

Tristel plc
Annual Report & Accounts
Year ended
30 June 2013

Tristel

Contents

5	CHAIRMAN'S STATEMENT
9	CHIEF EXECUTIVE'S REPORT
20	COMPANY INFORMATION
21	DIRECTORS' BIOGRAPHIES
22	DIRECTORS' REMUNERATION REPORT
25	CORPORATE GOVERNANCE REPORT
27	REPORT OF THE DIRECTORS
31	INDEPENDENT AUDITOR'S REPORT
32	CONSOLIDATED INCOME STATEMENT
33	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
34	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
35	COMPANY STATEMENT OF CHANGES IN EQUITY
36	CONSOLIDATED BALANCE SHEET
37	COMPANY BALANCE SHEET
38	CONSOLIDATED CASH FLOW STATEMENT
39	NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
40	COMPANY CASH FLOW STATEMENT
41	NOTES TO THE COMPANY CASH FLOW STATEMENT
42	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Tristel plc

LYNX BUSINESS PARK, FORDHAM ROAD,
SNAILWELL, CAMBRIDGESHIRE CB8 7NY
T: +44 (0)1638 721500 F: +44 (0)1638 721911
E: mail@tristel.com W: www.tristel.com

Tristel plc is a manufacturer of infection prevention and contamination control products. Its lead technology is a proprietary chlorine dioxide formulation and the Company addresses three distinct markets:

THE HUMAN HEALTHCARE MARKET

Hospital infection prevention via the Tristel brand

Tristel

THE ANIMAL HEALTHCARE MARKET

Veterinary practice infection prevention via the Anistel brand

Anistel

THE CONTAMINATION CONTROL MARKET

Control of contamination in critical environments via the Crystel brand

Crystel

FINANCIAL HIGHLIGHTS OF 2013

- Turnover of **£10.6m** vs £10.9m in 2012
- Strong second half performance with **revenues up 40% to £6.2m** from £4.4m in the first half
- Second half adjusted* pre-tax profit of £1.1m compared to a first half adjusted pre-tax loss of £0.6m, giving an adjusted **pre-tax profit of £0.5m for the year**
- Gross margin of **66%** vs 68% in 2012
- Basic earnings per share of **3.16p** loss compared to 1.77p profit in 2012
- Dividend per share for the full year **0.40p**
- International **sales increased by 61% to £3.4m** compared to £2.1m in 2012
- Gross cash of **£0.6m**

**Adjusted for non-recurring items totalling £2.2m (2012: £0.2m)*

OPERATIONAL HIGHLIGHTS OF 2013



The 'new look' Tristel with its refreshed brand was rolled out across the portfolio starting in the summer 2013.



Three months to build a market-leading brand. Anistel launched for the animal healthcare market and became industry leader in the year.



Crystel, the first significant new player in many years in Europe's sterile packed disinfectant business.

A black and white photograph of a modern building facade with large glass windows. The word "Tristel" is prominently displayed on a white horizontal band above a set of glass doors. The letter "T" is blue, "r" is blue, "i" is green, "s" is blue, "t" is blue, "e" is blue, and "l" is blue. The building is partially framed by two large trees in the foreground. In the lower foreground, there is a landscaped area with a low wall made of logs and some plants.

Tristel

Chairman's Statement

At this time last year I stated that we 'would undergo a root and branch review of our business' and that we envisaged a year of transition as we moved the business from its dependency on legacy endoscopy products at the same time as ensuring that all of our overseas operations became cash flow positive. Achievement of both these objectives would be key to the long term success and viability of the Group. I am pleased to report that both have been achieved during the year and that the company is in far better shape than it was 12 months ago, notwithstanding the short term impact on the year's financial results.

The results show flat revenues of £10.56 million (2012: £10.94 million) and a decline in profit before tax and non-recurring items of 47% to £0.48 million (2012: £0.75 million). This is a very disappointing set of results that hides a picture of two starkly contrasting halves. A loss before tax and exceptional items at the halfway stage of £0.64 million was followed by a profit of £1.12 million in the second half. The Group's performance in the second half reflected the cost cutting measures that we undertook earlier in the year and the growth in sales of the newer generation of Tristel products. The non-recurring item of £2.23 million (2012: £0.17 million) relates to the impairment of intangibles and the cost of restructuring our operations.

LEGACY PRODUCT DECLINE

The decline in the multi-channel endoscopy products, our legacy business, was sharper than anticipated and dominated the financial results for this year. Following a 2% increase in sales in 2012, sales more than halved in 2013, in a segment that had represented nearly 30% of total sales. Predicting the precise timing and severity of this fall-off was not possible and management are now focussed on managing the tail off of hospitals using our products for endoscope decontamination with a minimum of investment and deployed capital, as we focus instead on the current and future generation of Tristel disinfectant and cleaning products.

FOCUS ON GROWTH PRODUCTS

By contrast, the non and single-lumened instrument disinfectant products have grown in both the UK (10%) and overseas (36%). Around the world over 1.7 million decontamination procedures were carried out using the Tristel Wipes System on the small flexible endoscopes and ultrasound probes that are used in a range of different hospital departments including gynaecology, urology, ear nose & throat, cardiology and IVF. We anticipate further growth in the use of these products as they are increasingly recognised as a decontamination standard for these types of medical instrument.

I reported in our 2012 statement that we had ceased contract manufacturing for the distributor that sold certain of our products into the UK veterinary market where it had become market leader. As a result, we have had to establish our own brand of veterinary products and sell them directly to the country's veterinary practices and animal welfare institutions, of which there are over 4,000. The brand that we have created is Anistel. The situation gave us the opportunity to access the veterinary market directly, an endeavour that has not been easy. It is pleasing to report that direct sales to the UK and overseas veterinary market reached £0.74 million in the year at an enhanced margin to that previously earned. The veterinary market is very different from the hospital market that has been the Group's

historic domain and has required us to extend our sales and marketing activities outside of our traditional area of expertise. We are well placed for further growth in 2014 in this segment of our business.

The third market that we address with our Crystel range is contamination control for pharmaceutical manufacturers, hospital aseptic units and laboratories. Since we invested in the clean room facilities to manufacture this range, sales growth has been much slower than originally anticipated. However, sales reached £0.91 million in the year, an increase of 286% on the prior year, attributable to the introduction of new products and new client wins in both industry and within the National Health Service aseptic units. We are attracting customers to our Crystel range because of the efficacy of our products and the superior service levels we provide.

ROOT AND BRANCH REVIEW AND RESTRUCTURING OUR COST BASE

One of the concerns identified last year was the profitability of our overseas operations. We said that we would 'single mindedly focus on ensuring that our international operations either became profitable or are restructured'. This process has, at times, been painful but during the year the Board and management have taken tough decisions and worked hard to ensure that all of our overseas operations are now cash flow positive. In the same vein, the Company's control of costs is much improved compared to this time last year although there is still more work to be done in this area to ensure that we remain competitive and to maximise the effect of the anticipated sales growth in 2014.

Another consequence of the 'root and branch review of our business' that we promised in the last statement, has been an analysis of our IP portfolio and other balance sheet items. This led, in the early part of the year, to the write off of certain assets relating to our legacy business and culminated in a non-recurring charge of £2.23 million.

Restructuring our business, in the face of a rapid decline in our core product area, has been difficult. However, we were very clear in our communications to shareholders that it was essential if Tristel is to flourish for the future in a fast changing market environment. The impact of the restructure is reflected in our financial results and has been felt by all of our employees; but we are building a business platform that will meet the challenges and opportunities presented in each of our three markets.

EPS AND DIVIDEND

Basic earnings per share were a loss of 3.16 pence (2012: a profit of 1.77 pence). The Board is recommending that the final dividend is 0.32 pence (2012: 0.35 pence) making a total dividend for the year of 0.40 pence (2012: 0.62 pence). If approved, the final dividend will be paid on 16 December 2013 to shareholders on the register at 29 November 2013.

EMPLOYEES

The year ended 30 June 2013 has been particularly challenging and has impacted all of our employees. Tristel has a loyal and flexible workforce that, during the year, has been tested by the market environment and the need for significant changes to our modus operandi. In line with our root and branch review, and as we resized our operation, we have had to part company with some of our employees. For those remaining it has been no less challenging. We thank all of our team, in every part of our operation, in the UK and overseas, for their efforts and contribution throughout the year and recognise that without such a loyal and dedicated workforce we would have found our transformation considerably more difficult.

OUTLOOK

With the immediate short term restructuring of our operations largely behind us and with momentum building behind sales into new segments with new products, we feel we can be cautiously optimistic for the coming year and into the medium term. Our Company, its people, processes and procedures are more robust than they were a year ago and we are well positioned to capitalise on the opportunities presented to us both in the UK and overseas. With all of our overseas operations cash flow positive and with an improved cost structure we believe we can manage the final stage of the decline in legacy products and drive our Company to achieve the levels of growth and profitability that the Board expects and our shareholders deserve.

Christopher Samler

Chairman

11 October 2013

The shape of the Tristel Group

Tristel

Infection prevention in **hospitals**

Our first chlorine dioxide disinfectant was simply called 'Tristel' and was available in a 5 litre jerry can. Today multiple sub-brands like Tristel Fuse, Tristel Duo and Tristel Jet and are specially formulated for targeted applications in liquid, foam, gel and wipes. The specialist range is the premier infection control product for human healthcare.



Anistel

Infection prevention in **animal healthcare**

A stunning achievement. Anistel has been conceived, launched and has achieved market leading position in the animal healthcare and veterinary world in a little more than a year. Anistel provides a bridgehead for further success bringing Chlorine dioxide infection control standards into animal healthcare.



Crystel

Contamination control in critical **environments**

Crystel was launched with seventeen new formulations and a five-hundred-thousand pound investment in an onsite cleanroom. Now this effort is beginning to reap its rewards with the brand making inroads into the multi-million pounds pharmaceutical, cosmetics and toiletries sectors.



Chief Executive's Report

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

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

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

THE TRISTEL PORTFOLIO Infection prevention in human healthcare

Hospital microbiologists and infection prevention 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, surfaces, water, skin and air.

