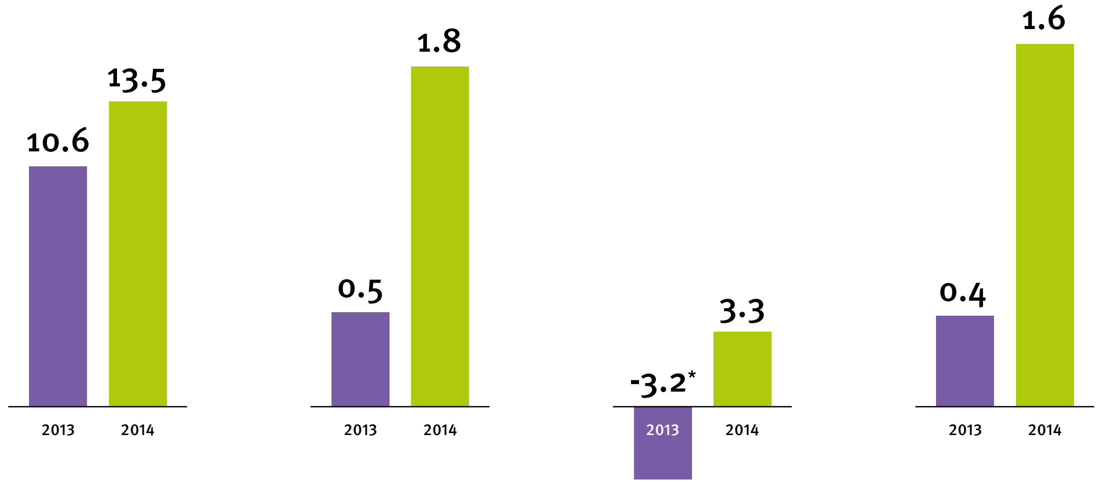
Tristel plc
Annual Report & Accounts
Year ended
30 June 2014

Contents

Tristel plc is a manufacturer of infection prevention and contamination control products. Its lead technology is a proprietary chlorine dioxide formulation. The Company addresses three distinct markets: Human healthcare, Contamination control in critical environments and Animal healthcare.

FINANCIAL HIGHLIGHTS OF 2014

REVENUE	PROFIT BEFORE TAX	BASIC EARNINGS PER SHARE	DIVIDEND PER SHARE
£13.5m	£1.8m	3.3p	1.6p
+ 28%	+ 260%	+ 203%	+ 300%



* Loss before tax of £1.75 after adjustment for non-recurring items

OPERATIONAL HIGHLIGHTS OF 2014

- Expanded Newmarket manufacturing headquarters with addition of 20,000 sq ft leased warehouse.
- 2.2 million instrument decontamination procedures carried out worldwide in year (2013: 1.7 million).
- Chlorine dioxide proprietary chemistry introduced into Animal healthcare product range.

Tristel
Infection prevention in hospitals

Crystel
Contamination control in critical environments

Anistel
Infection prevention in animal healthcare

Chairman's Statement

Tristel made material progress during 2014 as the full benefits of our restructuring over the previous 18 months has had a significant positive impact on our day-to-day operations and, critically, after some wait, on our financial results. The Company is now in good shape – we have managed the decline in our legacy products and we are confident in the future of the next generation product ranges that have replaced them. We are increasingly optimistic for future growth in those countries where we have invested in a direct sales operation. Furthermore, our market environment globally is moving increasingly in the direction of a more data driven approach to disinfection – a trend which sits well with our approach to the chlorine dioxide chemistry which is at the heart of Tristel's patent portfolio.

Our financial results for the year are most encouraging – we have seen a growth in revenues of 28% to £13.47 million (2013: £10.56 million). In 2014 we generated a pretax profit of £1.82 million which compares with a pretax loss in 2013 of £1.75 million. The favourable sales trends which were identified in the second half of 2013 continued into 2014 and we remain optimistic for the foreseeable future. This optimism is based on the following three characteristics of our business which we have worked hard to develop over recent years:

Differentiated product positioning

Tristel has created a unique position in high level instrument disinfection in the ambulatory care market as well as sporicidal surface disinfection in hospitals – by focusing on chlorine dioxide. Revenues of our instrument disinfectants for ambulatory care have grown at a compound annual growth rate (CAGR) of 49% between 2005 and 2014. Revenues of our sporicidal surface disinfectants have grown at a CAGR of 72% between their first launch in 2007 and 2014. We also anticipate entry into new product segments in the near future.

Innovative technology supported by the regulatory environment and backed up by broad patent protection

Tristel's instrument decontamination and surface disinfection products have proven to be both innovative and disruptive to existing technology. New and anticipated guidelines as well as the pending Biocidal Products Regulation lend support for our chlorine dioxide chemistry. Additionally, the investment costs required for compliance will ensure that only those companies who have invested in sufficiently rigorous manufacturing and quality control processes will meet these new challenges. Tristel is well placed on both counts.

Our chlorine dioxide chemistry benefits from strong intellectual property protection as well as know-how. Patent lives extend up to 2031 and we will continue to invest in a constant stream of new patent applications which are related to both new concepts as well as extensions of existing products.

The market for instrument decontamination and disinfection is a global opportunity

Our growth outside the United Kingdom has been significant over the last two years, growing by 61% in 2013 and 33% in 2014. Our overseas operations are now cash positive. We anticipate much of our future growth will come from these operations, as hospitals across the world recognise the critical nature of infection prevention in general and, more specifically, see the cost/benefit arguments of chlorine dioxide chemistry versus the alternatives. Our business model is further enhanced by a high percentage of recurring revenues (c.96%) from consumable products that perform essential functions for our customers and which enable them to minimise capital spend, ongoing maintenance costs and investment in supporting infrastructure.
Tristel is well placed to meet the challenges associated with increasingly cost centric global healthcare systems as well as the trends towards ambulatory care.

TRIO TRACE
Automates wipes system manual traceability process, first adopters secured in UK

EPS and dividend

Basic earnings per share were 3.25 pence (2013: loss of 3.16 pence).
In line with our dividend policy, as stated in the Company's 2011 Report and Accounts, now that pre-tax profits have returned to a level in excess of £1.5 million, we will pay a dividend on the basis of two times cover.
As such the Board is recommending that the final dividend is 1.26 pence (2013: 0.32 pence) making a total dividend for the year of 1.62 pence (2013: 0.40 pence). If approved, the final dividend will be paid on 19 December 2014 to shareholders on the register at 21 November 2014.
The corresponding ex-dividend date is 20 November 2014.

Board change

Having served on the Board for three years, and with the business in both good health and capable hands, I feel it is the appropriate time for me to hand over the reins to a successor. I shall be stepping down from my role as Non-Executive Chairman on 15 October. The Board has begun a search for a new Non-Executive Chairperson, and in the meantime my predecessor Francisco Soler will take over the role on an interim basis.

I have been particularly impressed by the quality and loyalty of our workforce

Employees

Over my time as Chairman of Tristel I have been particularly impressed by the quality and loyalty of our workforce. Our leadership team have, over the years, developed a culture and way of working that is distinctive and has really helped us both to grow and to meet the challenges of servicing a demanding and varied customer base. Our Board is particularly indebted to the continued support of our employees and we are always conscious that such loyalty is not guaranteed and that we have a responsibility to both our shareholders and our employees to provide the leadership necessary to ensure Tristel's continued success.

We believe that our company is very well placed to take advantage of the current trends in the global disinfection market

Outlook

We are delighted with the outcome for 2014 – for the Company and for its shareholders and we remain optimistic for the foreseeable future. We believe that our Company is very well placed to take advantage of the current trends in the global disinfection market. However, we are realistic in our assessment of Tristel's market reach and recognise that our ambitions must be tempered by our size and that we must be cautious in the way in which we deploy our assets to meet the potential opportunities. We also recognise that in order for Tristel to build upon its position we will need to invest in new products and that innovation must remain at the core of our business. A disciplined and targeted approach to new product development and new market penetration (by segment and country), combined with effective management of our existing product range, will bring the continued successes that our customers, employees and our shareholders deserve.

Christopher Samler
Chairman
10 October 2014

Chief Executive's Report

Tristel is a global supplier of infection prevention, contamination control and specialist hygiene products, manufacturing and selling products based upon its proprietary chlorine dioxide chemistry. It sells products into 41 countries.

Exclusive focus upon infection prevention

With its three distinctive brands Tristel has become an internationally recognised force in its marketplace. It is one of a very small number of companies with an established global footprint that can describe itself as being exclusively an infection prevention business. This focus is one of Tristel's great strengths.

When Tristel joined the AIM market in June 2005 all its customers were hospitals and the great majority were located in the United Kingdom. Since becoming a publicly traded company, and whilst maintaining its laser beam focus on microbial control, Tristel has taken its core competencies and its proprietary chlorine dioxide chemistry into two additional markets: in 2011 it expanded into the sterile-packed disinfectants market serving clean rooms in hospitals and industry (we call this contamination control of critical environments); and in 2012 it entered the animal healthcare market focusing primarily on infection prevention in veterinary practices.

