TRISTEL PLC ANNUAL REPORT & ACCOUNTS
YEAR ENDED 30 JUNE 2017

WE HAVE CHEMISTRY.

Tristel

Focus

Yes, we have chemistry. Specifically, our proprietary chlorine dioxide chemistry. We are unique worldwide in using this molecule to disinfect medical instruments.

But the chemistry itself does not deliver the results we achieve. The business we have built does that – our one hundred plus employees stationed around the globe. They are energetic, diverse, ambitious, and many are young. Collectively they have an unrivalled knowledge of how to use our chemistry, where to use it, how to help and educate users, and a vision to improve patient care standards with better infection control practices and technologies.

The objectives we challenge ourselves to meet are known to everyone inside the Company, and we keep them visible to all other stakeholders. They are simple and clear. We have delivered upon them this year, and I believe that we can continue to do so.

Last year, I wrote of our focus and discipline. They remain our constant companions; but our people produce the real chemistry that makes Tristel stand out.

Paul Swinney Chief Executive Officer

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Tristel

Infection prevention in hospitals

Anistel

Infection prevention in animal healthcare

Crystel

Contamination control in critical environments

During the year:

WE SUCCESSFULLY ACQUIRED OUR AUSTRALIAN DISTRIBUTOR'S BUSINESS.

WE MADE OUR FIRST NORTH AMERICAN REGULATORY SUBMISSION, TO THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY.

WE INVESTED IN THE POINT-OF-CARE DIAGNOSTICS COMPANY MOBILEODT.

WE CONTINUED TO BUILD OUR DEFENSIVE STRENGTHS VIA INVESTMENTS IN REGULATORY PROGRAMMES AND PATENT PROTECTIONS.

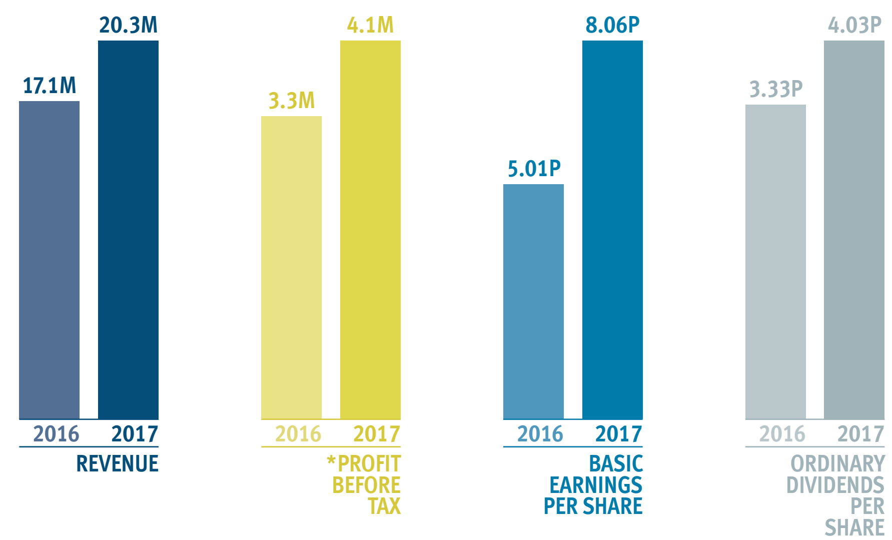
Tristel plc is a manufacturer of infection prevention and contamination control products. Its lead technology is a proprietary chlorine dioxide formulation. The Company addresses three distinct markets:

THE HUMAN HEALTHCARE MARKET
Hospital infection prevention via the Tristel brand

THE ANIMAL HEALTHCARE MARKET
Veterinary practice infection prevention via the Anistel brand

THE CONTAMINATION CONTROL MARKET
Control of contamination in critical environments via the Crystel brand

REVENUE 2017	+19%
PROFIT BEFORE TAX* 2017	+24%
BASIC EARNINGS PER SHARE 2017	+61%
ORDINARY DIVIDENDS PER SHARE 2017	+21%



*BEFORE SHARE BASED PAYMENTS

Chairman's Statement

CORE STRATEGIES:

TO DELIVER LONG TERM SUSTAINABLE GROWTH IN SHAREHOLDER RETURNS.

TO DISTRIBUTE SURPLUS CASH TO SHAREHOLDERS.

TO INVEST IN GAINING REGULATORY APPROVALS TO ENABLE US TO ENTER NEW GEOGRAPHICAL MARKETS.

TO INVEST IN THE DESIGN AND DEVELOPMENT OF NEW PRODUCTS, AND THE IMPROVEMENT OF EXISTING ONES.

Tristel continued to make good progress during the year to 30 June 2017. Sales grew to £20.3m from £17.1m in 2016, an increase of 19%. The pace of sales growth was faster than the 12% achieved last year, and above our 10-15% target. Once again, overseas sales grew faster at 43% than domestic sales at 3%, which is no surprise given the high levels of market penetration we enjoy in the United Kingdom. Overseas sales represented 47% of worldwide sales compared to 39% last year. The acquisition of our Australian distributor's business in August 2016 accounted for 39% of overall sales growth, and favourable currency rates 21%. Underlying sales growth was 7%.

Pre-tax profit before share-based payments was £4.1m compared to £3.3m last year, an increase of 24%. Earnings per share (EPS) were 8.06 pence, up from 5.01 pence last year, an increase of 61%.

In August 2015, and again in August 2016, a special dividend of 3 pence was paid, reflecting profits performance and build-up of surplus cash. The Company has continued to be very cash generative and on 30 June 2017 the cash balance was £5.1m (£5.7m). The Board is not declaring a third consecutive special dividend at this time. In line with the Company's ordinary dividend policy, the Board is recommending that the final dividend is 2.63 pence (2016: 2.19 pence), an increase of 20%. Including the interim dividend of 1.4 pence (2016: 1.14 pence), and the proposed final dividend, the total dividend for the year will be 4.03 pence (2016: 3.33 pence excluding the special dividend), a rise of 21%. If approved, the final dividend will be paid on 15 December 2017 to shareholders on the register at 17 November 2017. The corresponding ex-dividend date is 16 November 2017.