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

Instruments

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

Flexible endoscopes are used in many clinical areas of a hospital. For our product development and marketing strategy we have segregated them into the large, complex, multi-channelled endoscopes that are used in departments such as gastro-intestinal (GI) endoscopy; and the smaller and less complex instruments that are used in departments such as ear, nose and throat (ENT), cardiology, anaesthesia and urology. We categorise the larger, complex instruments under the banner MCE (multi-channelled endoscopes), and the smaller, less complex instruments under the banner N&SLI (non and single lumened instruments). Also included in the N&SLI category are ultrasound probes which are used very widely throughout all hospitals for diagnostic procedures carried out in obstetrics and gynaecology, IVF, maternity and urology.

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

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

Chief Executive's Report – *continued*

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, IVF and ultrasound departments in the United Kingdom. The system is portable, allows the instrument to be returned to the consultant for the next patient in a 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 process supported by comprehensive training. Both the chlorine dioxide wipe and the Wipes System process are extensively patented.

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

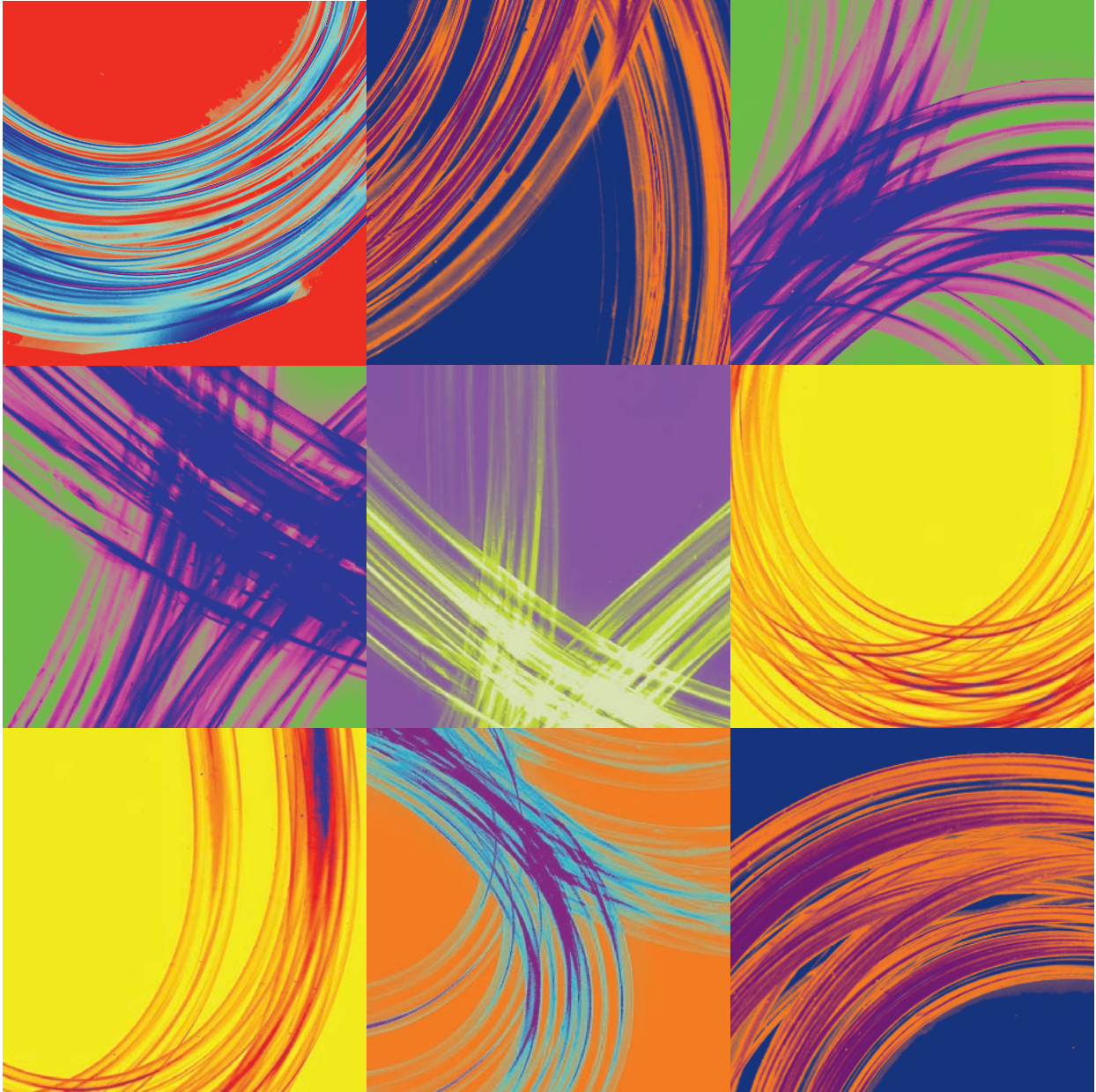
The Wipes System (as does Stella and Fuse) challenges the orthodox conventions of instrument decontamination, but it is gaining ever increasing acceptance worldwide. For many years we have stated that our strategic objective is to establish these products as the universal “gold” standards for the decontamination of non and single-lumened heat sensitive medical instruments.

During the year, over 1.7 million disinfection procedures were undertaken by Tristel's proprietary wipe in the 27 countries in which it is commercially available. The Wipes System can fairly be described as having become the principal method of decontamination of nasendoscopes, cardiology and ultrasound probes in those markets it has gained a commercial foothold. However, the potential for substantially higher procedure numbers, even in the markets in which the Wipes System is most established, and in those markets where it has only recently been launched, is great.

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

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 (cystoscopes), gynaecology (hysteroscopes) and respiratory medicine (bronchoscopes).

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



Tristel

The coloured 'swooshes' that have become synonymous with Tristel flair have been updated. The new marks have a light, modern feel and form the basis of the new Tristel product branding.

Chief Executive's Report – continued

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

Instruments – financial performance and future outlook

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

	2012-13	2011-12
Multi-Channelled Endoscopy UK	1,254,000	2,977,000
Non & Single Lumened UK	3,089,000	2,812,000
Non & Single Lumened Overseas	2,122,000	1,563,000
	6,465,000	7,352,000

Sales in 2012-13 of MCE products were £1,254,000, a decrease of 57.9% on the previous year (2012: £2,977,000). All sales were in the United Kingdom.

Total sales of N&SLI products increased from £4,375,000 to £5,211,000, a rise of 19.1%, with domestic sales increasing by 9.8% and overseas sales increasing by 25.8%. Whilst we have achieved very high rates of penetration in the United Kingdom in certain niche areas such as ENT, our hospital clients are continuously finding new applications for the Wipes System. There is very significant growth potential in areas such as women's health and ophthalmology.

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

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

Surfaces

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

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

Surfaces – financial performance and outlook

Sales of surface products increased from £1,055,000 to £1,067,000, an increase of 0.5%. Overseas sales decreased by 5.2%.

	2012-13	2011-12
Surfaces UK	939,000	920,000
Surfaces Overseas	128,000	135,000
	1,067,000	1,055,000

We anticipate that the upward momentum in sales will be restored in 2013-14.

Water

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

The supply agreement with Bio-Cide was last renewed in June 2008 and has a 20-year term. In association with the supply agreement, Tristel is the representative of Bio-Cide in the industry group that is sponsoring the registration of sodium chlorite and chlorine dioxide under the Biocidal Products Regulation (BPR) which supersedes 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 BPR. This legal instrument is being imposed by the European Community (EC) to limit the number of active ingredients that can be used, primarily for ecological and environmental reasons. Our industry group is supporting sodium chlorite and chlorine dioxide through the regulatory submission process. The biocidal industry's consensus view is that the cost of submission under the BPR will block the development and introduction of active ingredients that could be future alternatives to those already approved under the BPR. 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.

Water – financial performance and outlook

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

Total sales of Water disinfection products were £418,000 (2012: £482,000). Export sales were £144,000 (2012: £185,000) and domestic sales £274,000 (2012: £297,000).

Other

Other hospital infection prevention revenues during the year were £290,000 (2012: £149,000).

THE ANISTEL PORTFOLIO Infection prevention in animal healthcare

During the period from July 2009 to March 2012 the Group manufactured and supplied to Medichem International (Marketing) Limited a range of disinfectants and cleaning products. Medichem sold these products to veterinary practices and other animal welfare institutions in the United Kingdom and overseas and to hospitals and laboratories in the United Kingdom and overseas. A significant proportion of Medichem's sales were routed through wholesalers and other intermediaries.

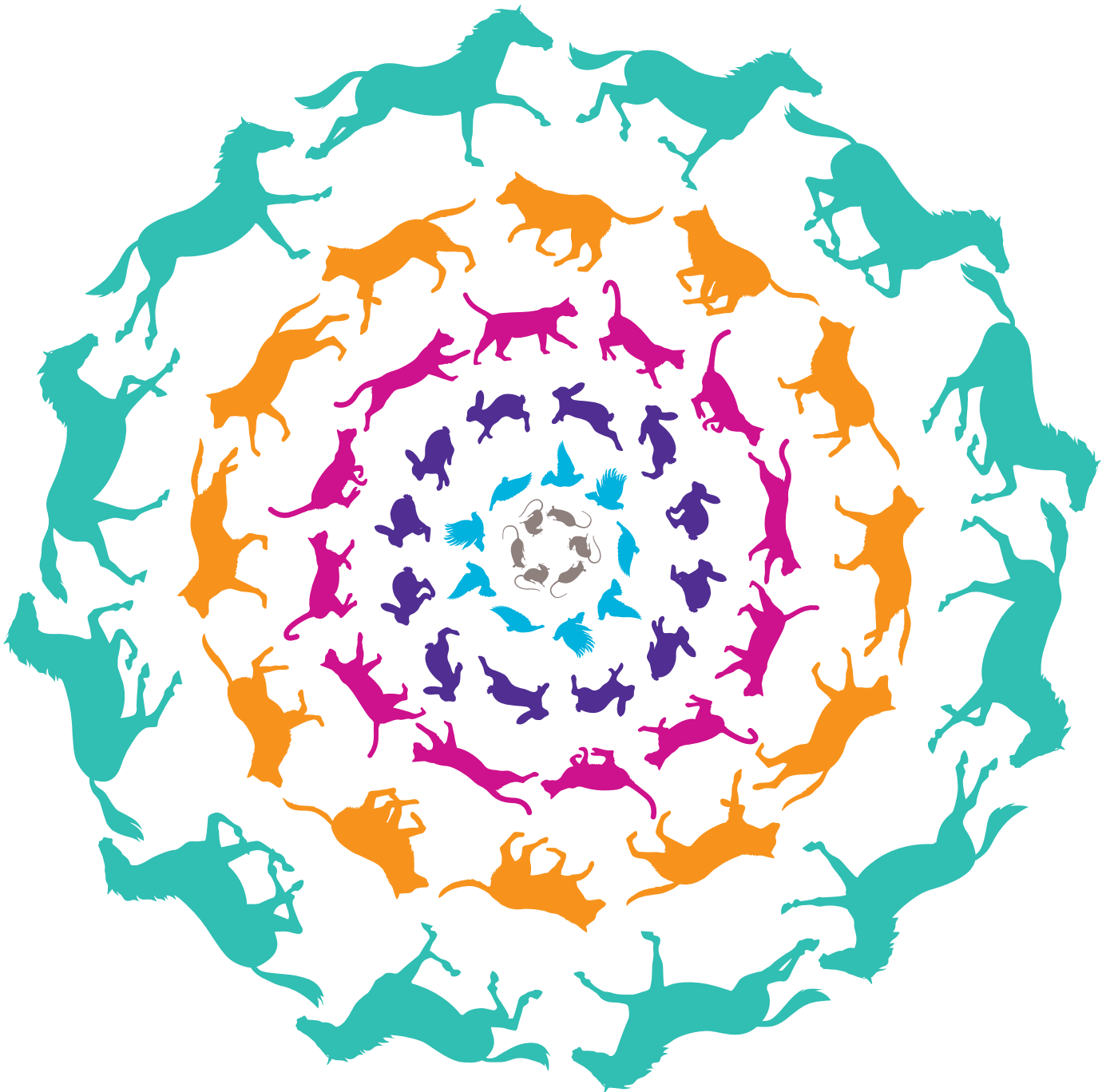
In March 2012 a commercial dispute arose with Medichem. As a consequence of the dispute, which could not be resolved by negotiation, Tristel elected to supply the end-user customer base directly. In so doing, Tristel created a new brand name for the animal healthcare suite of products – Anistel – and established a specialist veterinary sales force. The Group entered the 2012-13 financial year facing a number of challenges:-