The division of revenues across these three portfolios during the past two years is shown as follows:

Revenue by sector

	2013 – 14 Sales £'s	% of total revenue	2012 – 13 Sales £'s	% of total revenue
Human healthcare	11,518,000	85%	8,912,000	84%
Contamination control	1,190,000	9%	908,000	9%
Animal healthcare	762,000	6%	738,000	7%
	13,470,000		**10,558,000**	

FUSE FOR SURFACES
Contributed to Coventry and Warwickshire NHS Trust achieving 365 days *C.diff* free

A high growth business: Tristel has maintained a consistently high rate of revenue growth over the nine-year period from 2005 to 2014

Revenue growth 2005 – 2014

Financial year	Sales £'s
2004 – 2005	3,009,000
2005 – 2006	3,746,000
2006 – 2007	5,148,000
2007 – 2008	5,961,000
2008 – 2009	6,847,000
2009 – 2010	8,764,000
2010 – 2011	9,287,000
2011 – 2012	10,939,000
2012 – 2013	10,558,000
2013 – 2014	13,470,000

Managing this revenue growth has been a considerable challenge for the company.

In 2005 Tristel had one primary source of revenue – from the disinfection of gastro-intestinal endoscopes – that was generated almost exclusively within the United Kingdom. These revenues have declined during the past several years. The Company's challenge, as a small business with limited resources, has been to replace them with revenues from new products and by expansion into new geographical markets. Notwithstanding the near eradication of the original revenues, we have succeeded in growing our business' top-line at a compound annual growth rate (CAGR) of 18% from 2005 to 2014.

In the hospital setting we now focus upon two distinct areas of infection prevention, ambulatory care and critical surfaces. Sales growth within both of these areas has exceeded the corporate CAGR of 18%.

CRYSTEL TITANIUM
The fastest acting sporicidal disinfectant for all grades of Cleanroom

Decontamination of instruments used in ambulatory care: further innovations with chlorine dioxide

We have moved instrument disinfection revenues away from gastro-intestinal endoscopy to the out-patient areas of the hospital. We have achieved this rapid re-positioning of our product portfolio by being innovative with our chlorine dioxide chemistry to create disinfectant products that are ideally suited for the small medical instruments used in ear, nose and throat; cardiology; ultrasound; urology; GI physiology and ophthalmology. In terms of reporting we now define this revenue stream as 'ambulatory care' which substitutes for the term 'non- and single-lumened instruments' used in previous annual reports.

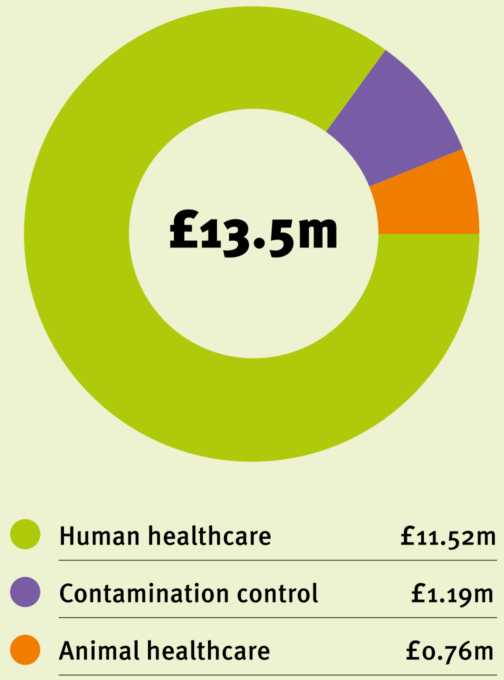
In these areas there is a constant stream of patients requiring diagnostic and minor therapeutic procedures for which clinicians use small instruments that are relatively simple to decontaminate. We have targeted these niches because they are not addressed by our competitors. Globally, revenues from these products have grown at a CAGR of 49% between 2005 and 2014.

DUO FOR ULTRASOUND AND OPHTHALMOLOGY
New applications for Tristel's patented chlorine dioxide foam technology

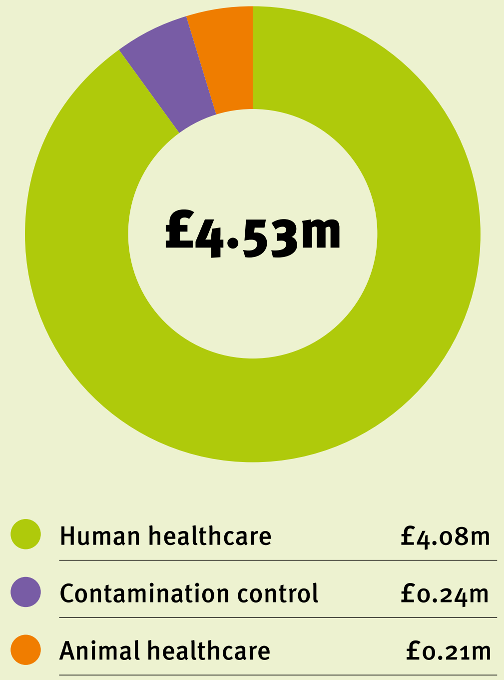
Ambulatory care sales 2005 – 2014

Financial year	Sales £'s
2004 – 2005	207,000
2005 – 2006	442,000
2006 – 2007	647,000
2007 – 2008	1,178,000
2008 – 2009	1,698,000
2009 – 2010	2,073,000
2010 – 2011	2,552,000
2011 – 2012	4,366,000
2012 – 2013	5,087,000
2013 – 2014	7,329,000

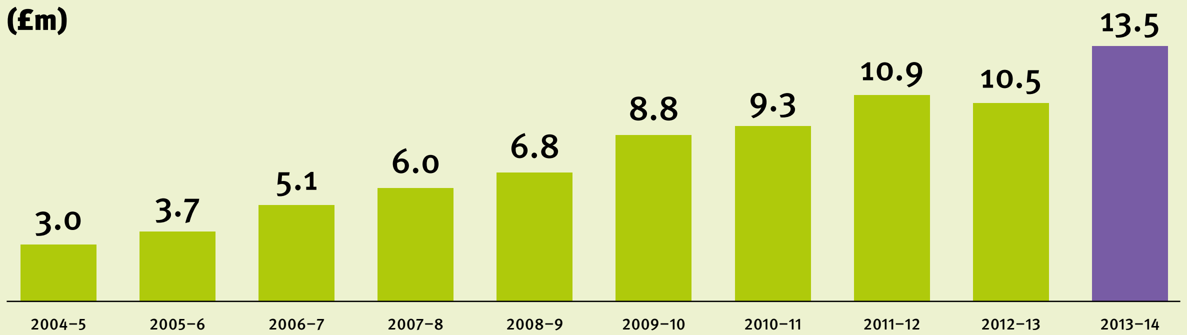
Division of total revenue across three portfolios 2013 – 2014



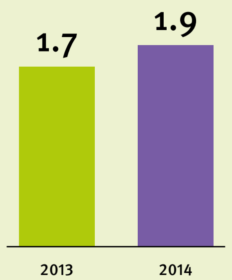
Division of overseas revenue across three portfolios 2013 – 2014



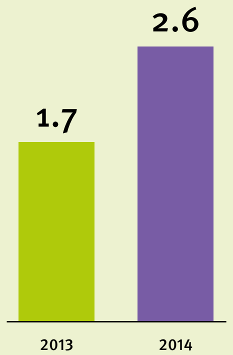
Revenue growth from 2005 – 2014 (£m)



Overseas distributor sales (£m)



Overseas owned entity sales (£m)



Disinfection of critical surfaces in hospitals: a growing market

Tristel's proprietary chlorine dioxide chemistry has two defining features: first, it kills bacterial spores very quickly; second, it is safe to use. As a consequence, Tristel's surface disinfectants provide the most effective stratagem to control *Clostridium difficile*, one of the most problematic pathogens in hospitals. Globally, revenues of our surface disinfectants have grown at a CAGR of 72% between 2007 and 2014.

Human healthcare sales 2007 – 2014

Financial year	Sales £'s
2006 – 2007	30,000
2007 – 2008	230,000
2008 – 2009	434,000
2009 – 2010	598,000
2010 – 2011	867,000
2011 – 2012	1,055,000
2012 – 2013	784,000
2013 – 2014	1,229,000

Tristel is expanding it's global reach

Expansion into new markets to exploit chlorine dioxide

Tristel entered the contamination control market in 2011 and the animal healthcare market in 2012. It did so to take its core competencies of chemical manufacture, regulatory expertise and marketing to microbiologists into two new contiguous markets and in so doing create the opportunity to expand the potential of its chlorine dioxide technology.