During the year, we accelerated our investment in future growth opportunities. We spent £1.1m to acquire our Australian distributor's business, and invested £0.6m to take a 3.27% stake in the Israeli company, MobileODT. Additionally, we spent £0.1m on product development and testing (2016: £0.17m) and £0.22m (£2016: 0.12m) on patenting to protect our intellectual property. We invested £0.54m (2016: £0.34m) in regulatory approval programmes in 19 countries and recognised this cost as an expense in the year; included in this investment was an amount of £0.5m (2016: £0.13m) relating to the United States market. Our project to enter the United States commenced two years ago, and we have succeeded in making our first regulatory submission – an application to the United States Environmental Protection Agency (EPA) for our chlorine dioxide foam-based product. We intend to make further submissions to both the EPA and the Food and Drug Administration (FDA) in the years ahead.

Our people are the key element to our success. I would like to acknowledge this on behalf of our Board and thank all our employees for their contribution throughout the year.

Our core strategic objective continues to be to achieve consistent and sustainable growth of the business and the value of our shareholders' investment in the Company. Our target is to grow revenue within a range of 10% to 15% as an annual average over the three years to June 2019 whilst maintaining a minimum pre-tax margin of 17.5%. If we achieve these two key objectives we will have created the conditions for consistent and sustainable growth in earnings and dividends. Our core objective is grounded in the belief that, over time, share price growth will follow EPS growth and the cash returns we achieve for our shareholders.

These are exciting times for Tristel as we enter the North American market and bring the highest standards of medical device decontamination to the developing world: both new opportunities, but both consistent with our focus of the past 20 years.

My Board colleagues and I look forward to Tristel's future with continued confidence.

Francisco Soler Chairman
18 October 2017

Chief Executive's Review

WE BELIEVE THAT WE CAN GROW SALES IN THE RANGE OF 10% TO 15% PER ANNUM AS AN ANNUAL AVERAGE OVER THE NEXT THREE YEARS.

WE ARE ONE OF THE VERY FEW COMPANIES WORLDWIDE THAT CAN LEGITIMATELY CLAIM TO BE EXCLUSIVELY AN INFECTION PREVENTION BUSINESS.

IN GEOGRAPHICAL MARKETS IN WHICH WE HAVE BEEN PRESENT FOR SOME TIME WE HOLD TRULY DOMINANT MARKET POSITIONS.

Current year – Overview

We are pleased to report that during the year Group revenue increased by 19%, adjusted pre-tax profit increased by 24% and we achieved a pre-tax profit margin of 20%. We ended the year with cash of £5.1m. The Company remains debt-free.

In our 2014 financial year, when revenue was £13.5m, we set a revenue target of £20m to be achieved in the financial year ending 30 June 2017 – an increase of almost 50% in sales over a three-year period – and we are pleased to report that this target has been achieved. In October 2016, we laid out our plans for the three years to 30 June 2019. The current objectives are sales growth in the range of 10% to 15% per annum as an annual average over the three years, which is a key performance indicator (KPI) of the Company. We also set an objective of achieving a pre-tax profit margin of at least 17.5% - our second KPI. We can report that both these targets have been met in 2017, the first year of the current three-year plan.

We are proposing a final dividend of 2.63 pence per share (2016: 2.19 pence), making 4.03 pence (2016: 3.33 pence) in total for the year, up 21%.

Some of the key events that took place during the year, were:

- In August 2016, we acquired our Australian distributor's business for £1.1m. The new subsidiary generated incremental profit before tax during the year of £0.824m.
- Also in August 2016, we paid a special dividend of 3 pence.
- We made a strategic investment in June 2017 of £0.6m (US$0.75m) in the Israeli company, MobileODT ('MODT'). MODT is a business that combines smartphone technology with hand-held medical devices to make diagnostics available at point-of-care.

STRATEGIC INVESTMENT OF IN MOBILEODT ('MODT')

JUNE 2017

£0.6M

Our business: What our marketplace looks like

Our entire business is focussed on preventing the transmission of microbes from one object or person to another. We pursue this purpose because some microbes can be a source of infection to humans and animals. They can cause illness or death and place a heavy cost on individuals and society. We achieve our purpose by applying a very powerful disinfectant – chlorine dioxide – to the target surface or medical instrument.

We are unique worldwide in using chlorine dioxide as a high-performance disinfectant for medical instruments. And we are one of a very few companies worldwide that can legitimately claim to be exclusively an infection prevention business.

Our mission is most relevant to hospitals, especially acute hospitals, where the risks of infection to individuals are highest. In the human healthcare market, we brand our products Tristel. The risk of cross infection is also relevant to veterinary practices, or animal hospitals, and in the animal healthcare market we brand our products Anistel. Finally, the control of microbial contamination is very relevant in critical manufacturing environments, for example cleanrooms, and in this market our products are branded Crystel.

An acute hospital is a vast, multi-faceted organisation. We are not only unique in providing chlorine dioxide as a high-performance disinfectant within hospitals, but we are also unique in our focus upon specific clinical departments within them. We target clinical departments that carry out diagnostic procedures with small heat-sensitive medical instruments. These include: the nasendoscope used in Ear, Nose and Throat departments; the laryngoscope blade used in emergency medicine; tonometers used in ophthalmology, and ultrasound probes used in both men and women's health. In these departments, we are the only simple to implement, affordable, high-performance disinfection method available. Consequently, in geographical markets in which we have been present for some time, we hold truly dominant market positions.

The investment that we made in MODT involves us in a new market for our chlorine dioxide high-level disinfectants – healthcare in the lesser-resourced areas of the world – and, in terms of population, a far larger marketplace.

There are 5.8 billion people worldwide who have no access to healthcare that we would consider adequate, yet a great number of this population has access to a mobile phone. In low resource settings, whether on the African continent or in rural America, medical care is provided by nurses, trained to a general level of medical knowledge. Smartphones, combined with devices that can illuminate a part of the body and take a picture, or carry out an ultrasound scan, enable community nurses to examine the patient and transmit images for consultation that can be provided remotely. In time, artificial intelligence will provide diagnosis. This is a new frontier in medicine that is developing rapidly.

During our 20-year experience in infection prevention, we have observed that disinfection is often an afterthought in medical device innovation. Our high-level disinfectants, dispensed in portable, easy-to-use formats of foam, wipes and sprays, are the only way in which these new frontier devices can be disinfected safely in a community clinic in a remote area to the same level that would be demanded in a sophisticated Western European hospital.

