the period	**10**	(38)
Profit / (Loss) for the period attributable to the Group	**2**	(8)

During the prior year the associate's financial performance failed to meet internal forecasts and as such showed signs of impairment. Future cash generation was re-evaluated by reference to past performance to give a revised value in use, using a discount rate of 10%. In the year to 30 June 2010 an impairment loss of £39,000 was recognised. No impairment has been recognised in the current year.

Company	Shares in Group undertakings and associate £'000	**Totals** **£'000**
Cost		
At 1 July 2009	1,640	**1,640**
Additions	462	**462**
At 30 June 2010	**2,102**	**2,102**
Additions	25	**25**
At 30 June 2011	**2,127**	**2,127**
Impairment		
At 1 July 2009	-	**-**
Charge for the year	164	**164**
At 30 June 2010	**164**	**164**
Charge for the year	-	**-**
At 30 June 2011	**164**	**164**
Net book value		
At 30 June 2011	**1,963**	**1,963**
At 30 June 2010	1,938	1,938

The total amount recognised in the Company balance sheet in relation to options granted over the parent Company shares to employees of subsidiaries during the year amounts to £29,000 (2010: £44,000)

14. **INVESTMENTS - continued**

Subsidiaries

Tristel Solutions Limited (Incorporated in England and Wales)	**2011**	2010
Nature of business: Supply of infection control products		
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**100%**	100%

Newmarket Technologies Limited - formerly Tristel Technologies Limited (Incorporated in England and Wales)	**2011**	2010
Nature of business: Supply of water purification products		
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**100%**	100%

During the prior year there was a transfer of trade and a sale at book value of all assets and liabilities from Newmarket Technologies Limited (formerly Tristel Technologies Limited) to fellow subsidiary Tristel Solutions Limited.

Tristel New Zealand Limited – formerly Stella Performance Limited (Incorporated in New Zealand)	**2011**	2010
Nature of business: Supply of infection control products		
Class of shares	**$1 Ordinary**	$1 Ordinary
Holding	**100%**	100%

Shanghai Stella Medical Equipment Co Ltd (Incorporated in China) 100% owned by Tristel Asia Limited	**2011**	2010
Nature of business: Supply of infection control products		
Class of shares	**¥1 Ordinary**	¥1 Ordinary
Holding	**85%**	85%

Tristel Asia Limited (Incorporated in Hong Kong)	**2011**	2010
Nature of business: Supply of infection control products		
Class of shares	**$1 Ordinary**	$1 Ordinary
Holding	**85%**	85%

Medichem International Limited (Incorporated in England and Wales)	**2011**	2010
Nature of business: Supply of disinfection and cleaning products		
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**50%**	50%

During the prior year a 50% share in Medichem International Limited ("MIL") was acquired. The investment is tested for impairment by reference to the fair value of the assets and liabilities of MIL. During that year £250,000 of the retained earnings of MIL were distributed to shareholders, of which the Group received £125,000. The resulting reduction in fair value of the net assets of MIL was recognised as an impairment loss. No impairment has been recognised in the current year.

15. INVENTORIES

Group	2011 £'000	2010 £'000
Raw materials	**682**	911
Finished goods	**931**	477
	1,613	1,388

Company
The Company has no inventories.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Current				
Trade receivables	**1,984**	1,659	**-**	-
Amounts owed by associated undertakings	**84**	89	**84**	89
Amounts owed by Group undertakings	**-**	-	**5,366**	1,625
Other receivables	**137**	90	**114**	77
Prepayments and accrued income	**480**	637	**12**	14
	2,685	2,475	**5,576**	1,805

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

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

The directors consider that the carrying amount of trade and other receivables exceeds 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.

In the animal healthcare segment, the Group has a single customer who owed £570,382 at 30 June 2011 (2010: £470,911) In the hospital infection control segment, the credit risk is lessened due to the large number of customers. However, these are predominantly situated within a single market, healthcare.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Bank accounts	**441**	986	**165**	796
	441	986	**165**	796

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

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Current				
Trade payables	**1,251**	1,145	**25**	48
Amounts owed to Group undertakings	**-**	-	**-**	143
Social security and other taxes	**371**	200	**-**	-
Accruals and deferred income	**257**	267	**35**	30
	1,879	1,612	**60**	221

Government grants of £nil (2010: £3,295) are included in the accruals and deferred income figure above.