- preparations for the introduction of the new branding were not complete for all of the product range;
- it had to establish relationships with the three major veterinary wholesalers who serve 80% of the UK veterinary market's purchasing requirements. We were not known to these wholesalers and we had to overcome their long-standing loyalties to their previous supplier;
- it had to establish relationships with the buying groups that are becoming increasingly prevalent in the UK veterinary market and also the charities which are a significant feature of it;
- it had to locate the UK veterinary client base and communicate the change in the source of supply through direct selling, telesales, advertising and promotion;
- it had to locate Medichem's domestic and overseas distributors not involved in the UK veterinary sector and establish relationships with them. Sixteen overseas distributors switched their source of supply to Tristel during the year.

All of these challenges commenced on 27 March 2012 and had to be met from a standing start. In locating and then supplying the end-users directly the Company came to realise that much of the client base was actually in the human healthcare and contamination control markets and our previous understanding that the principal end user market was animal healthcare has been disproved. This year's segmental analysis of revenues allocates £738,000 of the total £2,120,000 (2012: £1,666,000) of sales from this business unit to animal healthcare. The remaining £1,382,000 of sales has been allocated to human healthcare (£955,000) and contamination control (£427,000).

Infection prevention in animal healthcare – financial performance and future outlook

Within the year we have achieved a market leading position in the animal healthcare market in the UK and we are confident we can continue this success going forward.



Anistel

Known as the 'circle of life' internally, the trademark has helped Anistel gallop to a sector leading position in the animal healthcare market.

THE CRYSTEL PORTFOLIO Contamination control in critical environments

The detergents and disinfectants in the Crystel portfolio 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 constructed in our Newmarket facility.

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

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

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

Critical environment contamination control – financial performance and outlook

Sales of the sterile and non-sterile products during the year were £908,000 (2012: £235,000), an increase of 286.4%.

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

INTERNATIONAL – all Group portfolios

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

The business model employed in the majority of countries in which we sell products is to use a national distribution partner. During the year, 42 distributors purchased Group products (2012: 38) with an aggregate value of £1,736,000 (2012: £1,048,000), an increase of 65.6% on the prior year.

Notwithstanding the model employed in the majority of countries, we have found that greater and more rapid penetration is in fact achieved where we have established subsidiaries and branch offices in overseas markets. During the year, our direct operations in New Zealand, China, Hong Kong and Germany generated aggregate revenues of £1,667,000 (2012: £1,068,000), an increase of 56.1%.

The division between overseas sales generated by direct operations and by distributors in the year and compared to 2012 was:

	2012-13	2011-12
Overseas distributor sales	1,736,000	1,048,000
Overseas owned entity sales	1,667,000	1,068,000
	3,403,000	2,116,000



Crystal

The jewellery imagery used on the Crystal range of cleanroom products is not only eye-catching and effective branding but also has a practical use. The colours relate to the Ph scale and describe the acid or alkaline properties of the solutions.

Wholly owned or partially owned overseas operations**Tristel New Zealand Limited, New Zealand (100% owned)**

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

Tristel NZ sales in the year were £735,000 (2012: £335,000), an increase of 119.4% on the prior year.

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

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

The team also manages the network of distributors which has been established throughout China and Hong Kong. During the year there were 15 distributors operating actively in the China and Hong Kong market.

Tristel Medical Equipment (Shanghai) Ltd and Tristel Asia Limited sales in the year were £305,000 (2012: £521,000), a decrease of 41.5% on the prior year.

During the year we restructured our operation in China, both to reduce overheads and change the selling strategy that had been adopted during the first two years of operation in the country. A number of redundancies were made and the office downsized. The change in focus, combined with receiving the regulatory approval for the Wipes System, enabled the business to achieve cash break-even.

Tristel Italia srl, Italy (20% owned)

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

Tristel Italia's results are not consolidated into the Group but are accounted for under the equity method, and are unaudited. Sales during the year were £144,000 (2012: £137,000), an increase of 5.3% on the prior year.

Tristel Germany (branch)

Tristel Germany is a branch located in Berlin. The team is a sales and marketing operation serving the German hospital infection prevention control market. Sales during the year were £623,000 (2012: £212,000), a 293.9% increase on the prior year.

Tristel Russia

Tristel Russia is a branch located in Moscow. No activity was recorded during the year whilst the branch was in formation.

International – financial performance and future outlook

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

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

As a result of our product offering becoming more established overseas, alongside the widening of our target markets, Group export sales increased by 60.8% during the year from £2,116,000 to £3,403,000 and international expansion will continue to be a major driving force for the growth of the Group.

GROUP RESULTS AND FINANCE

Revenue

Group revenue decreased by 3.5% to £10,558,000 (2012: £10,939,000).

Margins and operating profit

The gross margin fell slightly to 66% (2012: 68%).

Excluding amortisation of intangibles, share-based payments, non-recurring items, interest and results from associates operating profits fell by 20.7% to £1,061,000 (2012: £1,294,000).

Loss/Profit before tax

Loss before tax for the year was £1,750,000 (2012: profit before tax £578,000) after non-recurring items of £2,231,000 (2012: £174,000). Profit before tax adjusted for the non-recurring items fell by 46.8% to £481,000 (2012: £752,000).

Earnings

The basic earnings per share were a loss of 3.16 pence (2012: a profit of 1.77 pence).

Capital and intangible expenditures

Capital investments in the development of new products, patents and regulatory approvals resulted in additions to intangible assets of £345,000 (2012: £630,000). Purchases of plant and equipment fell to £127,000 (2012: £407,000).

Treasury

Cash and cash equivalents reduced slightly during the year from £705,000 to £627,000 at 30 June 2013.

Paul Swinney

Chief Executive

11 October 2013

Company Information

Directors

C Samler
PC Swinney
EA Dixon
FA Soler
PM Barnes
PFH Stephens (retired 11.12.12)
B Green

Secretary

PM Barnes

Registered Office

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

Registered Number

04728199 (England and Wales)

Auditors

Grant Thornton UK LLP
Chartered Accountants – Registered Auditors
101 Cambridge Science Park
Milton Road
Cambridge
Cambridgeshire CB4 0FY

Broker

FinnCap
60 New Broad Street
London EC2M 1JJ

Solicitors

Greene & Greene
80 Guildhall Street
Bury St Edmunds
Suffolk IP33 1QB

Maclay Murray & Spens LLP
One London Wall
London EC2Y 5AB

Patent Attorney

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

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Directors' Biographies

Christopher Samler, Non-Executive Chairman

(Member of Audit, Remuneration & Nomination Committees)

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

Paul Swinney, Chief Executive

(Member of Nomination Committee)

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

Elizabeth Dixon, Finance Director

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

Francisco Soler, Non-Executive Director

(Chairman of Remuneration & Nomination Committees)

Francisco 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 Barnes, Non-Executive Director

(Chairman of Audit Committee and member of Remuneration committee)

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

Bruce Green, Non-Executive Director

Bruce 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.

Peter Stephens a Non-Executive Director at 1.7.12, retired from the Board at the Company's AGM on 11.12.12.

Directors' Remuneration Report

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

Remuneration policy for Executive Directors

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

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

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

Remuneration package for Executive Directors

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

Base salary

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

Annual performance incentive

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

Pensions and other benefits

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

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

Share options

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

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

Remuneration policy for Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in 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. All Board members retire at each Annual General Meeting, and at their own request alongside the recommendation of the Nominations Committee, are put forward for re-election.

Directors' remuneration

The Directors received the following remuneration during the year to 30 June 2013.