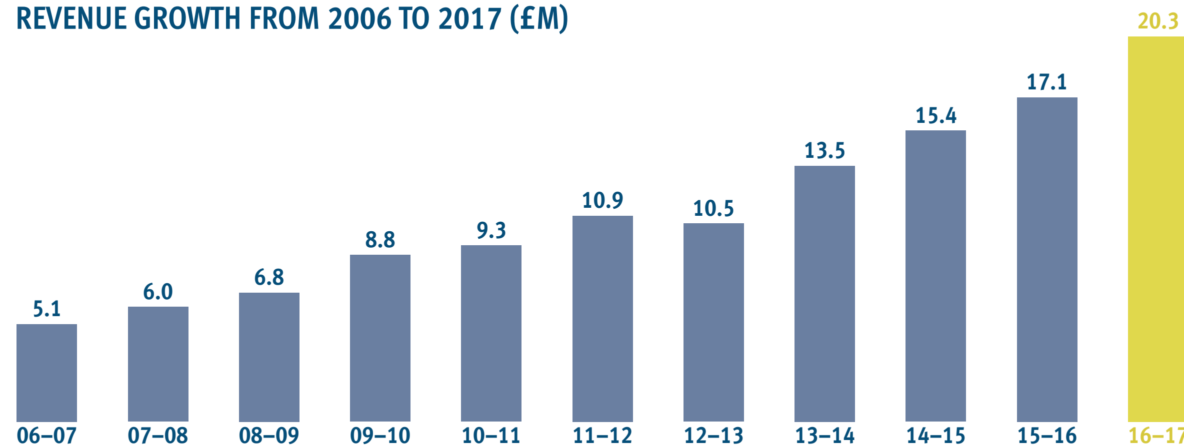
MODT is involved in this exciting development in healthcare, and has had the foresight to acknowledge the importance of disinfection. With its focus on women's health, a key area for Tristel, we are making this investment to cement our relationship. MODT plans next to make its technology platform available in Ear, Nose and Throat medicine (ENT), another stronghold for our Company. We believe our participation in the ownership of MODT will not only benefit Tristel strategically, but will also produce an attractive return for our own shareholders in time.

How we service our market

Over 95% of our revenues are of repeat consumable products that perform a vital function in hospitals. Their use is for the most part non-discretionary. Our products are typically small packaged goods, requiring no after sales service, other than repeat training. Capital sales, service and maintenance revenues do not feature, therefore, in a significant way in our revenue model.

OVER 95% OF REVENUES ARE OF REPEAT CONSUMABLE PRODUCTS

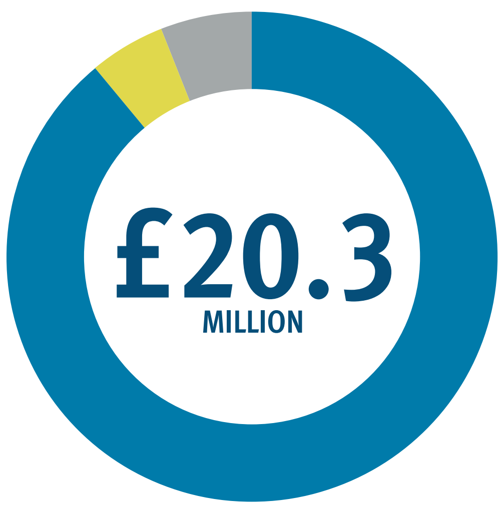
REVENUE GROWTH FROM 2006 TO 2017 (£M)



OUR REVENUES – BY SALES CHANNEL

We sell our products directly to end-users in those markets in which we have established a direct operational presence, and through distributors in markets where we have no presence.

Our revenues – by sales channel			2016 – 17 £000's	2015 – 16 £000's	Year-on-year change £000's	Percentage change %
Human Healthcare	Direct sales	UK	8,910	8,547	363	4%
		EU	3,237	1,927	1,310	68%
		ROW	3,580	2,025	1,555	77%
	Sales to distributors	EU	1,358	1,102	256	23%
		ROW	1,022	998	24	2%
Animal Healthcare	Direct sales	UK	114	222	(108)	(49%)
		EU	5	4	1	25%
		ROW	180	156	24	15%
	Sales to distributors	UK	522	457	65	14%
		EU	57	176	(119)	(68%)
Contamination Control	Direct sales	UK	1,129	1,140	(11)	(1%)
		EU	18	-	18	100%
		ROW	8	-	8	100%
	Sales to distributors	EU	132	332	(200)	(60%)
		ROW	1	18	(17)	(94%)
	Group sales		**20,273**	**17,104**	**3,169**	**19%**



DIVISION OF TOTAL REVENUE ACROSS THREE PORTFOLIOS

HUMAN HEALTHCARE 18.10M
ANIMAL HEALTHCARE 0.88M
CONTAMINATION CONTROL 1.29M

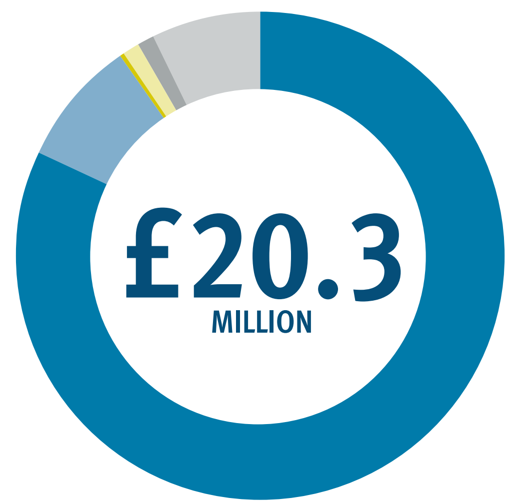
DIVISION OF TOTAL OVERSEAS SALES BY CHANNEL

DIRECT SALES 7.0M
SALES TO DISTRIBUTORS 2.6M

OUR REVENUES – BY TECHNOLOGY

The majority of our sales are of chlorine dioxide (ClO_2) based products; but we do formulate, manufacture and sell products utilising other disinfectant chemistries. These include quaternary ammonium compounds, peracetic acid and alcohol. In 2017, £3.6m of our sales were of non-chlorine dioxide chemistries representing 18% of the total (2016: £3.7m representing 22%). As our chlorine dioxide product sales increase at a faster pace than non-chlorine dioxide product sales, and as we continue to find ways to persuade customers to switch to chlorine dioxide as a superior disinfection technology, we expect this percentage to continue to decline.