In 2014 Tristel continued to make progress in penetrating these markets. Contamination control global revenues increased to £1,190,000 from £908,000 in 2013, an increase of 31%. Animal healthcare global revenues increased to £762,000 in 2014 from £738,000 in 2013, an increase of 3%.

International expansion is a driver for continued growth

Whilst we have created very dominant positions in the hospital market in the United Kingdom we still have great untapped potential in all overseas markets. The primary reason is that we have not been present in overseas markets for as many years as we have in the United Kingdom, and whilst we sell all products of all three portfolios in the United Kingdom, at the present time we sell only selected products in overseas countries.

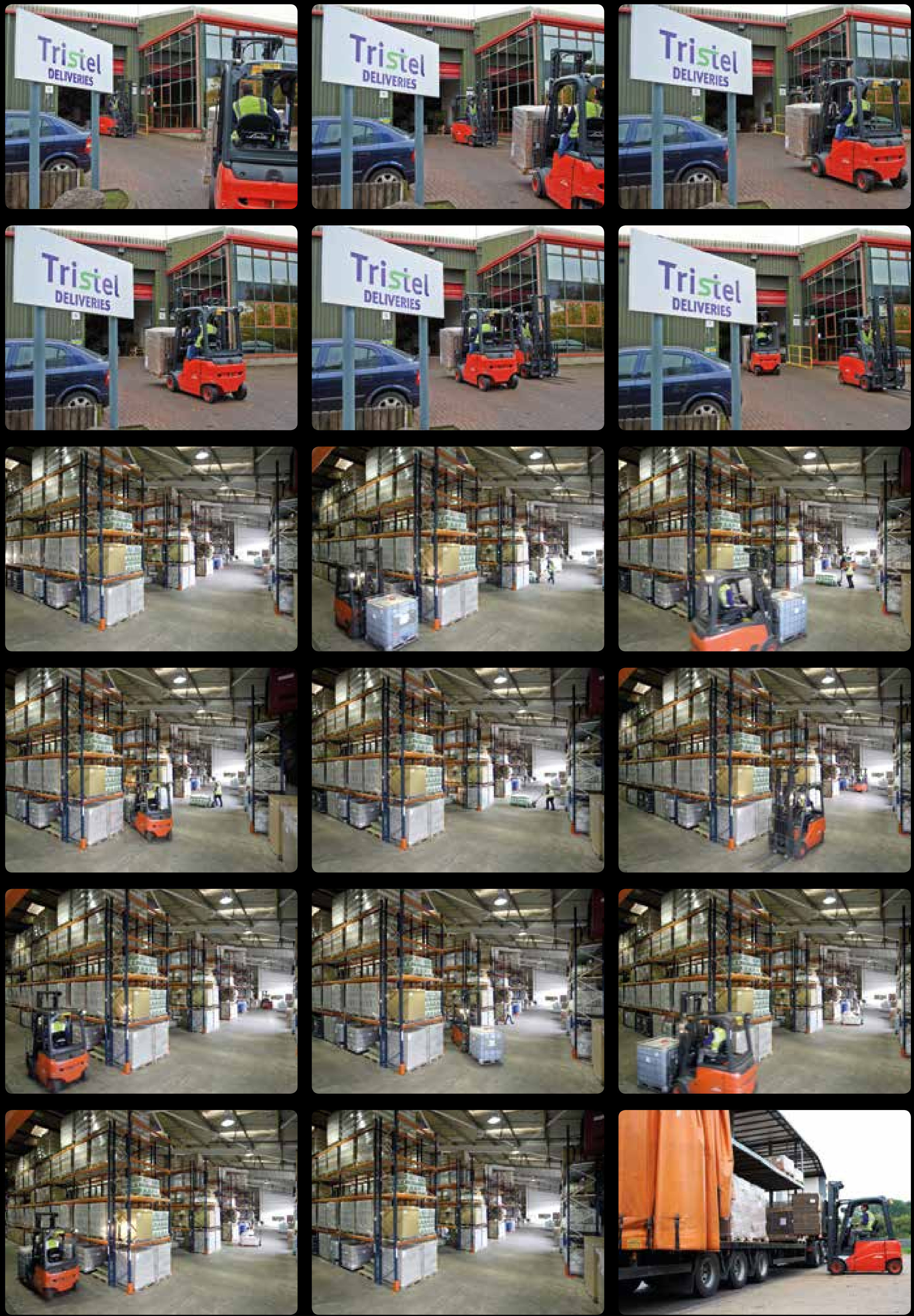
Group overseas sales 2008 to 2014

Financial year	Sales £'s
2007 – 2008	378,000
2008 – 2009	450,000
2009 – 2010	610,000
2010 – 2011	932,000
2011 – 2012	2,148,000
2012 – 2013	3,403,000
2013 – 2014	4,531,000

Group overseas sales by sector

	2013 – 14 Sales £'s	2012 – 13 Sales £'s	Increase %
Human healthcare overseas sales	4,079,000	3,066,000	33%
Contamination control overseas sales	240,000	156,000	54%
Animal healthcare overseas sales	212,000	181,000	17%

ANISTEL
Introduction of chlorine dioxide high-level disinfectants in the Animal healthcare sector



Our business model in the majority of countries in which we sell products is to use a national distribution partner. During the year 41 distributors purchased Group products (2013: 42) with an aggregate value of £1,889,000 (2013: £1,736,000), an increase of 8.8%.

We have found that greater and more rapid penetration is achieved where we have established subsidiaries and branch offices in overseas markets. During the year our direct operations in New Zealand, China, Hong Kong, Russia and Germany generated aggregate revenues of £2,642,000 (2013: £1,667,000), an increase of 58.5%.

Overseas sales 2013 – 2014

	2013 – 14 Sales £'s	2012 – 13 Sales £'s
Overseas distributor sales	1,889,000	1,736,000
Overseas owned entity sales	2,642,000	1,667,000
	4,531,000	**3,403,000**

An encouraging set of results

Group results and finance

Revenue increased by 27.6% to £13,470,000 (2013: £10,558,000), alongside a gross margin increase of four percentage points to 70% (2013: 66%). Excluding amortisation of intangibles, share-based payments, non-recurring items, interest and results from associates, operating profits increased by 114% to £2,300,000 (2013: £1,075,000). Profit before tax for the year was £1,823,000 (2013: loss before tax £1,750,000). The resulting basic earnings per share was 3.25 pence (2013: loss of 3.16 pence).

Capital investments in the development of new products, patents and regulatory approvals resulted in additions to intangible assets of £479,000 (2013: £345,000). Purchases of plant, equipment, improvements to property, fixtures and fittings and motor vehicles totalled £677,000 (2013: £180,000). The improvements to property culminated in the addition to our Newmarket production facility of 20,000 sq ft of warehousing space.

The level of profit during the year has resulted in cash and cash equivalents increasing to £2,664,000 from £627,000 at 30 June 2014.

Paul Swinney
Chief Executive
10 October 2014

Key Performance Indicators, Research and Development and Going Concern

Key performance indicators

Management consider the primary financial key performance indicators (KPIs) for the Group to be revenue and gross margin percentage. These are both measured and monitored closely. Current period revenue is £13.5m (2013: £10.6m); gross margin for the year is 70% (2013: 66%).

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 is also a key measure for management. The Company is frequently audited by its Notified Body, BSI. Successful completion of these audits is measured by the absence of any major non-compliances. The Notified Body tests all areas of the Group's quality system including customer service, customer satisfaction and product quality assurance. During the year the Company underwent two audits and a number of desktop reviews. No major non-compliances were registered during the year.

LEGION
New products for 2015: Disinfectant de-scalers for legionella control

The Group continues to invest in the research and development of new products and application methods for its technology

Research and development

The products currently being developed are expected to make significant contributions to the future growth of the business. The Board regards investment in this area as a prerequisite for success in the medium to long term.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this strategic report. The future development of the Group is viewed to be via the diversification of its proprietary technology into new markets and territories. Current economic conditions create a degree of uncertainty over the level of demand for the Group's products and services. However, the Board consider there to be no material uncertainties within the business.

Animal healthcare – bringing hospital standards of infection prevention to the vet sector

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.

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.

Principle Risks and Uncertainties

The key business risks affecting the group are set out below:

Operations

The Group's ability to continue to manufacture and supply in a timely manner its existing product portfolio is a prerequisite to maintaining the currently achieved gross margin and level of profitability. This area of risk is kept under constant review, including identifying multiple routes of supply for key materials and services related to the production of the Group's product offering. A disaster recovery plan is in place and reviewed regularly. The plan sets out the steps required to swiftly relocate people, systems and production in order to ensure continuity of supply.

Crystel – a start-up in 2011 and now contributing 9% of group sales

Regulatory and legal approval

The ability to continue to market the Group's products is inextricably linked to the Group's ability to achieve and maintain, in a timely manner, regulatory and legal approval in those regions or markets where the Group has a presence.