Name of director	Salary and fees £'000	Bonus £'000	Taxable benefits £'000	Share-based pmts IFRS-2 £'000	2013 Total (excl. pension) £'000	2012 Total (excl. pension) £'000	2013 Pension £'000	2012 Pension £'000
Executive								
Paul Swinney	143	–	26	9	178	168	21	21
Elizabeth Dixon	90	–	12	–	102	86	13	11
Non-Executive								
Christopher Samler	50	–	–	1	51	17	–	–
Francisco Soler	–	–	–	–	–	–	–	–
Paul Barnes	20	–	–	2	22	22	–	–
Peter Stephens (retired 11.12.12)	9	–	–	–	9	20	–	–
Bruce Green	12	–	–	–	12	12	–	–
Peter Clarke (retired 13.12.11)	–	–	–	–	–	12	–	–
Antonio Soler (retired 13.12.11)	–	–	–	–	–	40	–	–
Aggregate emoluments	324	–	38	12	374	377	34	32

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

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 2012	Shares vesting in the year	Total shares vested at 30 June 2013	Exercise price	Earliest date of exercise	Date of expiry
Executive							
Paul Swinney	250,000	250,000	–	250,000	59.50p	23/12/05	22/12/15
	250,000	250,000	–	250,000	53.75p	12/10/09	12/10/19
	250,000	250,000	–	250,000	53.75p	30/06/10	12/10/19
	500,000	–	–	–	65.00p	On change of control	12/10/19
Elizabeth Dixon	60,000	60,000	–	60,000	53.75p	23/07/08	23/07/18
	60,000	45,000	–	60,000	53.75p	04/08/09	04/08/19
	10,000	10,000	–	10,000	53.75p	21/12/1	21/12/21
Non-Executive							
Paul Barnes	43,750	43,750	–	43,750	53.75p	12/10/09	12/10/19
	43,750	43,750	–	43,750	53.75p	30/06/10	12/10/19
	87,500	–	–	–	65.00p	On change of control	12/10/19
Christopher Samler	200,000	–	200,000	200,000	57.00p	06/07/12	06/07/22

Directors' Remuneration Report – continued

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

Directors' shareholdings

The interests of the Directors in the shares of the Company at 30 June 2013 and 30 June 2012 were:

Ordinary 1p shares	30 June 2013	30 June 2012
Executive		
Paul Swinney	893,742	1,092,742
Elizabeth Dixon	45,067	13,500
Non-Executive		
Christopher Samler	256,410	–
Francisco Soler	10,974,988	8,698,877
Paul Barnes	612,680	572,680
Bruce Green	1,015,016	965,016
Peter Stephens (retired 11.12.12)	–	778,521

The market price of the Company's shares as at 30 June 2013 was 20.55p. The range during the year was 20.2p to 35p (source - London Stock Exchange).

Corporate Governance Report

Corporate governance

Companies who have their securities traded on the AIM are not required to comply with the disclosure requirements of UK Corporate Governance published by the Financial Reporting Council. The Board has determined that the Company should maintain high standards of corporate governance, and has adopted procedures and 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, for example the Group does not currently have an internal audit function, which the Board of Directors consider appropriate for a Group of Tristel's size.

Board of Directors

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

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

The Board is responsible to shareholders for the proper management of the Group and meets formally at least eight times a year to set the overall direction and strategy of the Group, to review operating and financial performance and to consider and advise on senior management appointments. The Board also monitors and approves financial policy and budgets, including capital expenditure. All key operational decisions are subject to Board approval. The company secretary is responsible for ensuring that Board procedures are followed and that 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 all board members retire at each Annual General Meeting, and at their own request alongside the recommendation of the Nominations Committee, are put forward for re-election.

Board and Committee attendance

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

	Eligible to attend	Attended
Christopher Samler	10	10
Paul Swinney	7	7
Elizabeth Dixon	7	7
Francisco Soler	10	10
Paul Barnes	10	8
Bruce Green	7	7
Peter Stephens	4	1

Committees of the Board

Remuneration Committee

The Remuneration Committee comprises certain of the Non-Executive Directors under the Chairmanship of Francisco Soler. It reviews, inter alia, the performance of the Executive Directors and sets the scale and structure of their remuneration and basis of their service agreements, 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 22 to 24.

Audit Committee

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

Nominations Committee

The Nominations Committee comprises two Non-Executive and one Executive Director, under the Chairmanship of Francisco Soler. The committee meets twice a year to consider whether or not Directors retiring by rotation should be put forward for re-election at the annual general meeting; to give full consideration to succession planning for Directors and other senior Executives; and to identify and nominate for the approval of 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 shareholders and analysts throughout the year. Shareholders will be given at least 21 days' notice of the Annual General Meeting at which they will be given the opportunity to discuss the Group's developments and performance. The Company's website www.tristel.com contains full details of the Group's activities, press releases and other details, as well as share price details, share trading activities and graphs, and Regulatory News Service (RNS) announcements.

Maintenance of a sound system of internal control

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

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

Financial information

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

Management of liquid resources

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

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

Report of the Directors

The Directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2013.

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.

Review of business and future developments

The Chairman's Statement on pages 5 to 7 and the Chief Executive's Report on pages 9 to 19 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 key performance indications (KPIs) for the Group to be revenue and gross margin %. These are both measured and monitored closely. Current period revenue is £10.6m (2012: £10.9m); gross margin for the year is 66% (2012: 68%). References to both can be seen within the Chairman's statement and the Chief Executive's report.

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

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

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

Operating risks

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

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

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

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

External risks

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

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

Report of the Directors – *continued*

Financial risks

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

Credit risk

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

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

Cash flow risk

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

Exchange rate risk

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

Liquidity risk

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

Results and dividends

There was a loss for the year after taxation amounting to £1,312m (2012: Profit £0.669m).

A final dividend of £0.140m (0.35p per share) was paid during the year in respect of the year ended 30 June 2012. (2012: £0.048m (0.12p per share).

An interim dividend of £0.032m (0.08p per share) was paid during the year in respect of the year ended 30 June 2013 (2012: £0.108m, 0.27p per share) and the Directors recommend a final dividend of 0.32p per share (2012: 0.35p per share). If approved, the total distribution of dividends for the year ended 30 June 2013 will be £0.160m (2012: £0.248m).

A review of the Group's performance for the year ended 30 June 2013 is contained in the Chairman's Statement on pages 5 to 7 and the Chief Executive's Report on pages 9 to 19.

Research and development

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

Charitable donations

The company made payments in the period to the ADAPT charity of £3,542 (2012: £1,458) who provide support within neonatal units for premature and poorly new-born's.

Going concern

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

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

The Directors believe that the Group is well placed to manage 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 year.

C Samler

PC Swinney

EA Dixon

FA Soler

PM Barnes

BC Green

PFH Stephens (retired 11.12.12)

The Group provides Directors and Officers indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2013 the policy cost £6,360 (2012: £,6,360).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 22 to 24.

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 2013 were equivalent to 33 days purchases (2012: 34 days).

Trade creditors of the Group at 30 June 2013 were equivalent to 59 days purchases (2012: 59 days), based on the average daily amount invoiced by suppliers during the year.

Corporate governance

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

Substantial shareholdings

Except for the 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 2013:

	No. of shares	% of issued share capital
ISIS EP LLP	2,176,842	5.44%
Amati Global investors Ltd	1,841,046	4.60%
Unicorn Asset Management	1,635,329	4.09%
Hargreaves Lansdown	1,531,005	3.83%
Cavendish Asset Management	1,505,902	3.77%

Report of the Directors – *continued*

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with IFRSs. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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.

The Directors confirm that:

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

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

Auditors

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

On behalf of the board:

Elizabeth Dixon

Director

11 October 2013

Independent Auditor's Report to the members of Tristel plc

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 2013 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 30, 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 2013 and of the Group's loss 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 Report of the Directors 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
11 October 2013

Consolidated Income Statement

For the year ended 30 June 2013

	NOTE	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Revenue		10,558	10,939
Cost of sales		(3,544)	(3,511)
Gross profit		7,014	7,428
Other operating income		38	-
Administrative expenses:			
Share-based payments		(16)	14
Depreciation and amortisation		(1,026)	(1,050)
Other		(5,517)	(5,635)
Non-recurring items	5	(2,231)	(174)
Total administrative expenses		(8,790)	(6,845)
Operating (loss)/profit		(1,738)	583
Finance income	4	6	7
Finance costs	4	(20)	(13)
Results from equity accounted associate	14	2	1
(Loss)/profit before tax		(1,750)	578
Taxation	7	438	91
(Loss)/profit for the year		(1,312)	669
Attributable to:			
Non-controlling interests		(48)	(38)
Equity holders of parent		(1,264)	707
		(1,312)	669
Earnings per share from total and continuing operations attributable to equity holders of the parent			
Basic – pence	10	(3.16)	1.77
Diluted – pence	10	(3.16)	1.77

All amounts relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000 (Restated)
(Loss)/profit for the period	(1,312)	669
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	(14)	(4)
Items that will be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	(53)	(1)
Other comprehensive income for the period	(67)	(5)
Total comprehensive income for the period	(1,379)	664
Attributable to:		
Non controlling interests	(60)	(42)
Equity holders of the parent	(1,319)	706
	(1,379)	664

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Share capital	Share premium account	Merger reserve	Foreign exchange reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
30 June 2011	400	9,151	478	(73)	2,009	11,965	(47)	11,918
Transactions with owners:								
Dividends paid	–	–	–	–	(156)	(156)	–	(156)
Share-based payments – IFRS 2	–	–	–	–	(14)	(14)	–	(14)
Total transactions with owners	–	–	–	–	(170)	(170)	–	(170)
Profit for the year ended 30 June 2012	–	–	–	–	707	707	(38)	669
Other comprehensive income:								
Exchange differences on translation of foreign operations	–	–	–	(1)	–	(1)	(4)	(5)
Total comprehensive income	–	–	–	(1)	707	706	(42)	664
30 June 2012	400	9,151	478	(74)	2,546	12,501	(89)	12,412
Transactions with owners:								
Dividends paid	–	–	–	–	(172)	(172)	–	(172)
Share-based payments – IFRS 2	–	–	–	–	16	16	–	16
Total transactions with owners	–	–	–	–	(156)	(156)	–	(156)
Loss for the year ended 30 June 2013	–	–	–	–	(1,264)	(1,264)	(48)	(1,312)
Other comprehensive income:								
Exchange differences on translation of foreign operations	–	–	–	(53)	–	(53)	(14)	(67)
Total comprehensive income	–	–	–	(53)	(1,264)	(1,317)	(62)	(1,379)
30 June 2013	400	9,151	478	(127)	1,126	11,028	(151)	10,877

Company Statement of Changes in Equity

For the year ended 30 June 2013

	Share premium £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
30 June 2011	400	9,151	1,654	11,205
Transactions with owners:				
Dividends paid	–	–	(156)	(156)
Shares issued	–	–	–	–
Share-based payments – IFRS 2	–	–	(14)	(14)
Total transactions with owners	–	–	(170)	(170)
Profit and total comprehensive income for the year ended 30 June 2012	–	–	655	655
30 June 2012	400	9,151	2,139	11,690
Transactions with owners:				
Dividends paid	–	–	(172)	(172)
Shares issued	–	–	–	–
Share-based payments – IFRS 2	–	–	16	16
Total transactions with owners	–	–	(156)	(156)
Loss and total comprehensive income for the year ended 30 June 2013	–	–	(185)	(185)
30 June 2013	400	9,151	1,798	11,349