Our revenues – by technology			2016 – 17 £000's	2015 – 16 £000's	Year-on-year change £000's	Percentage change %
Human Healthcare	Direct sales	ClO_2	14,877	11,847	3,030	26%
		Other	850	652	198	30%
	Sales to distributors	ClO_2	1,715	1,432	283	20%
		Other	665	668	(3)	-%
Animal Healthcare	Direct sales	ClO_2	1	7	(6)	(86%)
		Other	298	375	(77)	(21%)
	Sales to distributors	ClO_2	5	3	2	67%
		Other	574	630	(56)	(9%)
Contamination Control	Direct sales	ClO_2	47	38	9	24%
		Other	1,082	1,102	(20)	(2%)
	Sales to distributors	ClO_2	36	43	(7)	(16%)
		Other	123	307	(184)	(60%)
	Group sales		**20,273**	**17,104**	**3,169**	**19%**



REVENUE BY TECHNOLOGY

HUMAN HEALTHCARE:
ClO2 16.6M
Other 1.5M
ANIMAL HEALTHCARE:
ClO2 0.006M
Other 0.09M
CONTAMINATION CONTROL:
ClO2 0.083M
Other 1.2M

OUR REVENUES – BY PORTFOLIO AND GEOGRAPHICAL SPLIT

Revenue increased by 19% in the year. UK sales grew by 3% and overseas sales grew by 43%. Overseas sales are made via two channels: through the Company's wholly-owned subsidiaries in Germany, Poland, Hong Kong, China, New Zealand, Australia and Russia; and via third-party distributors. Overseas subsidiary sales increased by 71% to £7m in the year, whereas overseas sales to distributors remained relatively static at £2.58m.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Strategic Assets

THE ONLY COMPANY USING CHLORINE DIOXIDE FOR THE DECONTAMINATION OF MEDICAL INSTRUMENTS IN THE WORLD.

229 PATENTS GRANTED IN 35 COUNTRIES PROVIDING LEGAL PROTECTION FOR OUR PRODUCTS.

OUR PEOPLE HOLD AN UNRIVALLED BODY OF KNOWLEDGE RELATING BOTH TO INFECTION PREVENTION AND TO CHLORINE DIOXIDE.

Our strategic assets

We consider the assets that enable the Company to achieve its strategic goals to be:

- Our chlorine dioxide chemistry, about which there are three critically important elements:

1. The formulation is proprietary.
2. We remain the only company using chlorine dioxide for the decontamination of medical instruments in the world, which gives us a genuine point of difference from all other infection prevention companies.
3. The length of time that we have enjoyed this position has allowed us to collate a significant body of knowledge, including published scientific data, the testimony of almost two decades of safe use, a significant global footprint of regulatory approvals and a library of proven compatibility with hundreds of medical instruments, all of which would take a newcomer significant time and cost to match.

- Intellectual property protection – at 30 June 2017, we held 229 patents granted in 35 countries providing legal protection for our products.
- Our people – who hold an unrivalled body of knowledge relating both to infection prevention and to chlorine dioxide.

These strategic assets drive our success and differentiate us from our competitors.

INTELLECTUAL PROPERTY PROTECTION: PATENTS GRANTED 229 in 35 countries

As of 30 June 2017

OUR PROPRIETARY CHLORINE DIOXIDE CHEMISTRY

The competitive advantage that we hold is that we are the only company worldwide using chlorine dioxide to disinfect medical instruments.

With this same chemistry, we have also established a bridgehead in hospital surface disinfection, the veterinary market, and the contamination control market. We are developing a number of new products that could be 'game-changers' in these disinfection applications.

Our research and development programme has centred around our chlorine dioxide portfolio, both in terms of chemistry and delivery methods. The key chemistry improvements that are sought relate to an increase in microbial efficacy, a reduction in hazards and improved efficiency of manufacture. In parallel, packaging and delivery forms are being developed that enhance and simplify the user experience.

Our regulatory programme succeeded in attaining approvals for 24 products in 19 countries during the year.

OUR INTELLECTUAL PROPERTY PROTECTION

We have 229 patents granted in 35 countries. The progress that the Company has made during the past three years in building its patent portfolio is demonstrated below:

Year to 30 June	ClO_2 foam	ClO_2 hand disinfectant	Trigger spray technology	ClO_2 decontamination device	ClO_2 wipes system	Total granted patents
2017	**12**	**40**	**101**	**49**	**27**	**229**
2016	12	37	52	29	26	156
2015	11	35	2	23	26	97

OUR PEOPLE

At Tristel the basic qualities we seek in our staff are integrity, inquisitiveness and humility. In our management team, we also look for excellent decision making and execution ability and a 'know no boundaries' approach. We believe that these qualities can make the highest possible performance achievable. We view our colleagues as a key strategic asset of the business.

Delivering on our key strategic financial goal

Our key strategic financial goal is to deliver long-term sustainable growth. The two key performance measures that we target are:

1. Consistent revenue growth - during the past four years, revenue has grown from £13.5m to £20.3m – an increase of 51%. The compound annual growth rate in revenue since the Company went public in 2005 has been 17%. We continue to believe that we can grow sales in the range of 10% to 15% per annum as an annual average over the three years ending 30 June 2019.
2. Maintaining the profitability of the Company – during the year the Company achieved a pre-tax profit margin of 20%. Over the three years ending 30 June 2019, we believe that we can operate above a pre-tax margin of 17.5%.

The corollary to achieving these targets is that we are likely to be highly cash generative given the operational cash requirements of the business. If the Board considers that there are no earnings enhancing opportunities to invest excess cash, a special dividend will be paid to shareholders.

The Board's pursuit of these financial objectives is grounded in the belief that consistent and sustainable increases in earnings and dividends will, over time, result in share price growth. During the year, we have witnessed a significant upward rating in the valuation multiples applied to our share price.

Progress in North America

Two years ago, we unveiled to our shareholders that we had embarked upon a United States regulatory approvals programme.