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 are implemented.

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.

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 and liquidity risks

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.

PERASTEL WHITE
Tristel uses a wide range of active ingredients, including peracetic acid

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.

Cash flow risk
Group cash balances are monitored on a daily basis to ensure the Group has sufficient funds within its relevant entities to meet its needs without the need for further financing. To aid with the control of funds, cash flow forecasts are generated and reviewed regularly to allow the required allocation of funds across the group to be visible to management to avoid any shortfalls. To further reduce risk, group entities hold only the cash required for its operational activities with excess funds repatriated to the parent.

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.

The strategic report which incorporates the Company; Chairman's Statement; Chief Executives Report and Strategic overview; Key Performance Indicators, Research & Development and Going Concern; and Principal Risks and Uncertainties, was approved by the Board of Directors, and signed on its behalf by:

Elizabeth Dixon
Finance Director
10 October 2014

RINSE ASSURE
A total water management system for washer disinfectors

Company Information

Directors
C Samler
PC Swinney
EA Dixon
FA Soler
PM Barnes
B Green (retired 31.12.13)

Secretary
EA Dixon

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

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

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

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

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

Paul Barnes, Non-Executive Director
(Chairman of Audit Committee and member of Remuneration committee)
Paul Barnes 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 a Non-Executive Director at 1.7.13
Bruce Green retired from the Board at the Company's AGM and was struck from the register on 31.12.13.

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 does not fully comply with the UK Corporate Governance code but has reported upon the Corporate Governance arrangements, drawing upon best practice available, including those aspects of the UK Corporate Governance code which the committee considers to be relevant to the group. When setting its remuneration policy for Executive Directors, the Committee gives consideration to the provisions and principles of the UK Corporate Governance Code.

Remuneration policy for Executive Directors

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

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

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

Remuneration package for Executive Directors

Executive Directors' remuneration packages are considered annually 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 2014.

Name of Director	Salary and fees £'000	Bonus £'000	Taxable benefits £'000	Share-based pmts IFRS-2 £'000	2014 Total (excl. pension) £'000	2013 Total (excl. pension) £'000	2014 Pension £'000	2013 Pension £'000
Executive								
Paul Swinney	147	147	25	8	327	178	17	21
Elizabeth Dixon	101	101	12	–	214	102	15	13
Non-Executive								
Christopher Samler	50	–	–	–	50	51	–	–
Francisco Soler	–	–	–	–	–	–	–	–
Paul Barnes	20	–	–	1	21	22	–	–
Peter Stephens (retired 11.12.12)	–	–	–	–	–	9	–	–
Bruce Green (retired 13.12.13)	6	–	–	–	6	12	–	–
Aggregate emoluments	324	248	37	9	618	374	32	34

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.

Elizabeth Dixon's service contract contains a provision that in the event of a change in control of the Group, she would receive a bonus payment equivalent to 75% of her then prevailing annual salary.

Directors' Remuneration Report – *continued*

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 2013	Shares vesting in the year	Total shares vested at 30 June 2014	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	60,000	–	60,000	53.75p	04/08/09	04/08/19
	10,000	10,000	–	10,000	53.75p	21/12/11	21/12/21
	87,500	–	–	–	65.00p	On change of control	03/03/24
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

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 2014 and 30 June 2013 were:

Ordinary 1p shares	30 June 2014	30 June 2013
Executive		
Paul Swinney	893,742	893,742
Elizabeth Dixon	45,067	45,067
Non-Executive		
Christopher Samler	256,410	256,410
Francisco Soler	10,974,988	10,974,988
Paul Barnes	612,680	612,680
Bruce Green retired at 31.12.13	–	–

The market price of the Company's shares as at 30 June 2014 was 80.50p. The range during the year was 21p to 81p (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 three 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 11 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	11	11
Paul Swinney	11	11
Elizabeth Dixon	11	11
Francisco Soler	11	11
Paul Barnes	11	11
Bruce Green (retired 31.12.13)	4	4

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 24 to 26.

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, overviews the monitoring of the Group's internal controls, accounting policies and financial reporting, and provides a forum through which the external auditors report. It meets at least once a year with the external auditors without Executive Management present.

Nominations Committee

The Nominations Committee comprises 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 undertakes regular risk assessments and reviews of its activities.

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

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

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

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 2014.

Results and dividends
There was a profit for the year after taxation amounting to £1.272 (2013: loss £1.312m).

A final dividend of £0.128m (0.32p per share) was paid during the year in respect of the year ended 30 June 2013. (2012: £0.140m (0.35p per share).

An interim dividend of £0.144m (0.36p per share) was paid during the year in respect of the year ended 30 June 2014 (2013: £0.032m, 0.08p per share) and the Directors recommend a final dividend of 1.26p per share (2013: 0.32p per share). If approved, the total distribution of dividends for the year ended 30 June 2014 will be £0.651m (2013: £0.160m).

A review of the Group's performance for the year ended 30 June 2014 is contained in the Chairman's Statement on pages 3 to 6 and the Chief Executive's Report on pages 8 to 15.

Directors
The Directors shown below have held office during the year:
C Samler
PC Swinney
EA Dixon
FA Soler
PM Barnes
BC Green (Retired 31.12.13)

The Group provides Directors and Officers indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2014 the policy cost £6,570 (2013: £6,360).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 24 to 26.

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 set out on pages 27 to 28.

Substantial shareholdings
Except for the Directors' interests noted above, the Directors are aware of the following who were interested in 3% or more of the Company's equity at 30 June 2014:

	No. of shares	% of issued share capital
Barclays Stockbrokers	2,575,108	6.40%
Hargreaves Lansdown	2,354,897	5.85%
Amati Global Investors Ltd	1,841,046	4.58%
Cavendish Asset Management	1,670,903	4.15%
Unicorn Asset Management	1,635,329	4.06%
TD Waterhouse Stockbrokers	1,364,882	3.39%
Redmayne Bentley Stockbrokers	1,333,151	3.31%

Research and development
Reference to the Group's activities in this field can be found within the Strategic Report, on page 16 of these financial statements.

Future developments
Reference to this topic can be found within the Strategic Report, on pages 16 to 17 of these financial statements.

Financial instruments
The instruments that can effect and are therefore monitored by the Group are set out within the Strategic Report on pages 18 to 20 of these financial statements.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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:

- so far as each Director is aware there is no relevant audit information of which the Company auditor is 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
10 October 2014

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 2014 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 Financial Reporting Council's website 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance within the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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
10 October 2014

Consolidated Income Statement

For the year ended 30 June 2014

	NOTE	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Revenue		13,470	10,558
Cost of sales		(4,066)	(3,544)
Gross profit		9,404	7,014
Other operating income		–	38
Administrative expenses:			
Share-based payments		(15)	(16)
Depreciation and amortisation		(885)	(1,026)
Other		(6,685)	(5,517)
Non-recurring items	5	–	(2,231)
Total administrative expenses		(7,585)	(8,790)
Operating profit/(loss)		1,819	(1,738)
Finance income	4	6	6
Finance costs	4	(10)	(20)
Results from equity accounted associate	14	8	2
Profit/(loss) before tax		1,823	(1,750)
Taxation	7	(551)	438
Profit/(loss) after tax		1,272	(1,312)
Attributable to:			
Non-controlling interests		(26)	(48)
Equity holders of parent		1,298	(1,264)
		1,272	(1,312)
Earnings/(loss) per share from total and continuing operations attributable to equity holders of the parent			
Basic – pence	10	3.25	(3.16)
Diluted – pence	10	3.25	(3.16)

All amounts relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Profit/(loss) for the period	1,272	(1,312)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations, related to non-controlling interests	15	(14)
Items that will be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	34	(53)
Other comprehensive income for the period	49	(67)
Total comprehensive income for the period	1,321	(1,379)
Attributable to:		
Non-controlling interests	(11)	(60)
Equity holders of the parent	1,332	(1,319)
	1,321	(1,379)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
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
Transactions with owners								
Dividends paid	–	–	–	–	(272)	(272)	–	(272)
Shares issued	2	133	–	–	–	135	–	135
Share-based payments – IFRS 2	–	–	–	–	15	15	–	15
Total transactions with owners	2	133	–	–	(257)	(122)	–	(122)
Profit for the year ended 30 June 2014	–	–	–	–	1,298	1,298	(26)	1,272
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	–	34	–	34	15	49
Total comprehensive income	–	–	–	34	1,298	1,332	(11)	1,321
30 June 2014	402	9,284	478	(93)	2,167	12,238	(162)	12,076

Company Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
30 June 2012	400	9,151	2,139	11,690
Transactions with owners				
Dividends paid	–	–	(172)	(172)
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
Transactions with owners				
Dividends paid	–	–	(272)	(272)
Shares issued	2	133	–	135
Share-based payments – IFRS 2	–	–	15	15
Total transactions with owners	2	133	(257)	(122)
Profit and total comprehensive income for the year ended 30 June 2014	–	–	477	477
30 June 2014	402	9,284	2,018	11,704