Consolidated Balance Sheet

As at 30 June 2013

	NOTE	2013 £'000	2012 £'000
Non-current assets			
Goodwill	11	667	779
Intangible assets	12	5,629	6,898
Property, plant and equipment	13	1,096	1,505
Investments accounted for using the equity Method	14	–	45
Deferred tax	22	307	–
		7,699	9,227
Current assets			
Inventories	15	1,868	1,979
Trade and other receivables	16	2,554	2,831
Cash and cash equivalents	17	627	705
		5,049	5,515
Total assets			
		12,748	14,742
Capital and reserves			
Share capital	23	400	400
Share premium account		9,151	9,151
Merger reserve		478	478
Foreign exchange reserve		(127)	(74)
Retained earnings		1,126	2,546
		11,028	12,501
Non-controlling interests			
		(151)	(89)
		10,877	12,412
Current liabilities			
Trade and other payables	18	1,683	1,916
Interest bearing loans and borrowings	19	65	82
Current tax	22	70	31
		1,818	2,029
Non-current liabilities			
Interest bearing loans and borrowings	19	53	83
Deferred tax	22	–	218
Total liabilities			
		1,871	2,330
Total equity and liabilities			
		12,748	14,742

The financial statements were approved and authorised for issue by the Board of Directors on 11 October 2013, and were signed on its behalf by:

Elizabeth Dixon
Director

Company Balance Sheet

As at 30 June 2013

	NOTE	2013 £'000	2012 £'000
Non-current assets			
Intangible assets	12	3,441	3,480
Investments	14	1,696	1,949
Deferred tax	22	10	13
		5,147	5,442
Current assets			
Trade and other receivables	16	6,242	6,326
		6,242	6,326
Total assets			
		11,389	11,768
Capital and reserves			
Share capital	23	400	400
Share premium account		9,151	9,151
Retained earnings		1,798	2,139
		11,349	11,690
Current liabilities			
Trade and other payables	18	40	39
Interest bearing loans and borrowings	19	–	8
Current tax liabilities	22	–	31
Total liabilities			
		40	78
Total equity and liabilities			
		11,389	11,768

The financial statements were approved and authorised for issue by the Board of Directors on 11 October 2013, and were signed on its behalf by:

Elizabeth Dixon

Director

Registered number 04728199 (England & Wales)

Consolidated Cash Flow Statement

For the year ended 30 June 2013

	NOTE	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operating activities	i	759	1,148
Corporation tax (paid) / received		(50)	351
		709	1,499
Cash flows used in investing activities			
Interest received		6	7
Purchase of intangible assets		(345)	(630)
Acquisition of investments		–	–
Purchases of property, plant and equipment		(131)	(407)
Proceeds from sale of property, plant and equipment		40	38
		(430)	(992)
Cash flows from financing activities			
Loans received		–	–
Loans repaid		(96)	(83)
Interest paid		(20)	(13)
Share issues		–	–
Cost of share issues		–	–
Dividends paid		(172)	(156)
		(288)	(252)
Net (decrease)/increase in cash and cash equivalents			
		(9)	255
Cash and cash equivalents at the beginning of the period	ii	705	441
Exchange differences on cash and cash equivalents		(69)	9
Cash and cash equivalents at the end of the period	ii	627	705

Notes to the Consolidated Cash Flow Statement

For the year ended 30 June 2013

i Reconciliation of profit before tax to cash generated from operations

	2013 £'000	2012 £'000
(Loss)/profit before tax	(1,750)	578
Depreciation of plant, property & equipment	464	499
Amortisation of intangible asset	566	551
Impairment of intangible assets	1,045	–
Impairment of investments	45	–
Impairment of goodwill	112	–
Impairment of plant, property & equipment	103	–
Results from associates	(2)	(1)
Share-based payments – IFRS2	16	(14)
Profit on disposal of property, plant and equipment	(12)	(8)
Loss on disposal of intangible asset	3	24
Finance costs	20	13
Finance income	(6)	(7)
	604	1,635
Decrease/(Increase) in inventories	111	(366)
Decrease/(Increase) in trade and other receivables	277	(146)
(Decrease)/Increase in trade and other payables	(233)	25
Cash generated from operations	759	1,148

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 2013 £'000	30 June 2012 £'000
Year ended 30 June 2013		
Cash and cash equivalents	627	705
	627	705
Year ended 30 June 2012		
Cash and cash equivalents	705	441
Cash generated from operations	705	441

Company Cash Flow Statement

For the year ended 30 June 2013

	NOTE	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operating activities	a	290	(79)
Corporation tax paid		(42)	96
		248	17
Cash flows from investing activities			
Purchase of intangible assets		(65)	(36)
Interest received		5	5
Net cash used in investing activities			
		(60)	(31)
Cash flows from financing activities			
Dividends paid		(172)	(156)
Interest paid		(8)	(3)
Net cash used in financing activities			
		(180)	(159)
Net increase/(decrease) in cash and cash equivalents			
		8	(173)
Cash and cash equivalents at the beginning of the period	b	(8)	165
Cash and cash equivalents at the end of the period			
	b	–	(8)

Notes to the Company Cash Flow Statement

For the year ended 30 June 2013

a Reconciliation of (loss)/profit before tax to cash generated from operations

	2013 £'000	2012 £'000
(Loss)/Profit before tax	(171)	596
Amortisation of intangibles	104	99
Impairment of investment	269	–
Finance costs	8	3
Finance income	(5)	(5)
	205	693
Increase/(Decrease) in trade and other receivables	85	(750)
Increase/(Decrease) in trade and other payables	–	(22)
Cash generated from operations	290	(79)

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 2013 £'000	30 June 2012 £'000
Year ended 30 June 2013		
Cash and cash equivalents	–	(8)
	–	(8)
Year ended 30 June 2012		
Cash and cash equivalents	(8)	165
	(8)	165

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

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 amendment to IFRS issued by the IASB, which is relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2012:

Amendment to IAS 1 • Presentation of financial statements

Amendment to IAS 1

The amendment to IAS 1 Presentation of Financial Statements has become applicable to the Group for the year ended 30 June 2013. This amendment requires changes to presentation of items within the Consolidated Statement of Comprehensive Income. Foreign exchange differences on translations of foreign operations are analysed between those that will be reclassified subsequently to profit and loss and those that will not. IAS 1 requires presentation of a comparative balance sheet at the beginning of the first comparative period where there has been a change in accounting policies. Management considers that this is not necessary this year because the 2011 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 2013. 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 acquisition method. The acquisition 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. These fair values are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Business combinations completed prior to date of transition to IFRS

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

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

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

Associates

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

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Unless otherwise stated changes resulting from the profit or loss generated by the 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.

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

1. Accounting policies – *continued*

Associates *continued*

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 requires management 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.

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 and 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 life of Property, Plant and Equipment

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

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax 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 of share options is calculated using the Black-Scholes pricing model. The valuation of share-based payments requires judgements to be made in respect of the number of options that are expected to be exercised. Changes in these assumptions could result in changes to amounts expensed in the income statement on future periods.

Inventories

Where inventory items are considered to be slow moving or obsolete a provision is made against the carrying amount included within the Inventory balance. During the year a provision of this nature was made in relation to 25% of the stock of Tristel Stella equipment, amounting to £204,000 (2012: nil). There was also a further provision made in relation to the groups Shine equipment of £206,000 (2012: £72,000).

Non-Recurring items

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

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

1. Accounting policies – *continued*

Revenue

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

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

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, on a straight line basis of between 7 and 20 years.

Research and development

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

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

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

In determining the amortisation policy of an intangible asset, its estimated useful economic life in terms of years or the number of stock units likely to be sold, is considered. Where a finite useful economic life of the asset can be estimated, amortisation is calculated from the point at which the asset is brought into use, and charged to the income statement over its lifetime. Where it is considered that an intangible asset has an indefinite useful economic life no amortisation is charged. Instead, in accordance with IAS 36 the asset is tested annually for impairment,

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

1. Accounting policies – *continued*

Intangible assets *continued*

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.

Property, plant and equipment

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

Foreign currency translation

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

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

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

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

Inventories

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

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.

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

1. Accounting policies – *continued*

Leased assets

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

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

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

Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are 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.

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.

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

1. Accounting policies – *continued*

Taxation *continued*

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.

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.

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.

Non-recurring items

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

EU adopted IFRSs not yet applied

As of 30 June 2013, 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 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2013)
- IFRIC Interpretation 21 Levies (effective 1 January 2014)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2014)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)

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.

Notes to the Consolidated Financial Statements – continued**For the year ended 30 June 2013****2. Segmental analysis**

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

The first segment concerns the manufacture, development and sale of infection control and hygiene products which includes products that incorporate the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Human Healthcare"). This segment generated approximately 84% (2012: 83%) of Group revenues.

The second segment, which constitutes 7% (2012: 15%) of the business activity, relates to manufacture and sale of disinfection and cleaning products, into veterinary and animal welfare sectors ("Animal healthcare"). During prior years all sales for this segment were made to a distributor who supplied the end user. Following a change in business model at the end of last financial year, the company now sells direct to the end user itself. As a consequence it has become clear that revenues previously considered to relate wholly to the Animal healthcare market in fact were sold into the human healthcare and contamination control markets by the then distributor. This year's segmental analysis of revenues allocates £738,000 of the total £2,120,000 (2012: £1,666,000) of the relevant product sales to animal healthcare.

The third segment addresses the pharmaceutical and personal care product manufacturing industries ("Contamination control") and has generated 9% (2012: 2%) of the Group's revenues this year.

Within the hospital community, different aspects of infection control can be categorised into "vectors" or "routes of transmission" of infection. References to these "vectors" are made within the Chief Executives Report on pages 9 to 19. However, the Group does not report separately upon the vectors within its internal management information, and does not consider them to be separate sectors for the purposes of IFRS 8.