We are pursuing approvals for various Tristel products with both the EPA and FDA. We have held various review meetings with both agencies and have presented information and sought their guidance on our approach.

With respect to the FDA we are pursuing a 510(K) for two high-level disinfectant products classified as medical devices. One product will be labelled for the high-level disinfection of ophthalmic medical instruments, and one for the high-level disinfection of ultrasound instruments. Both products are liquid chlorine dioxide formulations dispensed in a foam format by specialised packaging.

With respect to the EPA we made a regulatory submission on 30 June 2017 for our chlorine dioxide foam product branded Duo. The EPA submission is for intermediate disinfectant status on non-porous surfaces, including those of heat-sensitive medical instruments. We have announced that our expectation for an EPA approval is May 2018.

We also have in process submissions to Canada's Health Protection Board.

In summary, we have developed a broadly-based business strategy for the North American market, which is built around the regulatory processes in the United States and Canada. We are confident that our plan is proceeding very satisfactorily, and that we are on track to generate revenues in North America during the financial year commencing July 2018.

Focus

The Company has a dual focus: on infection prevention, and on our proprietary chlorine dioxide chemistry. The achievements that we have made have come from sticking to what we know and do well and we believe there remains an enormous opportunity to continue this success.

We have set objectives which are visible to everyone inside the Company, and we make them equally visible to all other stakeholders.

We look forward to a year of further growth and progress across the business.

Paul Swinney Chief Executive Officer
18 October 2017

ON TRACK TO GENERATE REVENUES IN NORTH AMERICA 2018/19


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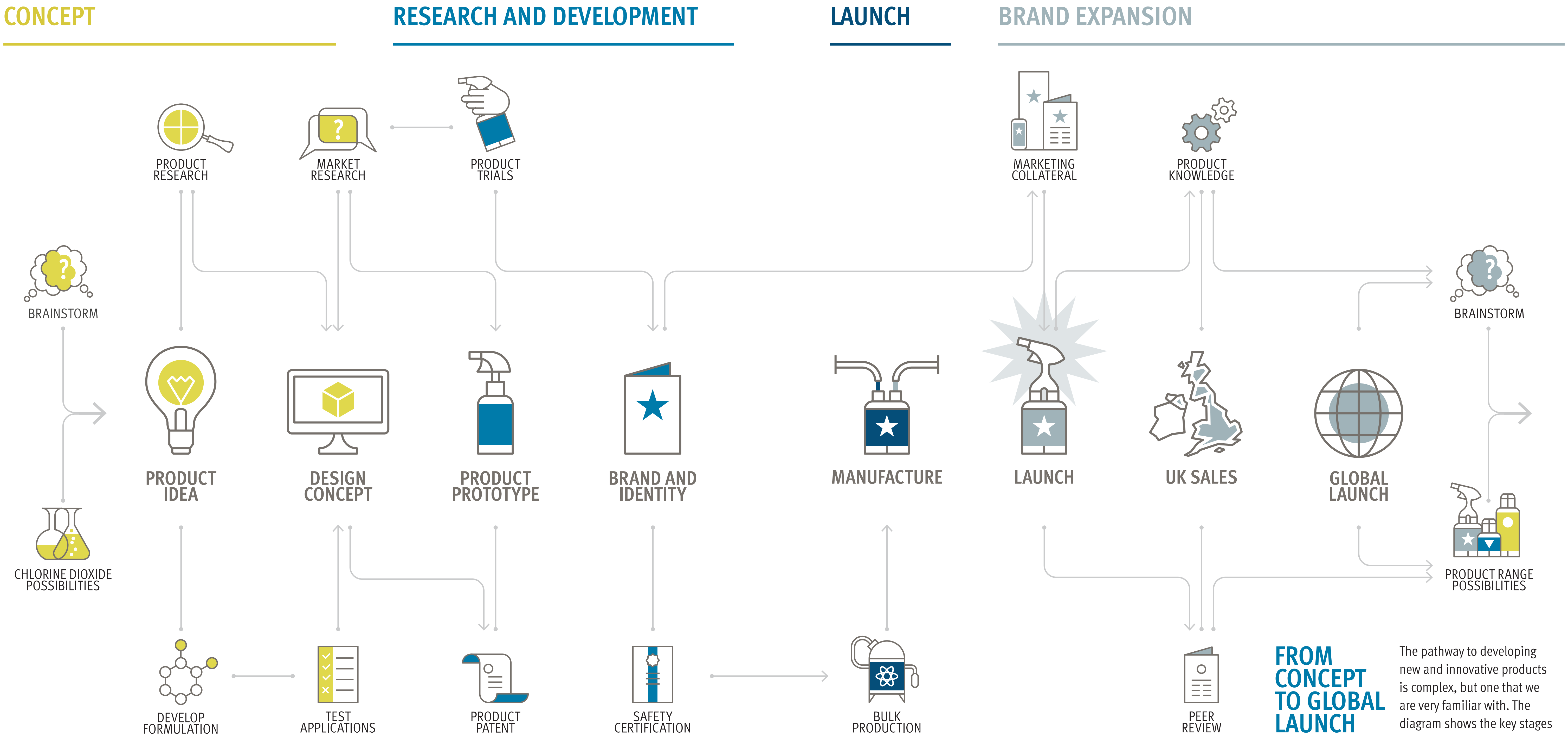
Product technology pathway



FROM CONCEPT TO GLOBAL LAUNCH

The pathway to developing new and innovative products is complex, but one that we are very familiar with. The diagram shows the key stages and shows how we progress in a methodical and integrated way with careful planning and evaluation at every stage.

Financial Review

Revenue

Revenue has increased by 19%. UK sales grew by 3% and overseas sales by 42%. Overseas sales were 47% of the total compared to 39% last year.

Gross margin

The gross margin for 2017 has increased to 77% from 73% last year. During the year we acquired our Australian distributor's business and in so doing captured their gross margin. In addition, we continue to achieve manufacturing efficiencies which benefit gross margin.