19. FINANCIAL LIABILITIES – INTEREST BEARING LOANS AND BORROWING

Terms and loan repayment schedule	Group		Company	
	2011	2010	**2011**	**2010**
	£'000	£'000	**£'000**	**£'000**
Other loans	**116**	1,256	**-**	**-**
	116	1,256	**-**	**-**

	Group		Company	
	2011	2010	**2011**	2010
	1 year or less	1 year or less	**1 year or less**	1 year or less
	£'000	£'000	**£'000**	£'000
Current				
Other loans	**49**	1,256	**-**	-
	49	1,256	**-**	-

	Group		Company	
	2011	2010	**2011**	2010
	More than 1 year but less than 2 years	More than 1 year but less than 2 years	**More than 1 year but less than 2 years**	More than 1 year but less than 2 years
	£'000	£'000	**£'000**	£'000
Non Current				
Other loans	**67**	-	**-**	-
	67	-	**-**	-

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

Other loans at 30 June 2011 comprise asset finance arrangements from Lloyds TSB repayable by fixed monthly instalments over 36 months, issued to the Company's subsidiary Tristel Solutions Ltd. Interest is payable at 11.3%.

Other loans at 30 June 2010 were settled during the year, they comprised a revolving facility from Royal Bank of Scotland and a term loan from Lombard North Central Plc both issued to the Company's subsidiary Tristel Solutions Ltd.

20. FINANCIAL INSTRUMENTS

This note presents information about the Group's exposure risk, 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.

Financial Risks
The Group's activities expose it to a number of financial risks including 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, loans and borrowings. 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.

Credit Risk
The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, which are concentrated in a large number of low value customer accounts alongside several very large 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. The credit risk on trade and other receivable are managed by agreeing appropriate payment term with customers, obtaining credit agency ratings of all potential customers; by requiring wherever possible payment for goods in advance or upon delivery; and by closely monitoring customers balances due to ensure they do not become overdue.

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 rate to ensure certainty of cash flows. However where borrowings are linked to base rate, consideration is given to the impact of, and potential for, fluctuation prior to entering into the arrangement. Group cash balances and expected cash flow are monitored on a daily basis to ensure the Group has sufficient available funds to meet its needs.

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.

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

20. **FINANCIAL INSTRUMENTS – continued**

Capital management

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

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

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

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

Capital for the period is summarised as follows:

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Total equity	**11,918**	8,494	**11,205**	7,525
Cash and cash equivalents	**(441)**	(986)	**(165)**	(796)
Capital	**11,477**	7,508	**11,040**	6,729
Total equity	**11,918**	8,494	**11,205**	7,525
Borrowings	**116**	1,256	**-**	-
Overall financing	**12,034**	9,750	**11,205**	7,525
Capital to overall financing ratio	**0.95**	0.77	**0.99**	0.89

Financial assets and liabilities

The Group's activities are financed by cash at bank and borrowings.

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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Cash and cash equivalents	**441**	986	**165**	796
Trade and other receivables excluding prepayments	**2,205**	1,838	**5,564**	1,791
	2,646	2,824	**5,729**	2,587

20. **FINANCIAL INSTRUMENTS – continued**

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

	Group carrying amount		Company carrying amount	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
United Kingdom	**1,627**	1,611	**5,480**	77
Rest of world	**578**	227	**84**	1,714
	2,205	1,838	**5,564**	1,791

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £5,652 (2010: £6,528) have been provided against but no other receivables were considered to be impaired.

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:

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Not past due	**1,444**	1,280	**5,564**	1,791
Past due 0-30 days	**437**	428	**-**	-
Past due 31-120 days	**259**	101	**-**	-
Past due 120 days +	**65**	29	**-**	-
	2,205	1,838	**5,564**	1,791

Liquidity risk

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

Group

30 June 2011	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6 to 12 months £'000**	**More than 12 months £'000**
Non-derivative financial liabilities					
Trade and other payables	**1,508**	**1,508**	**1,508**	**-**	**-**
Borrowings – Other loans	**116**	**116**	**25**	**24**	**67**
	1,624	**1,624**	**1,533**	**24**	**67**
30 June 2010					
Non-derivative financial liabilities					
Trade and other payables	1,412	1,412	1,412	-	-
Borrowings – Other loans	1,256	1,256	1,256	-	-
	2,668	2,668	2,668	-	-