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

	Human Healthcare £'000	Animal Healthcare £'000	Contamination Control £'000	Group 2013 £'000	Human Healthcare £'000	Animal Healthcare £'000	Contamination Control £'000	Group 2012 £'000
Revenue								
from external customers	8,912	738	908	10,558	9,038	1,666	235	10,939
Segment revenues	8,912	738	908	10,558	9,038	1,666	235	10,939
Cost of material	2,805	268	471	3,544	2,690	698	123	3,511
Gross Profit	6,107	470	437	7,014	6,348	968	112	7,428
Gross Profit %	69%	64%	48%	66%	70%	58%	48%	68%

Centrally incurred income and expenses not attributable to individual segments:

	Group 2013 £'000	Group 2012 £'000
Other operating income	38	-
Depreciation and amortisation of non-financial assets	(1,026)	(1,050)
Other administrative expenses	(5,517)	(5,635)
Non-recurring items	(2,231)	(174)
Share based payments	(16)	14
Segment operating (loss)/profit	(1,738)	583

Notes to the Consolidated Financial Statements – continued
For the year ended 30 June 2013

2. Segmental analysis – continued

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

	Group 2013	Group 2012
	£'000	£'000
Segmental operating (loss)/profit	(1,738)	583
Finance income	6	7
Results from equity accounted associate	2	1
Finance costs	(20)	(13)
Group (loss)/profit before tax	(1,750)	578

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

	Human Healthcare	Animal Healthcare	Contamination Control	Group 2013	Human Healthcare	Animal Healthcare	Contamination Control	Group 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	5,846	557	752	7,155	7,138	1,486	199	8,823
Rest of the World	3,066	181	156	3,403	1,900	180	36	2,116
Group revenues	8,912	738	908	10,558	9,038	1,666	235	10,939

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

Human healthcare revenues were derived from a large number of customers, including £2.050m from a single customer which makes up 23% of this segment's revenue (2012: £3.629m being 40.2%). Animal healthcare revenues were derived from a number of customers, with the largest customer accountable for £0.049m, which represents 6.6% of revenue (2012: 84.3% from a single customer).

During the year 19.4% of the Group's revenues were earned from a single customer (2012: 33.2%).

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

	2013	2012
	£'000	£'000
United Kingdom	7,567	8,996
Rest of the World	132	231
Non-current assets	7,699	9,227

3. Employees and Directors

Group	2013	2012
	£'000	£'000
Wages and salaries	3,140	3,018
Social security costs	275	277
Other pension costs	92	101
	3,507	3,396

An amount of £100,000 is disclosed within wages and salaries, this amount forms part of the non-recurring items charged in the period.

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

3. Employees and Directors – *continued*

The charge of £16,000 (2012: £14,000 credit) to share-based payments in accordance with IFRS 2 arises from transactions accounted for as equity-settled share-based payments. This is included within the wages and salaries figure above. No remuneration is paid through the company.

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

	2013 Number	2012 Number
Executive Directors	2	2
Non-Executive Directors	5	5
Sales and marketing	30	34
Administration	19	17
Production	36	38
	92	96
	2013 £'000	2012 £'000
Directors' emoluments	374	377
Aggregate pension contributions to money purchase schemes	34	32
	408	409

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

	2013 Number	2012 Number
Money purchase schemes	2	2

Remuneration of the highest paid Director during the year was:

	2013 £'000	2012 £'000
Emoluments	178	168
Aggregate contributions to money purchase schemes	21	21
	199	189

Remuneration by director is detailed in the Directors' Remuneration Report on pages 22 to 24.

Key management compensation	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Short-term employee benefits	586	-	520	-
Post-employment benefits	41	-	43	-
Share-based payments IFRS 2	13	-	1	-
	640	-	564	-

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.

Notes to the Consolidated Financial Statements – continued

For the year ended 30 June 2013

4. Finance income and costs

	2013 £'000	2012 £'000
Finance income:		
Deposit account interest	5	5
Staff loan interest	-	1
Other interest	1	1
	6	7
Finance costs:		
Bank interest	(20)	(13)

5. Non-recurring items

Following a review and restructure of the business during the year headcount has fallen by 15%; the operation in China has been restructured to cease the drain on cash; and the IP portfolio in the Balance Sheet has been reviewed with the result that certain assets relating to legacy products have been impaired. These 'root and branch review' activities have culminated in a non-cash exceptional charge of £2.2 million.

During the prior year the Group carried out a re-structuring of its engineering function resulting in a provision against slow moving inventory held at the year end and staff redundancy costs, which in aggregate amounted to £119,583. In the current year further provisions have been made against slow moving inventory totalling £199,000.

6. (Loss)/profit before tax

The (loss)/profit before tax is stated after charging/(crediting):

	2013 £'000	2012 £'000
Cost of inventories recognised as expense	3,188	2,638
Depreciation – owned assets	387	449
Depreciation – finance leased assets	77	50
Profit on disposal of property, plant & equipment	(4)	(8)
Loss on disposal of intangible assets	10	24
Patents and licences amortisation	113	104
Development costs amortisation	453	447
Auditor's remuneration	40	47
Foreign exchange (gain)/loss	(84)	33
Operating lease rentals - land and buildings	225	225
- vehicles and equipment	41	39
Research costs expensed	36	53

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

	2013 £'000	2012 £'000
Audit of these financial statements	20	20
Audit of financial statements of subsidiaries	14	21
Taxation services (parent and subsidiaries)	3	3
Other services	3	3
	40	47

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

7. Taxation

The taxation credit represents:

	2013 £'000	2012 £'000
Current taxation:-		
Corporation tax	79	34
Adjustment in respect of earlier years	7	(354)
Total current tax	86	(320)
Deferred tax:-		
Origination and reversal of temporary differences	(524)	229
Total deferred tax	(524)	229
Total tax (credit)/charge in Income Statement	(438)	(91)

Factors affecting the tax credit:

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

	2013 £'000	2012 £'000
(Loss)/profit on ordinary activities before tax	(1,750)	578
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.75% (2012: 26%)	(416)	147
Effects of:		
Expenses not deductible for tax purposes	116	78
Different rate tax bands and change in tax rates	18	(21)
Enhanced relief on qualifying scientific research expenditure	(135)	(114)
Adjustment in respect of prior years	7	(354)
Tax losses not utilised and other timing differences	(28)	173
Total tax (credit)/charge for year	(438)	(91)

The adjustment in 2012 relates to prior year R&D tax claims received.

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 loss for the financial year was £0.185m (2012: profit £0.655m).

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2013 £'000	2012 £'000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2012 of 0.35p (2011: 0.12p) per share	140	48
Interim dividend for the year ended 30 June 2013 of 0.08p (2012: 0.27p) per share	32	108
	172	156
Proposed final dividend for the year ended 30 June 2013 of 0.32p (2012: 0.35p) per share	128	140

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

Notes to the Consolidated Financial Statements – continued
For the year ended 30 June 2013

10. Earnings per share

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

	2013 £'000	2012 £'000
Retained (loss)/profit for the financial year attributable to equity holders of the parent	(1,264)	707
	Shares '000 Number	Shares '000 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,985	39,985
Effect of dilutive potential ordinary shares		
Share options	-	-
	39,985	39,985
(Loss)/earnings per ordinary share		
Basic	(3.16p)	1.77p
Diluted	(3.16p)	1.77p

The calculation of diluted earnings per share includes no outstanding options of ordinary shares at 30 June 2013 (30 June 2012: nil). All outstanding share options are antidilutive at both 30 June 2013 and 30 June 2012.

11. Goodwill

Group	Total 2013 £'000	Total 2012 £'000
Cost at 1 July 2012 & 30 June 2012	779	779
Impairment in the year	112	-
Net Book value at 30 June	667	779

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

On 30 April 2010 the activities of NTL were hived over to Tristel Solutions Limited. The relevant revenue lines associated with this asset are disclosed with the Chief Executive's report under the heading of "Water" and are separately identifiable as a single cash-generating unit and form the basis of impairment testing.

The water disinfection product range does not represent a growth opportunity given the significant pricing pressure within this market which has impacted revenue which is expected to be consistent or decline slowly. The net present value of profits expected over the next 4 years total £0.667m. This is on the basis that sales decline year on year at a rate of 5% pa reflecting historical sales decline and that the gross margin of 65% is maintained. These forecast sales and gross margin assumptions are based on Management's experience and understanding of the market place. The discount rate used within the impairment test is 13% (2012: 10%), based on the group's weighted average cost of capital. Management considers that this discount rate appropriately reflects the time value of money and the risks associated to the business. As a result of the impairment test a loss of £0.112m has been recorded, based on the value in use of the asset and is included within the non-recurring items charge for the year.

A sensitivity analysis has been undertaken on the NPV calculation, specifically in respect of sales and gross margins levels. This has shown that if sales were to fall 5% faster per annum or if the gross margin were to reduce by 5% an impairment loss of between £0.040m and £0.080m would occur. As a consequence the Board will continue to closely monitor the future earnings potential supporting the value of goodwill.

Company

The Company has no goodwill.

12. Intangible assets

The Company's approach to reviewing the carrying value of its intangible assets is set out below.

In evaluating the present value of future cash flows, a discount rate of 13% (2012: 10%) has been adopted throughout, which reflects the Company's weighted average cost of capital. Management considers that this discount rate

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

12. Intangible assets – *continued*

appropriately reflects the time value of money and the risks associated to the business. Management established its key assumptions in relation to the impairment testing of all intangible assets from past experience. Management are not currently aware of any reasonable possible changes that would lead to the carrying value exceeding the recoverable amounts for any of the intangibles.

Patents and licences

Included within patents and licences is the cost of manufacturing rights and know-how to the range of disinfection and cleaning products which address the animal healthcare market. The carrying amount of this asset is £2.510m. This acquired intellectual property has an indefinite life, and as such has been tested for impairment in accordance with IAS 36. Management believes sales growth is likely over the coming years, however for the purposes of this review a prudent approach has been adopted and static revenue over a five year period has been used in assessing the net present value of the asset. The result shows that the value in use exceeds the carrying value of the asset and management is satisfied that no impairment loss has occurred.

Also included within this category are patents and manufacturing rights to the range of products which address the Human healthcare market. These assets are amortised over their expected useful life of between 7 and 25 years. The carrying value of these assets is £930k.