GROSS MARGIN INCREASED FROM 73% IN 2016, TO 77% IN 2017

Expenses

This year we have seen an increase of 23% in other administrative expenses; 8% of this new overhead arose from our Australian acquisition; and 5% of this increase relates to personnel costs outside of Australia. The number of employees increased to 111 (2016: 99 employees), five of whom joined us in Australia. An exceptional performance related bonus payment was triggered during the year throughout all tiers of the organisation and accounted for £0.4m of the £5.7m total salary cost. This is not a permanent increase in payroll expense as it relates specifically to the 2017 financial year. The baseline salary increase in 2017 was 1%, with higher discretionary increases for certain employees.

Share-based payments

The non-cash IFRS 2 charge (share-based payment charge) in 2017 was £0.12m relating to options granted from the general scheme, vesting immediately, details of which can be found on page 80.

Earnings before interest, tax, depreciation and amortisation

Reported EBITDA increased by 44% in the year to £5.2m (2016: £3.6m). EBITDA adjusted for share-based payments was £5.4m, an increase of 25% on the comparable number (2016: £4.3m).

Profit before tax and share-based payments

Profit before tax and share-based payments of £4.1m increased by 24% (2016: £3.3m). Adjusted pre-tax profit margin increased slightly to 20% from 19% last year.

Earnings and dividends

Our policy is to pay out half of EPS to shareholders in the form of an ordinary dividend each year. When declaring dividends, the Board considers the Group's cash resources and the adequacy of its distributable reserves. Over the course of the past three years the Company has seen a level of cash generation exceeding that required to maintain its asset base. This has paved the way for a return of surplus funds to shareholders through the payment of special dividends. The conditions that the Board applies to special dividends are that cash reserves should exceed, after payment of the dividend, the minimum operational and investment needs of the business and that the special dividend can be made from available distributable reserves. The Board believes this approach provides a flexible mechanism for managing the maintenance and expansion of the Group's asset base whilst providing a reasonable return to shareholders.

Over the last three years, the Group's total dividends (excluding special) and adjusted EPS have grown at a compound average growth rate of 49% and 50% respectively:

Relating to year ended 30 June	EPS (pence)	Interim dividend (pence)	Final dividend (pence)	Special dividend (pence)	Total dividend (pence)	Ordinary dividend cover ratio
2017	**8.06**	**1.40**	**2.63**	**None**	**4.03**	**2x**
2016	6.62	1.14	2.19	3.00	6.33	2x
2015	5.53	0.585	2.14	3.00	5.73	2x
2014	3.28	0.36	1.26	None	1.62	2x

The relationship between ordinary dividends and EPS can also be expressed as a cover ratio which the Board has set at two times, and it expects the current policy to continue for the medium term. However, subject to any adverse movement in earnings, financial strength, cash resources and the assessment of future trading, the Board retains the option to allow a temporary fall in the cover ratio to maintain the dividend.

Dividend announcements, approvals and payments are typically expected to be as follows:

Dividend	Status and date announced	Approval	Approximate payment date
Ordinary interim	Declared February	The Board February	March following the announcement
Ordinary final	Recommended October	AGM by shareholders December	December

Cash flow

During the year, net cash flow from operating activities remained static at £4.4m. The components of the movement are:

£000's	Year ended 30 June 2017	Year ended 30 June 2016	Movement
Operating profit before share-based payments	4,023	3,242	781
Depreciation and amortisation	1,243	966	277
Impairment charges and loss on disposal of intangible assets	67	133	(66)
Income from associate	19	13	6
(Profit)/loss on disposal of plant, property and equipment	(16)	(2)	(14)
Working capital movements	(530)	467	(997)
Taxation	(454)	(269)	(185)
New cash flow from operating activities	**4,352**	**4,550**	**(198)**

The key contributors to the year-on-year cash-flow movement were the increase in operating profit before share-based payments of £0.8m and the net working capital movement of £1m, largely driven by investment in inventory.

Key performance indicators

The Board considers the primary key performance indicators to be:

	Measurement	Why this is important	KPI* for 2016-17
TOTAL REVENUE GROWTH	Change in current year revenue compared with the previous year.	In order to meet the strategic objective of delivering long-term sustainable growth in EPS, consistent revenue growth must be achieved.	**19%** (2015-16: 12%)
NON-UK REVENUE AS A PERCENTAGE OF TOTAL REVENUE	The ratio of non-UK revenue to total revenue.	Within the UK, revenue growth rates are slowing as a result of high market penetration. To achieve consistent overall revenue growth, sales from overseas will need to become a higher percentage of total revenue.	**47%** (2015-16: 39%)
GROSS PROFIT MARGIN	The ratio of gross profit to revenue.	Gross margin is a primary indicator of business performance and market competitiveness. A movement in gross margin generally reflects a change in the product mix, market pricing, or both.	**77%** (2015-16: 73%)
ADJUSTED PRE-TAX PROFIT GROWTH	The year-on-year increase in profit before tax, adjusted for share-based payments.	The Company's primary financial objective is to deliver sustainable long-term growth in the value of our shareholders' investment in the Company. The primary driver of this will be sustainable profits growth.	**25%** (2015-16: 26%)
ADJUSTED PBT MARGIN	The ratio of pre-tax profit, adjusted for share-based payments, to revenue.	A movement in PBT margin indicates changes in profitability.	**20%** (2015-16: 19%)
ADJUSTED EARNINGS PER SHARE (EPS)	Profit after tax, adjusted for share-based payments, divided by the weighted average number of shares in issue during the period.	EPS and EPS growth are widely used measures of Company performance. EPS forms the basis of the Group's current dividend policy and EPS growth will translate directly into dividend growth.	**8.34 PENCE** (2015-16: 6.62 pence)

KPI – Key Performance Indicators

In addition to financial KPIs, the Board measures and monitors various non-financial KPIs, including the maintenance of the Group's quality system and certification required for the design, manufacture and sale of medical devices. The Company is frequently audited by its Notified Body, BSI. The level of success of these audits is measured by the number of major non-conformances. 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-conformances were reported.