Consolidated Balance Sheet

As at 30 June 2014

	NOTE	2014 £'000	2013 £'000
Non-current assets			
Goodwill	11	667	667
Intangible assets	12	5,637	5,629
Property, plant and equipment	13	1,277	1,096
Deferred tax	22	83	307
		7,664	7,699
Current assets			
Inventories	15	2,063	1,868
Trade and other receivables	16	2,690	2,554
Cash and cash equivalents	17	2,664	627
		7,417	5,049
Total assets		15,081	12,748
Capital and reserves			
Share capital	23	402	400
Share premium account		9,284	9,151
Merger reserve		478	478
Foreign exchange reserve		(93)	(127)
Retained earnings		2,167	1,126
Equity attributable to owners of the parent		12,238	11,028
Non-controlling interests		(162)	(151)
Total equity		12,076	10,877
Current liabilities			
Trade and other payables	18	2,538	1,683
Interest bearing loans and borrowings	19	42	65
Current tax	22	213	70
		2,793	1,818
Non-current liabilities			
Interest bearing loans and borrowings	19	8	53
Deferred tax	22	204	–
Total liabilities		3,005	1,871
Total equity and liabilities		15,081	12,748

The financial statements were approved and authorised for issue by the Board of Directors on 10 October 2014, and were signed on its behalf by:

Elizabeth Dixon
Director

Company Balance Sheet

As at 30 June 2014

	NOTE	2014 £'000	2013 £'000
Non-current assets			
Intangible assets	12	3,495	3,441
Investments	14	1,711	1,696
Deferred tax	22	6	10
		5,212	5,147
Current assets			
Trade and other receivables	16	4,181	6,242
Cash and cash equivalents		2,530	–
		6,711	6,242
Total assets		11,923	11,389
Capital and reserves			
Share capital	23	402	400
Share premium account		9,284	9,151
Retained earnings		2,018	1,798
		11,704	11,349
Current liabilities			
Trade and other payables	18	85	40
Current tax liabilities	22	134	–
Total liabilities		219	40
Total equity and liabilities		11,923	11,389

The financial statements were approved and authorised for issue by the Board of Directors on 10 October 2014, 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 2014

	NOTE	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated from operating activities	i	3,250	759
Corporation tax received/(paid)		21	(50)
		3,271	709
Cash flows used in investing activities			
Interest received		6	6
Purchase of intangible assets		(479)	(345)
Purchases of property, plant and equipment		(677)	(131)
Proceeds from sale of property, plant and equipment		72	40
Net cash used in investing activities		(1,078)	(430)
Cash flows from financing activities			
Loans repaid		(66)	(96)
Interest paid		(10)	(20)
Share issues		135	–
Dividends paid		(272)	(172)
Net cash used in financing activities		(213)	(288)
Net increase/(decrease) in cash and cash equivalents		1,980	(9)
Cash and cash equivalents at the beginning of the period	ii	627	705
Exchange differences on cash and cash equivalents		57	(69)
Cash and cash equivalents at the end of the period	ii	2,664	627

Notes to the Consolidated Cash Flow Statement

For the year ended 30 June 2014

i Reconciliation of profit before tax to cash generated from operations

	2014 £'000	2013 £'000
Profit/(loss) before tax	1,823	(1,750)
Depreciation of plant, property & equipment	416	464
Amortisation of intangible assets	469	566
Impairment of intangible assets	–	1,045
Impairment of investments	–	45
Impairment of goodwill	–	112
Impairment of plant, property & equipment	–	103
Results from associates	(8)	(2)
Share-based payments – IFRS 2	15	16
Loss/(profit) on disposal of property, plant and equipment	2	(12)
Loss on disposal of intangible asset	5	3
Finance costs	10	20
Finance income	(6)	(6)
	2,726	604
(Increase)/decrease in inventories	(195)	111
(Increase)/decrease in trade and other receivables	(136)	277
Increase/(decrease) in trade and other payables	855	(233)
Cash generated from operations	3,250	759

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 2014 £'000	30 June 2013 £'000
Year ended 30 June 2014		
Cash and cash equivalents	2,664	627
	2,664	627

	30 June 2013 £'000	30 June 2012 £'000
Year ended 30 June 2013		
Cash and cash equivalents	627	705
	627	705

Company Cash Flow Statement

For the year ended 30 June 2014

	NOTE	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated from operating activities	a	2,964	290
Corporation tax paid		(135)	(42)
		2,829	248
Cash flows from investing activities			
Purchase of intangible assets		(168)	(65)
Interest received		6	5
Net cash used in investing activities		(162)	(60)
Cash flows from financing activities			
Dividends paid		(272)	(172)
Share issues		135	–
Interest paid		–	(8)
Net cash used in financing activities		(137)	(180)
Net increase/(decrease) in cash and cash equivalents		2,530	8
Cash and cash equivalents at the beginning of the period	b	–	(8)
Cash and cash equivalents at the end of the period	b	2,530	–

Notes to the Company Cash Flow Statement

For the year ended 30 June 2014

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

	2014 £'000	2013 £'000
Profit/(loss) before tax	615	(171)
Amortisation of intangibles	114	104
Impairment of investment	–	269
Finance costs	–	8
Finance income	(6)	(5)
	723	205
Decrease in trade and other receivables	2,061	85
Increase in trade and other payables	180	–
Cash generated from operations	2,964	290

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 2014 £'000	30 June 2013 £'000
Year ended 30 June 2014		
Cash and cash equivalents	2,530	–
	2,530	–

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 as adopted by the EU, which is relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2013:

IAS 19 Employee Benefits (Revised June 2011) (effective for periods beginning on or after 1 January 2013)
IFRS 13 Fair value measurement (effective for periods beginning on or after 1 January 2013)

IAS 19 Employee Benefits

Outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g. long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits. The application of this amendment has had no impact on the opening balance sheet or statement of comprehensive income and so no prior year adjustment has been made.

IFRS 13 Fair value measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has applied IFRS 13 for the first time in the current year.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2014. 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.

Non-controlling interests, presented as part of equity, represent a proportion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the assets of the parent and the non-controlling interests based on their respective ownership interests.

Business combinations completed prior to date of transition to IFRS

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

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

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

1. Accounting policies – *continued*

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.

Items that have been recognised directly in the associate's other comprehensive income are recognised in the consolidated other comprehensive income 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

Judgements are based on the information available at each balance sheet date. Economic success of any product development is uncertain at the time of recognition as 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. Where these conditions are met an impairment review by project is compiled at each balance sheet date.

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

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

1. Accounting policies – *continued*

Significant judgments and estimates *continued*
to be made in respect of the number of options that are expected to be exercised and the assumptions used in the model. 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 prior year a provision of this nature was made in relation to 25% of the stock of Tristel Stella equipment, amounting to £204,000, in addition to a further provision made in relation to the groups Shine equipment of £206,000. This provision is still considered appropriate. At the 30 June 2014 the provision against Shine stocks was £175,000, and the 25% provision of Stella stocks was £118,000.

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.

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, licences and proprietary technology
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 seven 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 on the next page.

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

1. Accounting policies – *continued*

Intangible assets *continued*
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.

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 seven years and 25 years.

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

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:

Leasehold and improvements to property	Straight line over the lease term of 10 years
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 (CGU) 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU'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

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

1. Accounting policies – *continued*

Foreign currency translation *continued*
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.

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 on a straight line basis.

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

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

1. Accounting policies – *continued*

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.

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 with a corresponding entry included in equity and assessed for impairment in accordance with IAS 36.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

1. Accounting policies – *continued*

EU adopted IFRSs not yet applied

As of 30 June 2014, 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 (IASB effective date 1 January 2018)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (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)
- IFRS 15 Revenues from Contracts with Customers (effective 1 January 2017)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2010 – 2012 Cycle (effective 1 July 2014)
- Annual Improvements to IFRSs 2011 – 2013 Cycle (effective 1 July 2014)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (effective 1 January 2016)

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

2. Segmental analysis

Management considers the Group's revenue lines to be split into three operating segments, which span the different Group entities. The operating segments consider the nature of the product sold, the nature of production, the class of customer and the method of distribution. The Group's operating segments are identified from the information 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 86% (2013: 84%) of Group revenues.

The second segment, which constitutes 6% (2013: 7%) 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.

The third segment addresses the pharmaceutical and personal care product manufacturing industries ('Contamination control') and has generated 9% (2013: 9%) of the Group's revenues this year.