Development – Marketable products & products in development

Included within marketable products is the cost of development of the Stella disinfectant equipment. In recent years sales of this product have fallen short of expectations and as such an impairment review was performed which took into account an extrapolated revenue forecast for the next five years, assuming annual growth of approximately 3%. The recoverable amount of the asset was less than its carrying value, based on the value in use, resulting in an impairment loss of £677k, reducing the carrying value to £706k.

Also included within marketable products is the cost of developing chemistry delivery systems. During the year, and as a result of the restructure and review of the business, the marketing of some of these products ceased. A resulting impairment loss of £368k has been recorded, based on the value in use, reducing the carrying value to £592k.

The balance of this asset category holds a carrying value of £891k and relates to a royalty settlement fee and the cost of development of a range of disinfectants for the contamination control market. There are presently no indications of impairment of these assets.

Notes to the Consolidated Financial Statements – continued
For the year ended 30 June 2013

12. Intangible assets – continued

Group	Patents and licences	Development – Marketable products	Development – Products in development	Totals
	£'000	£'000	£'000	£'000
Cost				
At 30 June 2011	4,453	3,682	192	8,327
Reclassification	-	74	(74)	-
Additions	60	472	98	630
Disposal	(24)	-	-	(24)
At 30 June 2012	4,489	4,228	216	8,933
Reclassification	-	-	-	-
Additions	69	276	-	345
Disposal	(3)	-	-	(3)
At 30 June 2013	4,555	4,504	216	9,275
Amortisation				
At 30 June 2011	898	511	75	1,484
Charge for year	104	447	-	551
At 30 June 2012	1,002	958	75	2,035
Charge for year	113	444	9	566
Impairment	-	913	132	1,045
At 30 June 2013	1,115	2,315	216	3,646
Net book value				
At 30 June 2013	3,440	2,189	-	5,629
At 30 June 2012	3,487	3,270	141	6,898
Company				
			Patents and licences £'000	Totals £'000
Cost				
At 30 June 2011			4,210	4,210
Additions			36	36
At 30 June 2012			4,246	4,246
Additions			65	65
At 30 June 2013			4,311	4,311
Amortisation				
At 30 June 2011			667	667
Charge for year			99	99
At 30 June 2012			766	766
Charge for year			104	104
At 30 June 2013			870	870
Net book value				
At 30 June 2013			3,441	3,441
At 30 June 2012			3,480	3,480

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

13. Property, plant and equipment

Group	Improvements to property £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Cost					
At 30 June 2011	883	1,188	142	423	2,636
Net exchange differences	-	-	-	(1)	(1)
Additions	184	202	21	132	539
Disposals	-	-	-	(108)	(108)
At 30 June 2012	1,067	1,390	163	446	3,066
Net exchange differences	-	2	1	5	8
Additions	48	67	12	53	180
Disposals	-	(6)	(8)	(101)	(115)
At 30 June 2013	1,115	1,453	168	403	3,139
Depreciation					
At 30 June 2011	194	693	103	150	1,140
Net exchange differences	-	-	-	-	-
Eliminated on disposal	-	-	-	(78)	(78)
Charge for year	135	244	18	102	499
At 30 June 2012	329	937	121	174	1,561
Eliminated on disposal	-	(4)	(4)	(77)	(85)
Charge for year	149	197	14	104	464
Impairment	-	103	-	-	103
At 30 June 2013	478	1,233	131	201	2,043
Net book value					
At 30 June 2013	637	220	37	202	1,096
At 30 June 2012	738	453	42	272	1,505

The above table include assets held under a finance arrangement during the year, the net book value of which at the 30 June 2013 was £158,009 (2012: £187,346), on which depreciation of £76,971 was charged (2012: £49,780), classified below:

	Improvements to property £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Net book value					
At 30 June 2013	46	5	-	107	158
Depn charged	10	13	-	54	77

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)

Nature of business: Supply of infection control products

	2013	2012
Class of shares	€1 Ordinary	€1 Ordinary
Holding	20%	20%

Notes to the Consolidated Financial Statements – continued

For the year ended 30 June 2013

14 . Investments – continued

	2013 £'000	2012 £'000
Assets	194	161
Liabilities	161	141
Aggregate capital and reserves	20	20
Revenue	161	137
Profit for the period	12	3
Profit for the period attributable to the Group	2	1

Company	Shares in Group undertakings and associate £'000	
Cost		
At 30 June 2011	2,127	
Share based payment	(14)	
At 30 June 2012	2,113	
Share based payment	16	
At 30 June 2013	2,129	
Impairment		
At 30 June 2011 & 30 June 2012	164	
Movement in the year	269	
At 30 June 2013	433	
Net book value		
At 30 June 2013	1,696	
At 30 June 2012	1,949	

The total amount recognised in the Company balance sheet in relation to options granted over the parent company shares to employees of subsidiaries during the year amounts to a charge of £15,599 (2012: a credit of £14,000).

Subsidiaries**Tristel Solutions Limited (Incorporated in England and Wales)**

Nature of business: Supply of infection control products

	2013	2012
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

Newmarket Technologies Limited - formerly Tristel Technologies Limited (Incorporated in England and Wales)

Nature of business: Dormant

	2013	2012
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

Tristel New Zealand Limited (Incorporated in New Zealand)

Nature of business: Supply of infection control products

	2013	2012
Class of shares	\$1 Ordinary	\$1 Ordinary
Holding	100%	100%

Notes to the Consolidated Financial Statements – continued**For the year ended 30 June 2013****14. Investments – continued****Subsidiaries continued****Shanghai Stella Medical Equipment Co Ltd (Incorporated in China)****100% owned by Tristel Asia Limited**

Nature of business: Supply of infection control products

	2013	2012
Class of shares	¥1 Ordinary	¥1 Ordinary
Holding	85%	85%

Tristel Asia Limited (Incorporated in Hong Kong)

Nature of business: Supply of infection control products

	2013	2012
Class of shares	\$1 Ordinary	\$1 Ordinary
Holding	85%	85%

Medichem International Limited**(Incorporated in England and Wales) – Not material to the group**

Nature of business: Holder of trademarks

	2013	2012
Class of shares	£1 Ordinary	£1 Ordinary
Holding	50%	50%

Tristel International Limited (Incorporated in England and Wales)

Nature of business: Dormant

	2013	2012
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

15. Inventories**Group**

	2013 £'000	2012 £'000
Raw materials	818	742
Finished goods	1,034	1,237
	1,852	1,979

During the year a provision was made against slow moving inventories of £410,000 (2012: £72,000).

Company

The Company has no inventories.

16. Trade and other receivables

	2013 £'000 Group	2012 £'000 Group	2013 £'000 Company	2012 £'000 Company
Current				
Trade receivables	2,048	2,028	-	-
Amounts owed by associated undertakings	-	88	-	88
Amounts owed by Group undertakings	-	-	6,040	6,070
Other receivables	250	210	190	156
Prepayments and accrued income	256	505	12	12
	2,554	2,831	6,242	6,326

In the prior year there was an amount owed to the Group by associated undertakings related to the associate Tristel Italia srl. The balance at the 30 June 2013 was considered doubtful and provided against, the resulting charge forms part of non-recurring items.

Notes to the Consolidated Financial Statements – continued

For the year ended 30 June 2013

16. Trade and other receivables – continued

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

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

	2013 £'000 Group	2012 £'000 Group	2013 £'000 Company	2012 £'000 Company
Current				
Trade Impairment provision brought forward	(19)	(6)	-	-
Impairment losses recognised	15	35	-	-
(Increase)/decrease in provision	(113)	(48)	-	-
Impairment provision carried forward	(117)	(19)	-	-

The Directors consider that the carrying amount of trade and other receivables is a reasonable approximation of 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 distribution model means that the debt is allocated amongst multiple customers, thereby reducing the credit risk. In the hospital infection control segment, the credit risk is lessened due to the large number of customers. However, these are predominantly situated within a single market, healthcare.

17. Cash and cash equivalents

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Bank accounts	627	705	-	-
	627	705	-	-

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 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Current				
Trade payables	928	1,042	5	7
Social security and other taxes	400	486	-	-
Accruals and deferred income	356	388	35	32
	1,684	1,916	40	39

19. Financial liabilities – interest bearing loans and borrowing

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Overdrafts	-	-	-	8
Other loans	118	165	-	-
	118	165	-	8

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

19. Financial liabilities – interest bearing loans and borrowing – *continued*

Terms and loan repayment schedule

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

	Group 2013 1 year or less £'000	Group 2012 1 year or less £'000	Company 2013 1 year or less £'000	Company 2012 1 year or less £'000
Current				
Other loans	65	82	-	-
	65	82	-	-
	Group 2013 More than 1 year but less than 2 years £'000	Group 2012 More than 1 year but less than 2 years £'000	Company 2013 More than 1 year but less than 2 years £'000	Company 2012 More than 1 year but less than 2 years £'000
Non current				
Other loans	53	83	-	-
	53	83	-	-

Other loans comprise asset finance arrangements from Lloyds TSB repayable by fixed monthly instalments over 36 months, issued to the Company's subsidiary Tristel Solutions Limited. Interest is payable at an average of 13% (2012: 13%). The value shown is secured against the assets under finance arrangements.

	2013 £'000
Total of future minimum lease payments	133
Finance charges	(15)
	118

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 and exchange rate risk:

Credit risk

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

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is managed by agreeing appropriate payment terms with customers, obtaining credit agency ratings of all potential customers; by requiring wherever possible payment for goods in advance or upon delivery; and by closely monitoring customers balances

Notes to the Consolidated Financial Statements – continued

For the year ended 30 June 2013

20. Financial instruments – continued

Financial risks continued

due, to ensure they do not become overdue. In addition careful consideration is given to operations in emerging or new markets before the Group enters that market.