At Tristel the basic qualities we seek in our staff are integrity, inquisitiveness and humility. In our management team, we also look for excellent business decision making and execution ability and a 'know no boundaries' approach. We believe that these qualities facilitate achievement of the highest possible performance. We view our colleagues as a key strategic asset of the business. In June 2005 when the Company was listed on the London Stock Exchange AIM market, we employed 10 personnel; 12 years later this has increased over 11 times to 111. Overall employee retention is 90%, with average length of service totalling 5.12 years, this is in line with Group objectives to attract and retain the right people to deliver Group strategy.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and competitive position are set out in this Strategic Report. The future development of the Company is viewed to be via execution of its strategic plan. Economic conditions can create a degree of uncertainty over the level of demand for the Company's products. However, the Board considers there to be no material uncertainties within the business. The Board compiles budget and cash-flow forecasts, which are stress tested for potential future influences and events. Funding would be sought if necessary, in the most appropriate and cost effective form, at a level which would provide sufficient headroom to the Company's cash requirements. The Board believes that the Company 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 Company has adequate resources to continue its 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.

Principal risks and uncertainties

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

OPERATIONS
The Company's ability to continue to manufacture and supply its products in a timely manner is a prerequisite to maintaining its gross margin and profitability level. 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 Company's products. A disaster recovery plan is in place and reviewed regularly. The plan sets out the steps required to swiftly relocate people, systems and production to ensure continuity of supply.

REGULATORY AND LEGAL APPROVAL
The ability to continue to market the Company's products is inextricably linked to the Company's ability to achieve and maintain regulatory and legal approvals in those countries where the Company 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. Within the UK, legislation with regard to bribery and corporate manslaughter poses a risk to the Company 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. A significant reduction in the supply of funds to the UK National Health Service could negatively affect the Group's revenues.

FINANCIAL RISKS
The Group's activities expose it to financial risks including credit risk, cash-flow risk and exchange-rate risk:

Credit and liquidity risks
The Group's principal financial assets are cash and receivables. Credit risk is primarily attributable to its trade receivables, which are diversified across a large number of low value customer accounts. In addition, operations in 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 its ability to collect its debts.

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

The Company policy is to maintain a strong capital base 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
The Group's cash balances are monitored daily to ensure sufficient funds are held to meet the business needs without the requirement for further financing. To aid with the control of funds, cash-flow forecasts are reviewed regularly to allow the required allocation of funds across the Group to be visible and avoid any shortfalls. To further reduce risk, Group entities hold only the cash required for their operational activities. Excess funds are held in the UK.

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 Group's 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 Chairman's Statement, Chief Executive's Report and Financial Review, was approved by the Board of Directors, and signed on its behalf by:

Elizabeth Dixon Finance Director
18 October 2017

Company Information

Directors
FA Soler
PC Swinney
EA Dixon
PM Barnes
DWE Orr

Secretary
EA Dixon

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

Registered Number
04728199 (England and Wales)

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

Broker
finnCap Ltd
60 New Broad Street
London EC2M 1JJ

Solicitors
Field Fisher Waterhouse LLP
Riverbank House
2 Swan Lane
London EC4R 3TT

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

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

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

Directors' Biographies

Francisco Soler, Non-Executive Chairman

(Chairman of Nomination Committee and member of Audit and Remuneration 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 holds a MBA from Harvard Business School and is a Knight of the Order of Malta.

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 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.

Paul Barnes, Non-Executive Director

(Chairman of Audit Committee and member of Remuneration and Nomination Committees)

Paul has wide experience in venture development, financial strategy and management, corporate finance and M&A disciplines. He has played a key role in the development and admission to the London Stock Exchange's AIM market of both Tristel Plc and Velocys Plc (previously Oxford Catalysts Plc). Paul is a Fellow of the Association of Chartered Certified Accountants 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 transitioned into the role.

David Orr, Non-Executive Director

(Chairman of Remuneration Committee and member of Audit and Nomination Committees)

David Orr has extensive experience of operational management at Board level in a manufacturing environment. David has been the Group Managing Director of Fencor Packaging Group Ltd, a privately-owned manufacturer of corrugated packaging, since 1999. He previously served as Non-Executive Director and Chairman of Pendragon Presentation Packaging. His early commercial career included working in corporate finance at Robert Fleming & Co. David read modern languages at Trinity College, Dublin and subsequently spent five years as an Army Officer. David holds a MBA from INSEAD.

Directors’ Remuneration Report

Introduction

It is not a requirement for Companies that have securities listed on AIM 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) (Amendment) Regulations 2013, or the disclosure requirements of UK Corporate Governance code. 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.

The Remuneration Committee comprises all Non-Executive Directors under the chairmanship of David Orr. 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 considers the provisions and principles of the UK Corporate Governance Code.

Remuneration policy

All Directors 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.

Executive Directors

The remuneration policy has been designed to ensure that Executive Directors 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 and links to the future strategy of the business.

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 base salary that attracts and retains individuals of the highest quality, whilst avoiding remunerating more than is necessary.
- To align base salary to the median level for AIM companies of a similar size and profile, with an upper limit for the Executive Management of 2.5% of the prevailing year’s Group gross profit.
- To link remuneration packages to the Group’s long-term performance through both bonus schemes and share option plans.
- To set performance measures which are simple to understand, easy to measure and unambiguous.
- To set an appropriate balance between fixed and variable pay.
- To provide post-retirement benefits through payment into defined contribution pension schemes.
- To provide employment related benefits including provision of life assurance, car allowance and medical insurances.

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 the 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.

This year a new element has been added to the Group’s remuneration policy which ensures that the base salaries of the Executive Directors do not exceed 2.5% of the same year’s budgeted gross profit.

Annual performance incentive

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.

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 corporate performance targets and measures which align with the long-term interests of shareholders. Stretching and transparent performance targets are put in place with a view to linking clearly the motivation of individuals to the value drivers of the business. The existing Executive Directors’ bonus scheme pays out upon the achievement of pre-tax profit in excess of the Company’s budget on an annual basis. The maximum annual bonus is capped at 100% of base salary in order to attain an appropriate balance between fixed and variable pay whilst providing an incentive to achieve exceptional performance.

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 Executive Directors are paid a car allowance.

Share options

Executive Directors may, at the discretion of the Remuneration Committee, be awarded share options. No share retention obligations are placed upon Directors.

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, nor do they participate in any of the bonus schemes. Non-Executive Directors’ expenses incurred travelling to Board and Committee meetings are reimbursed by the Company.