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 2014 £'000	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	Group 2013 £'000
Revenue								
from external customers	11,518	762	1,190	13,470	8,912	738	908	10,558
Segment revenues	11,518	762	1,190	13,470	8,912	738	908	10,558
Cost of material	3,216	255	595	4,066	2,805	268	471	3,544
Gross Profit	8,302	507	595	9,404	6,107	470	437	7,014
Gross Profit %	72%	67%	50%	70%	69%	64%	48%	66%

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

2. Segmental analysis – *continued*

Centrally incurred income and expenses not attributable to individual segments:

	Group 2014 £'000	Group 2013 £'000
Other operating income	–	38
Depreciation and amortisation of non-financial assets	(885)	(1,026)
Other administrative expenses	(6,685)	(5,517)
Non-recurring items	–	(2,231)
Share-based payments	(15)	(16)
Segment operating profit/(loss)	1,819	(1,738)

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

	Group 2014 £'000	Group 2013 £'000
Segment operating profit/(loss)	1,819	(1,738)
Finance income	6	6
Results from equity accounted associate	8	2
Finance costs	(10)	(20)
Group profit/(loss) before tax	1,823	(1,750)

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

	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	Group 2014 £'000	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	Group 2013 £'000
United Kingdom	7,439	550	950	8,939	5,846	557	752	7,155
Rest of the World	4,079	212	240	4,531	3,066	181	156	3,403
Group revenues	11,518	762	1,190	13,470	8,912	738	908	10,558

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

Human healthcare revenues were derived from a large number of customers, including £3.499m from a single customer which makes up 30% of this segment's revenue (2013: £2.050m being 23%). Animal healthcare revenues were derived from a number of customers, with the largest customer accountable for £0.209m, which represents 27% of revenue for that segment (2013: 6.6% from a single customer).

During the year 26% of the Group's total revenues were earned from a single customer (2013: 19.4%).

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

Geographic	2014 £'000	2013 £'000	**Segment**	2014 £'000	2013 £'000
United Kingdom	7,455	7,567	Human healthcare	4,706	4,731
Rest of the World	126	132	Animal healthcare	2,510	2,510
			Contamination control	365	458
Non-current assets	7,581	7,699		7,581	7,699

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

2. Segmental analysis – *continued*

The Groups current assets and liabilities are shown, where identifiable, by segment, below:

2014	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	Group £'000	Total £'000
Segment assets	3,691	184	328	3,214	7,417
Segment liabilities	318	48	39	2,388	2,793

Comparative information for the prior year is not available.

3. Employees and directors

Group	2014 £'000	2013 £'000
Wages and salaries	3,706	3,140
Social security costs	309	275
Other pension costs	79	92
	4,094	3,507

The charge of £15,000 (2013: £16,000) 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:

	2014 Number	2013 Number
Executive Directors	2	2
Non-Executive Directors	4	5
Sales and marketing	39	30
Administration	19	19
Production	34	36
	98	92

	2014 £'000	2013 £'000
Directors' emoluments	609	374
Aggregate pension contributions to money purchase schemes	32	34
	641	408

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

	2014 Number	2013 Number
Money purchase schemes	2	2

Remuneration of the highest paid Director during the year was:

	2014 £'000	2013 £'000
Emoluments	327	178
Aggregate contributions to money purchase schemes	17	21
	344	199

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

3. Employees and Directors – *continued*

Remuneration by director is detailed in the Directors' Remuneration Report on pages 24 to 26.

Key management compensation	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Short-term employee benefits	865	–	586	–
Post-employment benefits	45	–	41	–
Share-based payments IFRS 2	11	–	13	–
	921	–	640	–

The key management figures given above includes Directors.

Company

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

4. Finance income and costs

	2014 £'000	2013 £'000
Finance income:		
Deposit account interest	6	5
Other interest	–	1
	6	6
Finance costs:		
Bank interest	(10)	(20)

5. Non-recurring items

There were no such items in this financial year.

In the prior year a review and restructure of the business took place, as a result headcount fell by 15%; the operation in China was restructured to cease the drain on cash; and the IP portfolio in the Balance Sheet was reviewed with the result that certain assets relating to legacy products were impaired. These 'root and branch review' activities culminated in a non-cash exceptional charge of £2.2 million for the year ended 30 June 13.

6. Profit/(loss) before tax

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

	2014 £'000	2013 £'000
Cost of inventories recognised as expense	3,850	3,188
Depreciation – owned assets	377	387
Depreciation – finance leased assets	42	77
Loss/(profit) on disposal of property, plant & equipment	2	(4)
Loss on disposal of intangible assets	5	10
Patents, licences and proprietary technology amortisation	113	113
Development costs amortisation	353	453
Auditor's remuneration	40	40
Foreign exchange loss/(gain)	96	(84)
Operating lease rentals – land and buildings	255	225
– vehicles and equipment	38	41
Research costs expensed	57	36

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

6. Profit/(loss) before tax – *continued*

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

	2014 £'000	2013 £'000
Audit of these financial statements	18	20
Audit of financial statements of subsidiaries	16	14
Taxation services (parent and subsidiaries)	3	3
Other services	3	3
	40	40

7. Taxation

The taxation credit represents:

	2014 £'000	2013 £'000
Current taxation:		
Corporation tax	248	79
Adjustment in respect of earlier years	(125)	7
Total current tax	123	86
Deferred tax:		
Origination and reversal of temporary differences	428	(524)
Total deferred tax	428	(524)
Total tax charge/(credit) in Income Statement	551	(438)

Factors affecting the tax charge/(credit):

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

	2014 £'000	2013 £'000
Profit/(loss) on ordinary activities before tax	1,823	(1,750)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.50% (2013: 23.75%)	410	(416)
Effects of:		
Expenses not deductible for tax purposes	139	116
Different rate tax bands and change in tax rates	1	18
Enhanced relief on qualifying scientific research expenditure	(93)	(135)
Adjustment in respect of prior years	(125)	7
Income not taxable	(11)	–
Tax losses not utilised and other timing differences	230	(28)
Total tax charge/(credit) for year	551	(438)

As a result of the reduction in the UK corporation tax rate to 21%, effective from 1 April 2014 and a further reduction of 1% by 1 April 2015.

8. Parent company income statement

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £0.477m (2013: loss £0.185m).

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2014 £'000	2013 £'000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2013 of 0.32p (2012: 0.35p) per share	128	140
Interim dividend for the year ended 30 June 2014 of 0.36p (2013: 0.08p) per share	144	32
	272	172
Proposed final dividend for the year ended 30 June 2014 of 1.26p (2013: 0.32p) per share	507	128

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

10. Earnings per share

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

	2014 £'000	2013 £'000
Retained profit/(loss) for the financial year attributable to equity holders of the parent	1,298	(1,264)
	Shares '000 Number	Shares '000 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,989	39,985
Effect of dilutive potential ordinary shares		
Share options	–	–
	39,989	39,985
Earnings/(loss) per ordinary share		
Basic	3.25p	(3.16p)
Diluted	3.25p	(3.16p)

The calculation of diluted earnings per share includes no outstanding options of ordinary shares at 30 June 2014 (30 June 2013: nil). All outstanding share options are antidilutive at both 30 June 2014 and 30 June 2013.

11. Goodwill

Group	Total £'000
Cost	
At 30 June 2012	779
Additions	–
At 30 June 2013	779
Additions	–
At 30 June 2014	779
Impairment	
At 30 June 2012	–
Impairment	112
At 30 June 2013	112
Impairment	–
At 30 June 2014	112
Net book value	
At 30 June 2014	667
At 30 June 2013	667

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 are now separately identifiable within Human Healthcare and form a single cash-generating unit within the Groups management reporting. The goodwill has been allocated to this cash-generating unit (CGU) and forms the basis of this review.

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre tax rates that reflect current market assessments of the time value of money. Growth rates are based upon industry growth forecasts within the CGU, likewise, changes in selling prices and direct costs are based on recent history and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by Management. Cash flows beyond a five-year period are then calculated into perpetuity using a growth rate of 0%, on the basis that the asset is held for the long-term benefit of the Group. This rate does not exceed the average long-term growth rate for the relevant market of the CGU. Cash flow forecasts for each CGU are considered, and where deemed appropriate, adjusted to reflect risks specific to the CGU.

The rate used to discount the forecast cash flows for goodwill is 13%, and assuming a zero growth rate. The net present value of profits expected over the next 5 years exceeds the carrying value of £0.667m, with headroom of £1.048m. A sensitivity analysis has been carried out where growth has been forecasted to decline at a rate of 5% year on year, at this level the headroom is £0.604m, as such no impairment has been recorded.

Company

The Company has no goodwill.

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

12. Intangible assets

The Group's approach to reviewing the carrying value of its intangible assets is consistent with the method applied to goodwill held by the Group (set out within note 11, on page 54 of these financial statements).

The rate used to discount the forecast cash flows for intangible assets is 13%, where sensitivity analysis has been carried out, it has been via the removal of growth expectations within a cash-generating unit (CGU).