20. **FINANCIAL INSTRUMENTS – continued**

Liquidity risk - continued

Company

30 June 2011	**Carrying amount £’000**	**Contractual cash flows £’000**	**6 months or less £’000**	**6 to 12 months £’000**	**More than 12 months £’000**
Non-derivative financial liabilities					
Trade and other payables	**60**	**60**	**60**	**-**	**-**
30 June 2010					
Non-derivative financial liabilities					
Trade and other payables	78	78	78	-	-

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

	Group		**Company**	
	2011 £’000	2010 £’000	**2011 £’000**	2010 £’000
Current assets				
Cash and cash equivalents	**441**	986	**165**	796
Trade and other receivables	**2,685**	2,475	**5,576**	1,805
	3,126	3,461	**5,741**	2,601

All of the above relate to the IAS 39 category ‘loans and receivables’

	Group 2011 £’000	Group 2010 £’000	**Company 2011 £’000**	Company 2010 £’000
Current liabilities				
Interest bearing loans and borrowings	**49**	1,256	**-**	-
Trade and other payables	**1,508**	1,412	**60**	221
	1,557	2,668	**60**	221
Non Current liabilities				
Interest bearing loans and borrowings	**67**	-	**-**	-

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.

20. FINANCIAL INSTRUMENTS – continued

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

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

Interest rate and currency profile
The Group's financial assets comprise cash at bank and short-term investments. At 30 June 2011 the average interest rate earned on the temporary closing balances was 0.1% (2010: 0.1%).

Sensitivity analysis

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

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

21. LEASING AGREEMENTS

Group

	2011	2010
Amounts repayable under non-cancellable operating leases fall due:	**£'000**	£'000
Within one year	**135**	107
Between one and five years	**159**	88
In more than five years	**-**	-
	294	195

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

Company
The Company has no lease agreements.

22. DEFERRED TAX

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Balance at 1 July	**74**	31	**27**	21
Charged / (credited) to Income Statement for the year	**(63)**	43	**(9)**	6
Balance at 30 June	**11**	74	**18**	27

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Tax losses	**Acc'd tax depr'n**	**Timing diff's on R&D spend**	**Group Total**	**Company Acc'd tax depr'n**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 30 June 2009	(24)	55	-	31	21
Charged to Income Statement for the year	26	17	-	43	6
Balance at 30 June 2010	**2**	**72**	**-**	**74**	**27**
(Credited) / charged to Income Statement for the year	**119**	**(36)**	**(146)**	**(63)**	**(9)**
Balance at 30 June 2011	**121**	**36**	**(146)**	**11**	**18**

Other timing differences include tax relief on research and development spend

Net deferred tax asset	**Group**	**Company**
	£'000	**£'000**
Balance at 30 June 2011	**11**	**18**
Balance at 30 June 2010	74	27

The Group deferred tax liability at 30 June 2011 has been recognised at 26% (2010: 28%) as it expected that this will be the rate applicable on reversal of the temporary differences.

23. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid	**Number:**	**£**
1 July 2009	26,882,880	268,829
Issued during the year	6,259,716	62,597
30 June 2010	**33,142,596**	**331,426**
Issued during the year	6,842,105	68,421
30 June 2011	**39,984,701**	**399,847**

On 23 November 2010 the Company issued 6,842,105 new ordinary shares of 1p each for an aggregate consideration of £3,900,000. The proceeds, after deduction of associated costs, amounted to £3,669,000, resulting in a credit to the Share premium account of £3,601,000. The shares were issued to reduce bank borrowings, restructure a royalty obligation and fund the expansion of the business.

(2010: In July 2009, 2,688,287 ordinary shares were issued at £0.41 per share, being the market price at the date of allotment. The proceeds, after deduction of associated costs, amounted to £1,045,000, resulting in a credit to the Share premium account of £1,019,000. The shares were issued to assist the Group with the acquisition of Manufacturing rights to a range of products sold predominantly into veterinary and animal welfare sectors.

In November 2009 a further 3,571,429 shares were issued at £0.56 per share. The proceeds, after deduction of associated costs, amounted to £1,913,000, resulting in a credit to the Share premium account of £1,868,000. The shares were issued to meet institutional demand and assist the Groups working capital.)

Share based payments

The Group maintains two share based payment schemes, a Senior Management scheme. and a General Employee scheme.