Cash flow risk

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

Exchange rate risk

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

Liquidity risk

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

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 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Total equity	10,877	12,412	11,349	11,690
Cash and cash equivalents	(627)	(705)	-	-
Capital	10,250	11,707	11,349	11,690
Total equity	10,877	12,412	11,349	11,690
Borrowings	118	165	-	8
Overall financing	10,995	12,577	11,349	11,698
Capital to overall financing ratio	0.93	0.93	1.00	1.00

Financial assets and liabilities

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

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

20. Financial instruments – *continued*

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 2013 £000	Group carrying amount 2012 £000	Company carrying amount 2013 £000	Company carrying amount 2012 £000
Cash and cash equivalents	627	705	-	-
Trade and other receivables excluding prepayments	2,298	2,326	6,230	6,314
	2,925	3,031	6,230	6,314

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

	Group carrying amount 2013 £000	Group carrying amount 2012 £000	Company carrying amount 2013 £000	Company carrying amount 2012 £000
United Kingdom	1,002	1,150	6,040	6,226
Rest of the World	1,296	1,176	-	88
	2,298	2,326	6,040	6,314

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £113,000 (2012: £19,000) 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 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Unite				
Not past due	1,366	2,019	6,040	6,314
Past due 0-30 days	532	222	-	-
Past due 31-120 days	271	51	-	-
Past due 120 days +	129	34	-	-
	2,298	2,326	6,040	6,314

Notes to the Consolidated Financial Statements – continued

For the year ended 30 June 2013

20. Financial instruments – continued

Liquidity risk

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

Group	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	More than 12 months £'000
30 June 2013					
Non-derivative financial liabilities					
Trade and other payables	1,200	1,200	1,200	-	-
Borrowings – other loans	118	133	40	34	59
	1,318	1,333	1,240	34	59

30 June 2012					
Non-derivative financial liabilities					
Trade and other payables	1,222	1,222	1,222	-	-
Borrowings – Other loans	165	188	46	46	96
	1,387	1,410	1,268	46	96

Company	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	More than 12 months £'000
30 June 2013					
Non-derivative financial liabilities					
Trade and other payables	40	40	40	-	-

30 June 2012					
Non-derivative financial liabilities					
Trade and other payables	39	39	39	-	-

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

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Current assets				
Cash and cash equivalents	627	705	-	-
Trade and other receivables	2,298	2,326	6,230	6,314
	2,925	3,031	6,230	6,314

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

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Current liabilities				
Interest bearing loans and borrowings	65	82	-	-
Trade and other payables	1,200	1,222	40	38
	1,265	1,304	40	38
Non-current liabilities				
Interest bearing loans and borrowings	53	83	-	-

All of the above relate to the IAS 39 category 'other financial liabilities'.

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

20. Financial instruments – *continued*

Liquidity risk *continued*

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

Interest rate risk

The Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates, 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 2013 the average interest rate earned on the temporary closing balances was 0.1% (2012: 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	2013 £'000	2012 £'000
Amounts repayable under non-cancellable operating leases fall due:		
Within one year	176	198
Between one and five years	363	505
In more than five years	-	13
	539	716

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

Company

The Company has no lease agreements.

22. Taxation

Current tax	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Corporation Tax at 30 June	70	31	-	31
Deferred tax	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Balance at 1 July	(218)	11	13	18
Charge to Income Statement for the year	525	(229)	(3)	(5)
Balance at 30 June	307	(218)	10	13

Notes to the Consolidated Financial Statements – continued

For the year ended 30 June 2013

22. Taxation – continued

Recognised deferred tax liability/asset

Deferred tax assets are attributable to the following:

	Tax losses £'000	Acc'd tax depr'n £'000	Other timing differences £'000	Group Total £'000	Company acc'd tax depr'n £'000
Balance at 30 June 2011 (Credited) /charged to Income Statement for the year	121 26	36 (32)	(146) (223)	11 (229)	18 (5)
Balance at 30 June 2012 (Credited) /charged to Income Statement for the year	147 327	4 (4)	(369) 202	(218) 525	13 (3)
Balance at 30 June 2013	474	-	(167)	307	10

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

Net deferred tax (liability)/asset

	Group £'000	Company £'000
Balance at 30 June 2013	307	10
Balance at 30 June 2012	(218)	13

The Group deferred tax asset at 30 June 2013 has been recognised at 23.75% (2012: 24%) as it is 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:	£
30 June 2012	39,984,701	399,847
Issued during the year	-	-
30 June 2012 and 30 June 2013	39,984,701	399,847

No new shares were issued during the year (2012:nil).

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 if certain conditions defined in the programme are met. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

The General Employee Scheme is part of the remuneration package 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.

During the year ended 30 June 2013 the Group and the Company had 14 share-based payment arrangements, under two schemes, which are detailed on the next page.

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

23. Called up share capital – *continued*

	Senior management scheme	General employee scheme	General employee scheme	General employee scheme	General employee scheme	General employee scheme	General employee scheme
Grant Date	23-Dec-05	23-Dec-05	09-Feb-06	30-Nov-07	23-Jul-08	19-Apr-09	04-Aug-09
Vesting period ends	23-Dec-08	23-Dec-08	09-Feb-09	30-Nov-10	23-Jul-10	19-Apr-09	04-Aug-12
Share price at date of grant	45p	45p	45p	53p	42p	53p	53p
Volatility	20%	20%	20%	27%	27%	27%	15%
Option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	2.2%	2.2%	2.2%	2.50%	4%	4%	4%
Risk free investment rate	4.6%	4.6%	4.6%	5%	1.50%	1.50%	0.15%
Fair value at grant date	0.027p	0.040p	0.040p	0.096p	0.029p	0	0.028p
Exercise price at date of grant	59.5p	53.75p	52.75p	53.75p	53.75p	53.75p	53.75p
	General employee scheme	Senior management scheme	General employee scheme	General employee scheme	General employee scheme	General employee scheme	General employee scheme
Grant Date	12-Oct-09	12-Oct-09	08-Mar-10	08-Mar-10	25-Jul-10	19-Oct-10	16-Mar-11
Vesting period ends	12-Oct-09	12-Oct-11	08-Mar-10	08-Mar-13	25-Jul-13	19-Oct-10	16-Mar-11
Share price at date of grant	53p	53p	60.5p	60.5p	53.75p	50.6p	55p
Volatility	15%	25%	25%	25%	56%	56%	63%
Option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	4%	4%	4%	4%	3.4%	3.4%	3.8%
Risk free investment rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Fair value at grant date	0.028p	0.052p	0.042p	0.042p	0.218p	0.218p	0.154p
Exercise price at date of grant	53.75p	53.75p–65p	60.5p	60.5p	53.75p	53.75p	55p
	General employee scheme	Senior management scheme	General employee scheme	Senior management scheme	General employee scheme	General employee scheme	General employee scheme
Grant Date		24-Oct-11	21-Dec-11	05-Apr-12	06-Jul-12	29-Oct-12	22-Apr-13
Vesting period ends		24-Oct-11	21-Dec-11	05-Apr-12	06-Jul-12	29-Oct-12	22-Apr-13
Share price at date of grant		40p	40p	30p	29.5p	37.8p	22.3p
Volatility		27%	27%	27%	27%	27%	27%
Option life		10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Risk free investment rate		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Fair value at grant date		0.026	0.26	0.007p	0.005p	0.021p	0.002p
Exercise price at date of grant		53.75p	53.75p	53.75p	57.00p	53.75p	53.75p

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

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

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

Notes to the Consolidated Financial Statements – continued

For the year ended 30 June 2013

23. Called up share capital – continued

A reconciliation of option movements over the year to 30 June 2013 is shown below:-

	Senior management scheme	Weighted average exercise price	General employee scheme	Weighted average exercise price
Outstanding at 1 July 2011	1,575,000	58.86p	1,200,000	54.26p
Granted	10,000	53.75p	330,000	53.75p
Forfeited	-	-	(325,000)	53.78p
Exercised	-	-	-	-
Outstanding at 30 June 2012	1,585,000	58.83p	1,205,000	55.14p
Granted	200,000	57.00p	180,000	53.75p
Forfeited	-	-	(70,000)	54.50p
Exercised	-	-	-	-
Outstanding at 30 June 2013	1,785,000	59.07p	1,315,000	54.11p
Exercisable at 30 June 2012	952,500	55.26p	1,205,000	54.08p
Exercisable at 30 June 2013	1,047,500	55.74p	1,756,250	54.04p

The total charge at 30 June 2013 relating to employee share-based payment plans, in accordance with IFRS 2, was £16,000 (2012 credit: £14,000) 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 40p and 61p. The weighted average of the remaining contractual life of options at the end of the period is seven years.

24. Related party disclosures

Transactions between the Group and Bruce Green

Under the terms of a technology licence agreement between the Group and Bruce Green, a director and shareholder in the parent company Tristel plc, royalties and commissions of £178,584 (2012: £159,338) were payable during the year to Bruce Green Limited, a company owned by Mr Green. At 30 June 2013 the Group owed Bruce Green Limited £33,013 (2012: £53,485).

Transactions between the Group and Tom Allsworth

Under the terms of supply agreements between the Company and Medichem (International) Manufacturing Ltd, a private company incorporated in England and Wales, in which Mr Tom Allsworth, a shareholder in company is a director and shareholder, monies totalling £132,819 (2012: £144,402) were payable. At 30 June 2013 the Group owed Medichem (International) Manufacturing Ltd £18,677 (2012: £12,995) and was owed £440 (2012: £6,049).

Transactions between the Group and Mark Fraundorfer

Under the terms of supply agreements between the Group and Astromed Limited, Hangover Limited, IVC Limited, Urotech Limited, Fraundorfer Urology Limited, Aspiring Holdings Limited, and Promed Urology Limited, all companies in which Mark Fraundorfer, a director of subsidiary Tristel New Zealand, is a shareholder and director, £nil was payable during the year (2012: £7,158).

Transactions between the parent and subsidiary companies

During the year the Company charged its subsidiary company, Tristel Solutions Limited £450,000, in respect of management fees (2012: £900,000).

As at the year end the Company was owed £6,040k (2012: £6,070k) 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 (2012: £1) to its subsidiary Company Newmarket Technologies Limited, in respect of intra-Group transactions, consisting of management fees receivable and recharged costs.

Transactions between the Group and associate companies

During the year the Group charged its associate Company Tristel Italia srl £36,663 (2012: £22,996) in respect of finished goods. At the year end the Company was owed £nil (2012: £88,055) by its associate Tristel Italia srl.

Notes to the Consolidated Financial Statements – *continued*

For the year ended 30 June 2013

24. Related party disclosures – *continued*

Transactions with Directors

Dividends were paid to Directors as follows:

	30 June 2013	30 June 2012
	£	£
Paul Swinney	4,700	4,318
Elizabeth Dixon	58	39
Francisco Soler	37,405	32,228
Paul Barnes	2,463	2,233
Bruce Green	4,150	3,757
Christopher Samler	-	-

During the year Christopher Samler, a director of the Company, was granted options over 200,000 of the company's 1p ordinary shares at a price of 57p, which were immediately exercisable.

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