Patents, licences and proprietary technology

Included within patents, licences and proprietary technology is the costs of acquired intellectual property and technological know-how related to the production of a range of products that serves each segment of the Group's activities, in each segment the products have an established footprint, which they have held for some time, the relevant IP and know-how allows the group to further develop its customer base, by industry, geographical areas and by the development of new methods of application, it is these factors that have led Management to consider the asset to have an indefinite useful life. The carrying amount of this asset is £2.510m. Through Management reporting the relevant products are identifiable to form a single CGU used for the purpose of an impairment review, tested in accordance with IAS 36, in this review cash flows beyond a five-year period are then calculated into perpetuity using a growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets of the CGU. Management's knowledge of the markets leads them to believe that sales growth is likely over the coming years. The result of the review shows the value in use exceeds the carrying value of the asset, with headroom of £8.069m, however a prudent approach has also been adopted by assuming static revenue over a five-year period. The result of this approach shows that the value in use would still exceed the carrying value of the asset, with headroom of £6.806m, as such no impairment has been recorded.

Also included within this category are patents and manufacturing rights to the range of products which address the Human healthcare market, and that are related to the Group's propriety technology. These assets are amortised over their expected useful life of between seven and 25 years. The Human healthcare market accounts for approximately 85% of group revenues, notwithstanding this, an impairment review has been conducted and the recoverable amount exceeds the carrying value of the asset of £0.984m by £20.460m.

Development – marketable products & products in development

Included within marketable products is the cost of development of the Stella disinfectant equipment. An impairment review has been carried out which took into account an extrapolated revenue forecast for the next five years. The recoverable amount based upon the value in use at the balance sheet date is £2.138m. The asset has also been reviewed for sensitivity with growth removed, this leaves headroom of £506k, as such the carrying value of the asset of £776k is supported, and no impairment was recorded.

Also included is the cost of development for a new chemistry delivery device, the carrying value of this is £107K. Revenue from this item is expected to commence in the financial year 2015-16. An impairment review has been carried out looking at revenue forecasts for a five-year period. The estimated recoverable amount exceeds the carrying value of the asset by £588k, however as the device is still in development a sensitivity analysis has been carried out adopting a deduction in total revenues of 50%, at this level headroom of £240k remains, as such no impairment is considered necessary.

The balance of this asset category holds a carrying value of £1,251k and relates to a royalty settlement fee and the cost for the ongoing research and development of new and existing products, primarily for the Human healthcare market. Also included is the cost of development of a range of disinfectants for the contamination control market. All items have been tested for impairment using the discount rate of 13%, at this level the minimal headroom attributable to any of the assets held is £691k, as such no impairment would be required to be recorded.

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

12. Intangible assets – *continued*

Group	Patents, licences and proprietary technology £'000	Development – marketable products £'000	Development – products in development £'000	Totals £'000
Cost				
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
Additions	181	204	94	479
Disposal	(5)	–	–	(5)
Reclassification	–	(13)	13	–
At 30 June 2014	4,731	4,695	323	9,749
Amortisation				
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
Charge for year	113	353	–	466
At 30 June 2014	1,228	2,668	216	4,112
Net book value				
At 30 June 2014	3,503	2,027	107	5,637
At 30 June 2013	3,440	2,189	–	5,629

Company	Patents and licences £'000	Totals £'000
Cost		
At 30 June 2012	4,246	4,246
Additions	65	65
At 30 June 2013	4,311	4,311
Additions	168	168
At 30 June 2014	4,479	4,479
Amortisation		
At 30 June 2012	766	766
Charge for year	104	104
At 30 June 2013	870	870
Charge for year	114	114
At 30 June 2014	984	984
Net book value		
At 30 June 2014	3,495	3,495
At 30 June 2013	3,441	3,441

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

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 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
Net exchange differences	–	(4)	(5)	(4)	(13)
Additions	292	146	1	238	677
Disposals	–	(512)	(106)	(230)	(848)
At 30 June 2014	1,407	1,083	58	407	2,955
Depreciation					
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 exchange differences	–	(1)	(4)	(1)	(6)
Eliminated on disposal	–	(511)	(106)	(161)	(778)
Charge for year	165	145	12	97	419
At 30 June 2014	643	866	33	136	1,678
Net book value					
At 30 June 2014	764	217	25	271	1,277
At 30 June 2013	637	220	37	202	1,096

The above table includes assets held under a finance lease arrangement during the year, the net book value of which at 30 June 2014 was £59k (2013: £158k), on which depreciation of £42k was charged (2013: £77k), classified below:

	Improvements to property £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Net book value					
At 30 June 2014	36	–	–	23	59
Depn charged	10	5	–	27	42

Company

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

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

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

	2014	2013
Class of shares	€1 Ordinary	€1 Ordinary
Holding	20%	20%

	2014 £'000	2013 £'000
Assets	187	194
Liabilities	82	161
Aggregate capital and reserves	65	20
Revenue	207	161
Profit for the period	40	12
Profit for the period attributable to the Group	8	2

Company	Shares in Group undertakings and associate £'000
Cost	
At 30 June 2012	2,113
Capital contributions as a result of share-based payments	16
At 30 June 2013	2,129
Capital contributions as a result of share-based payments	15
At 30 June 2014	2,144
Impairment	
At 30 June 2012 & 30 June 2013	433
Movement in the year	–
At 30 June 2013	433
Net book value	
At 30 June 2014	1,711
At 30 June 2013	1,696

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 £15,000 (2013: £16,000).

Subsidiaries

Tristel Solutions Limited (Incorporated in England and Wales)

Nature of business: Supply of infection control products

	2014	2013
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

	2014	2013
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

14 . Investments – *continued*

Subsidiaries *continued*

Tristel New Zealand Limited (Incorporated in New Zealand)

Nature of business: Supply of infection control products

	2014	2013
Class of shares	$1 Ordinary	$1 Ordinary
Holding	100%	100%

Tristel Medical Equipment (Shanghai) Limited

100% owned by Tristel Asia Limited

Nature of business: Supply of infection control products

	2014	2013
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

	2014	2013
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

	2014	2013
Class of shares	£1 Ordinary	£1 Ordinary
Holding	50%	50%

Tristel International Limited (Incorporated in England and Wales)

Nature of business: Supply of infection control products

	2014	2013
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

15. Inventories

Group	2014 £'000	2013 £'000
Raw materials	1,354	818
Finished goods	709	1,034
	2,063	1,852

Company

The Company has no inventories.

16. Trade and other receivables

	2014 £'000 Group	2013 £'000 Group	2014 £'000 Company	2013 £'000 Company
Current				
Trade receivables	2,137	2,048	–	–
Amounts owed by Group undertakings	–	–	3,927	6,040
Other receivables	280	250	238	190
Prepayments and accrued income	273	256	16	12
	2,690	2,554	4,181	6,242

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

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:

	2014 £'000 Group	2013 £'000 Group	2014 £'000 Company	2013 £'000 Company
Current				
Impairment provision brought forward	(117)	(19)	–	–
Impairment losses recognised	111	15	–	–
Increase in provision	(10)	(113)	–	–
Impairment provision carried forward	(16)	(117)	–	–

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 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank accounts	2,664	627	2,530	–
	2,664	627	2,530	–

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 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Current				
Trade payables	1,414	928	17	5
Social security and other taxes	328	400	–	–
Accruals and deferred income	796	356	68	35
	2,538	1,684	85	40

19. Financial liabilities – interest bearing loans and borrowing

Terms and loan repayment schedule	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Other loans	50	118	–	–
	50	118	–	–

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

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

The Company has access to an overdraft facility, secured by a cross guarantee from Tristel Solutions Limited.

	Group 2014 1 year or less £'000	Group 2013 1 year or less £'000	Company 2014 1 year or less £'000	Company 2013 1 year or less £'000
Current				
Other loans	42	65	–	–
	42	65	–	–

	Group 2014 More than 1 year but less than 2 years £'000	Group 2013 More than 1 year but less than 2 years £'000	Company 2014 More than 1 year but less than 2 years £'000	Company 2013 More than 1 year but less than 2 years £'000
Non current				
Other loans	8	53	–	–
	8	53	–	–

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 a fixed rate of 13% (2013: 13%). The value shown is secured against the assets under finance arrangements.

	2014 £'000	2013 £'000
Total of future minimum lease payments	59	133
Finance charges	(9)	(15)
	50	118

20. Financial instruments

This note presents information about the Group's exposure to 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 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.

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

20. Financial instruments – *continued*

Financial risks *continued*

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.

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.

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, none of which were in place at the year end.

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 shareholders, issue new shares or sell assets.