The Senior management scheme is part of the remuneration package of the executive directors. Options under this scheme will vest is certain conditions as defined in the programme are met. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

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

23. CALLED UP SHARE CAPITAL - continued

Share based payments - continued

During the year ended 30 June 2011 the Group and the Company had fourteen share based payment arrangements, under two schemes, 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	General Employee Share Option Plan	General Employee Share Option Plan
Date of grant	23/12/05	23/12/05	09/02/06	30/11/07	23/7/08	19/04/09	04/08/09
Share price at grant date	45p	45p	45p	53p	42p	53p	53p
Exercise price	59.5p	53.75p	52.75p	53.75p	53.75p	53.75p	53.75p
No. of employees	1	8	2	3	1	15	1
No. of shares under option	250,000	580,000	30,000	120,000	60,000	170,000	60,000
Vesting period (from date of grant) / vesting conditions	Between 23/12/05 and 23/12/08	Between 23/12/05 and 23/12/08	Between 09/02/06 and 09/02/09	Between 30/11/07 and 30/11/10	Between 23/07/08 and 23/07/10	On 19/04/09	Between 04/08/09 and 04/08/12
Contractual life of option	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	20%	20%	20%	27%	27%	27%	15%
Expected average life from vesting	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Risk free rate	4.6%	4.6%	4.6%	5%	1.5%	1.5%	0.15%
Expected dividend yield	2.2%	2.2%	2.2%	2.5%	4%	4%	4%
Possibility of ceasing emp'yment before vesting	-	25%	50%	33%	25%	25%	25%
Fair value calculation per option:							
25% on Vesting	0.027p	0.040p	0.040p	0.096p	0.029p	-	0.028p
25% in 12 months	0.034p	0.051p	0.051p	0.110p	0.035p	-	0.032p
25% in 24 months	0.047p	0.061p	0.061p	0.121p	0.040p	-	0.036p
25% in 36 months	0.054p	0.070p	0.070p	0.130p	0.044p	-	0.038p
100% on vesting	-	-	-	-	-	0.018p	-

23. CALLED UP SHARE CAPITAL – continued

Type of arrangement	General Employee Share Option Plan	Senior Management Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan
Date of grant	12/10/09	12/10/09	08/03/10	08/03/10	25/7/10	19/10/10	16/03/11
Share price at grant date	53p	53p	60.5p	60.5p	53.75p	50.6p	55p
Exercise price	53.75p	Between 53.75p & 65p	60.5p	60.5p	53.75p	53.75p	55p
Number of employees	9	2	2	1	1	5	8
Number of shares under option	90,000	1,175,000	20,000	60,000	30,000	50,000	80,000
Vesting period (from date of grant) / vesting conditions	On 12/10/09	Half between 12/10/09 and 12/10/11 Half on change of control	On 08/03/10	Between 08/03/10 and 08/03/13	Between 25/07/10 and 25/07/13	On 19/10/10	On 16/03/11
Contractual life of option	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	15%	25%	25%	25%	56%	56%	62.5%
Expected average life from vesting	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Expected dividend yield	4%	4%	4%	4%	3.4%	3.4%	3.8%
Possibility of ceasing employment before vesting	25%	-	25%	25%	25%	25%	25%
Fair value calculation per option:							
25% on Vesting	-	0.052p	-	0.042p	0.218p	-	-
25% in 12 months	-	0.059p	-	0.047p	0.234p	-	-
25% in 24 months	-	0.038p	-	0.051p	0.245p	-	-
25% in 36 months	-	-	-	0.053p	0.253p	-	-
100% on vesting	0.028p	-	0.042p	-	-	0.218p	0.154p

23. **CALLED UP SHARE CAPITAL – continued**

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 as different to that on vesting.

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

A reconciliation of option movements over the year to 30 June 2011 is shown below:-

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 July	**2,680,000**	**56.94p**	1,275,000	54.84p
Granted	**160,000**	**51.00p**	1,405,000	57.88p
Forfeited	**(65,000)**	**51.07p**	-	-
Outstanding at 30 June	**2,775,000**	**56.87p**	2,680,000	56.94p
Exercisable at 30 June	**2,075,000**	**40.82p**	1,937,500	55.01p

The total charge at 30 June 2011 relating to employee share based payment plans, in accordance with IFRS-2, was £124,288 (2010: £94,928) all of which related to equity-settled share based payment transactions.

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

24. **RELATED PARTY DISCLOSURES**

Transactions between the Group and Bruce Green
Under the terms of a technology licence agreement between the Group and Bruce Green, a director and shareholder in the Company, royalties of £194,834 (2010: £323,886) were payable during the year to Bruce Green Limited, a company owned by Mr Green. At 30 June 2011 the Group owed Mr Green £30,601 (2010: £84,532). £700,000 was paid to Mr Green during the year to settle in part existing royalty and consultancy agreements.

Transactions between the Group and Tom Allsworth
Under the terms of supply agreements between the Group and Medichem (International) Manufacturing Limited, 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 £331,878 (2010: £772,177) were payable and monies totalling £nil (2010: £207,464) were receivable during the year. At 30 June 2011 the Company owed Medichem (International) Manufacturing Limited £54,915 (2010: £58,254) and was owed £831 (2010: £22,838).

24. **RELATED PARTY DISCLOURES - continued**

Transactions between the Group and Mark Fraundorfer
Under the terms of supply agreements between the Group and Astromed Limited, Hangover Limited, IVC Limited, Urotech Limited, Fraundorfer Urology Limited, Aspiring Holdings Limited, and Promed Urology Limited, all companies in which Mr Mark Fraundorfer, a director of subsidiary Tristel New Zealand, is a shareholder and director, £29,857 was payable during the year (2010: £25,847).

Transactions between the parent and subsidiary companies
During the year the Company charged its subsidiary companies, Tristel Solutions Limited and Newmarket Technologies Limited £900,000 and £nil respectively, in respect of management fees (2010: £1,100,000 and £150,000 respectively).

As at the year end the Company was owed £5,366,197 (2010: £1,626,889) by its subsidiary Company Tristel Solutions Limited, in respect of intra-Group transactions, consisting of management fees receivable and recharged costs. The Company owed £1 (2010: £1) to its subsidiary Company Newmarket Technologies Limited, in respect of intra-Group transactions, consisting of management fees receivable and recharged costs. The Company also was owed £nil (2010: £143,163) by its subsidiary Company Tristel New Zealand Limited in respect of intra-Group transactions and recharged costs.

Hive up
At 30 April 2010 there was a transfer of trade and a sale at book value of all assets and liabilities from subsidiary company Newmarket Technologies Limited (formerly Tristel Technologies Ltd) to fellow subsidiary Tristel Solutions Limited. Since this date Newmarket Technologies Limited has been dormant.

Transactions between the parent and associate companies
During the year the Group charged its associate Company Tristel Italia Srl £18,185 (2010: £9,059) in respect of finished goods.

At the year end the Company was owed £83,749 (2010: £87,566) by its associate Tristel Italia Srl in respect of intra-Group transactions, consisting of cash advances and recharged costs.

Transactions with directors
Dividends were paid to directors as follows:

	30 June 2011	30 June 2010
	£	£
Mr Paul Swinney	21,281	25,444
Ms Elizabeth Dixon	20	19
Mr Francisco Soler	133,885	117,945
Mr Peter Stephens	20,249	18,846
Mr Paul Barnes	10,279	9,568
Mr Peter Clarke	400	375
Mr Antonio Soler	69	-
Mr Bruce Green	17,433	16,004

During the prior year Paul Swinney, a director of the Company, was granted options over 1,000,000 of the parent company Tristel plc's 1p ordinary shares; this option was granted at prices ranging between 53.75p and 65p. Following an initial release of 25% of the total option grant, these options are released 25% upon achievement of specific targets and 50% on change of control. Once exercisable the options are exercisable at any time up to 12 October 2014.

During the prior year Paul Barnes, a director of the Company, was granted options over 175,000 of the parent company Tristel plc's 1p ordinary shares; this option was granted at prices ranging between 53.75p and 65p. Following an initial release of 25% of the total option grant, these options are released 25% upon achievement of specific targets and 50% on change of control. Once exercisable the options are exercisable at any time up to 12 October 2014.

24. RELATED PARTY DISCLOURES - continued

Transactions with directors – continued

During the prior year Elizabeth Dixon, a director of the Company, was granted options over 60,000 of the parent company Tristel plc's 1p ordinary shares; this option was granted at a price of 53.75p. 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 (4 August 2009) and once exercisable are exercisable at any time up to 4 August 2015.

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

25. POST BALANCE SHEET EVENT & CONTINGENT ASSET

During August 2011 the company received a repayment of corporation tax amounting to £352,000 in respect of a retrospective research and development tax relief claim. The repayment has been accounted for post year end on the basis that there was no certainty of success, the asset being contingent upon agreement by HMRC, which had not occurred at the reporting date.

A professional fee payable upon success of the claim amounting to £32,500 was paid post year end and accounted for in that period.