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

Capital for the period is summarised as follows:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Total equity	12,076	10,877	11,704	11,349
Cash and cash equivalents	2,664	(627)	2,530	–
Capital	14,740	10,250	14,234	11,349
Total equity	12,076	10,877	11,704	11,349
Borrowings	50	118	–	–
Overall financing	12,126	10,995	11,704	11,349
Capital to overall financing ratio	1.22	0.93	1.22	1.00

Financial assets and liabilities

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

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

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 2014 £000	Group carrying amount 2013 £000	Company carrying amount 2014 £000	Company carrying amount 2013 £000
Cash and cash equivalents	2,664	627	–	–
Trade and other receivables excluding prepayments	2,410	2,298	4,165	6,230
	5,074	2,925	4,165	6,230

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

	Group carrying amount 2014 £000	Group carrying amount 2013 £000	Company carrying amount 2014 £000	Company carrying amount 2013 £000
United Kingdom	1,673	1,002	4,165	6,040
Rest of the World	744	1,296	–	–
	2,417	2,298	4,165	6,040

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £16,000 (2013: £117,000) 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 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Not past due	2,006	1,366	4,165	6,040
Past due 0 – 30 days	344	532	–	–
Past due 31 – 120 days	67	271	–	–
Past due 120 days +	–	129	–	–
	2,417	2,298	4,165	6,040

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 2014					
Non-derivative financial liabilities					
Trade and other payables	1,742	1,742	1,742	–	–
Borrowings – other loans	50	59	28	21	10
	1,792	1,801	1,770	21	10
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

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

20. Financial instruments – *continued*

Liquidity risk *continued*

Company	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	More than 12 months £'000
30 June 2014					
Non-derivative financial liabilities					
Trade and other payables	85	85	85	–	–
30 June 2013					
Non-derivative financial liabilities					
Trade and other payables	40	40	40	–	–

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Current assets				
Cash and cash equivalents	2,664	627	–	–
Trade and other receivables	2,410	2,298	4,165	6,230
	5,074	2,925	4,165	6,230

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Current liabilities				
Interest bearing loans and borrowings	42	65	–	–
Trade and other payables	2,210	1,200	85	40
	2,252	1,265	85	40
Non-current liabilities				
Interest bearing loans and borrowings	8	53	–	–

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

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

Interest rate risk
The Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates, 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 2014 the average interest rate earned on the temporary closing balances was 0.1% (2013: 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.

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

21. Leasing agreements

Group	2014 £'000	2013 £'000
Amounts repayable under non-cancellable operating leases fall due:		
Within 1 year	296	176
Between 1 and 5 years	899	363
In more than 5 years	1,083	–
	2,278	539

Leases comprise of non-cancellable operating leases in relation to property and manufacturing equipment. A new 10-year property lease was agreed in the year, relating to the operating headquarters.

Company
The Company has no lease agreements.

22. Taxation

Current tax	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Corporation Tax at 30 June	213	70	134	–

Deferred tax	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Balance at 1 July	307	(218)	10	13
(Charged)/credited to Income Statement for the year	(428)	525	(4)	(3)
Balance at 30 June	(121)	307	6	10

Recognised deferred tax (liability)/asset
Deferred tax liabilities are attributable to the following:

	Tax losses £'000	Acc'd tax depr'n £'000	Other temporary differences £'000	Group total £'000	Company acc'd tax depr'n £'000
Balance at 30 June 2012	147	4	(369)	(218)	13
Credited/(charged) to Income Statement for the year	327	(4)	202	525	(3)
Balance at 30 June 2013	474	–	(167)	307	10
(Charged)/credited to Income Statement for the year	(474)	–	46	(428)	(4)
Balance at 30 June 2014	–	–	(121)	(121)	6

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

Net deferred tax (liability)/asset	Group £'000	Company £'000
Deferred tax liability	(204)	–
Deferred tax asset	83	6
Balance at 30 June 2014	(121)	6
Balance at 30 June 2013	307	10

Notes to the Consolidated Financial Statements – *continued*
For the year ended 30 June 2014

22. Taxation – *continued*

The Group deferred tax asset at 30 June 2014 has been recognised at 20% (2013: 23.75%) as it is expected that this will be the rate applicable on reversal of the temporary differences.

The Group have a deferred tax asset at 30 June 2014 totalling £61k, relating to the utilisation of overseas losses which have not been recognised in the financial statements as the utilisation of the tax losses are not anticipated in the foreseeable future.

23. Called up share capital

Allotted, issued and fully paid	Number:	£
30 June 2013	39,984,701	400,000
Issued during the year	250,000	2,000
30 June 2014	40,234,701	402,000

250,000 ordinary shares of 1 pence each, related to the exercise of 250,000 share options, were issued during the year (2013: nil), for a total consideration of £135,000, being £2,000 equity and £133,000 share premium. The weighted average exercise price was 53.86 pence.

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. If the option holder leaves the employ of the Group the option is forfeited.

During the year ended 30 June 2014 the Group and the Company had 24 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 2014

23. Called up share capital – *continued*

Share-based payments *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	45.00p	45.00p	45.00p	53.00p	42.00p	53.00p	53.00p
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%	2.5%	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	0.027p	0.028p
Exercise price at date of grant	59.50p	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	53.00p	53.00p	60.50p	60.50p	53.75p	50.60p	55.00p
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	60.50p	60.50p	53.75p	53.75p	55.00p

	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	14-Oct-13
Vesting period ends	24-Oct-11	21-Dec-11	05-Apr-12	06-Jul-12	29-Oct-12	22-Apr-13	14-Oct-13
Share price at date of grant	40.00p	40.00p	30.00p	29.50p	37.80p	22.30p	24.00p
Volatility	27%	27%	27%	27%	27%	27%	30%
Option life	10 years	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%	2.5%
Risk free investment rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Fair value at grant date	0.026p	0.026p	0.007p	0.005p	0.021p	0.002p	0.002p
Exercise price at date of grant	53.75p	53.75p	53.75p	57.00p	53.75p	53.75p	53.75p

	Senior management scheme	General employee scheme	Senior management scheme
Grant Date	03-Mar-14	03-Mar-14	25-Apr-14
Vesting period ends	03-Mar-15	03-Mar-14	25-Apr-14
Share price at date of grant	41.00p	41.00p	48.50p
Volatility	30%	30%	30%
Option life	10 years	10 years	10 years
Expected dividend yield	2.5%	2.5%	2.5%
Risk free investment rate	0.5%	0.5%	0.5%
Fair value at grant date	0.015p	0.015p	0.056p
Exercise price at date of grant	65.00p	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.

23. Called up share capital – *continued*

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

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

A reconciliation of option movements over the year to 30 June 2014 is shown below:

	Senior management scheme	Weighted average exercise price	General employee scheme	Weighted average exercise price
Outstanding at 1 July 2012	1,585,000	58.83p	1,205,000	55.14p
Granted	200,000	57.00p	180,000	53.75p
Forfeited	–	–	(70,000)	53.78p
Exercised	–	–	–	–
Outstanding at 30 June 2013	1,785,000	59.07p	1,315,000	54.11p
Granted	127,500	61.47p	160,000	53.75p
Forfeited	–	–	(60,000)	53.75p
Exercised	–	–	(250,000)	53.86p
Outstanding at 30 June 2014	1,912,500	59.23p	1,165,000	54.13p
Exercisable at 30 June 2013	1,190,000	55.74p	1,315,000	54.04p
Exercisable at 30 June 2014	1,237,500	55.67p	1,165,000	54.14p

The total charge at 30 June 2014 relating to employee share-based payment plans, in accordance with IFRS 2, was £15,000 (2013: £16,000) 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 65p. 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 related to the Groups patented technology of £164,000 (2013: £179,000) were payable during the year to Bruce Green Limited, a company owned by Mr Green. At 30 June 2014 the Group owed Bruce Green Limited £33,000 (2013: £33,000).

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 the company is a director and shareholder, monies totalling £114,000 (2013: £133,000) were payable. At 30 June 2014 the Group owed Medichem (International) Manufacturing Ltd £23,000 (2013: £19,000) and was owed £1,000 (2013: £1,000).

Transactions between the Group and associate companies

During the year the group charged its associate company Tristel Italia srl £48,000 (2013: £34,000) in respect of finished goods.

24. Related party disclosures – *continued*

Transactions with Directors

Dividends were paid to Directors as follows:

	30 June 2014 £	30 June 2013 £
Paul Swinney	6,077	4,318
Elizabeth Dixon	306	39
Francisco Soler	74,630	32,228
Paul Barnes	4,166	2,233
Bruce Green	5,875	3,757
Christopher Samler	1,744	–

During the year Elizabeth Dixon, a Director of the Company, was granted options over 87,500 of the company's 1p ordinary shares at a price of 65p, which are exercisable upon a change of control.

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

25. Capital commitments

At the year end the Group had committed to the acquisition of two capital items. One item of manufacturing equipment and a new enterprise resource planning software system. The total cost of acquisition will be £0.306m, of which deposits had been paid by the year end totalling £0.049m.

Notes

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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

DESIGN: SILK PEARCE