Wider employee considerations

Although it is not the Committee’s responsibility to set the remuneration arrangements across the Company, it is kept informed of these. In many instances, it is possible for members of staff to qualify for a bonus which largely follows the same structure and applies the same performance targets as for Executive Directors. The Board’s view is that Executive Directors, management and staff should be targeted with achieving the same strategic goals and should benefit accordingly. Furthermore, the Committee encourages share ownership amongst all staff and, in accordance with this policy, permanent staff, no matter their pay scale or job role, receive share option grants aggregating 30,000 share options after seven completed years of employment. Periodic awards are made at set intervals that will accumulate to 30,000 share options at the end of the seven-year period. The Executive Management also has the discretion to award market priced options after 10 years of employment up to a maximum value of 1 x salary.

Shareholder engagement

The Committee welcomes the views of all shareholders on remuneration on an ongoing basis and they are invited to make contact directly with the Chairman of the Remuneration Committee at any time should they wish to do so.

Annual Remuneration Statement

On behalf of the Board, I am pleased to present our Remuneration Report for 2017.

During the year, the Company achieved strong profits growth. Revenue increased by 19%. Profit before tax and share-based payments increased by 24%, cash balances remained healthy at £5.1m at year end, notwithstanding a special dividend payment of 3 pence per share in August 2016, the acquisition of the Company's Australian distributor's business and a strategic investment in an Israeli diagnostic mobile technology business. Ordinary dividends increased by 21%, and the Company's share price grew from 1.070 pence per share at 30 June 2016 to 1.905 pence per share at 30 June 2017.

The Committee has implemented remuneration arrangements that it believes are in line with the Company's strategic objective of creating long-term sustainable growth. Bonuses and share option vesting conditions were both linked to financial performance measures and have delivered in full. The Committee is therefore pleased to report that these arrangements are working to the benefit of both the Company's shareholders and its employees.

The Remuneration Committee addressed the following matters during the year:

- During July 2016, the Committee carried out a review of Executive Directors' base salaries to align them to the median for AIM companies with comparable features such as size, complexity, market sector and market capitalisation. This review revealed that base salaries had fallen behind median peer group levels. Notwithstanding the results of the review, and in recognition of the unexpected gains made from the vesting of share options in the year, the CEO and Finance Director declined to take up a pay increase in the year. A further review was carried out in June 2017 and the Committee has agreed a base salary increase to take affect from 1 July 2017 which follows the Group's Remuneration policy.

Whilst the Committee places a certain degree of emphasis upon benchmark data, it also recognises the central roles played by both Executive Directors in the significant performance improvement the Company has seen in recent years and the Board's desire to retain the existing management team.

- The implementation of a bonus scheme for Executive Directors, with a maximum pay out equal to 50% of base salary upon achievement of financial targets for the year ended 30 June 2017 and a maximum pay out equal to 100% of salary for exceptional performance achieved in the year ended 30 June 2018.

The targets for 2016-17 were achieved and the bonus equating to 50% of salary was awarded.

In line with the Company's policy to grant Executive Directors share options with vesting conditions linked to the Company's performance, the Committee will design a new share option scheme to come into effect during the course of the 2017-18 financial year. In order to align the interests of management and shareholders the Committee intends the new scheme to be linked to share price performance.

- In June 2017, the Board carried out a review of Non-Executive Directors' salaries in order to align them to the median for AIM companies with comparable features such as size, complexity and market capitalisation. The resulting change was an increase to Non–Executive Directors' pay to £35,000 per annum with effect from 1 July 2017.

Directors' remuneration

The Chairman has waived a fee and receives no benefits from the Company. The Chairman's expenses incurred travelling to Board and Committee meetings are reimbursed by the Company.

The Directors received the following remuneration during the year to 30 June 2017:

Name of Director	Salary and fees £'000	Bonus £'000	Taxable benefits £'000	Gain on exercise of share options £'000	2017 Total (excl. pension) £'000	2016 Total (excl. pension) £'000	2017 Pension £'000	2016 Pension £'000
Executive								
Paul Swinney	185	93	23	286	587	496	28	28
Elizabeth Dixon	150	75	13	–	238	239	23	23
Non-Executive								
Paul Barnes	30	–	–	–	30	30	–	–
David Orr	30	–	–	–	30	23	–	–
Aggregate emoluments	**395**	**168**	**36**	**286**	**885**	**788**	**51**	**51**

Paul Swinney's service contract contains a provision that, in the event of a change in control of the Group, he will 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 will receive a bonus payment equivalent to 75% of her then prevailing annual salary.

Directors' share options

Aggregate emoluments disclosed above include the amount charged to the Income Statement in accordance with IFRS 2 in respect of the fair value of options granted or held by the Directors to acquire ordinary shares in the Company. Details of options held by the Directors are as follows:

	Total shares granted	Total options vested at 1 July 2016	Options vesting in year	Total options vested at 30 June 2017	Total options exercised at 1 July 2016	Options exercised in the year	Options exercised at 30 June 2017	Total options unexercised at 30 June 2017	Exercise price	Earliest date of exercise	Date of Expiry
Executive											
Paul Swinney	250,000	250,000	–	250,000	250,000	–	250,000	–	59.50p	23/12/2005	22/12/2015
	250,000	250,000	–	250,000	15,000	235,000	250,000	–	53.75p	12/10/2009	12/10/2019
	250,000	250,000	–	250,000	–	7,500	7,500	242,500	53.75p	30/06/2010	12/10/2019
	500,000	–	–	–	–	–	–	500,000	65.00p	On change of control	12/10/2019
	414,179	414,179	–	414,179	–	–	–	414,179	1.00p	07/01/2016	07/01/2021
Elizabeth Dixon	60,000	60,000	–	60,000	–	–	–	60,000	53.75p	23/07/2008	23/07/2018
	60,000	60,000	–	60,000	–	–	–	60,000	53.75p	04/08/2009	04/08/2019
	10,000	10,000	–	10,000	–	–	–	10,000	53.75p	21/12/2011	21/12/2021
	87,500	–	–	–	–	–	–	87,500	65.00p	On change of control	03/03/2024
	10,000	10,000	–	10,000	–	–	–	10,000	79.00p	24/12/2014	24/12/2024
	222,388	222,388	–	222,388	–	–	–	222,388	1.00p	07/01/2016	07/01/2021
Non-Executive											
Paul Barnes	87,500	–	–	–	–	–	–	87,500	65.00p	On change of control	12/10/2019
Total number of Board share options	**2,201,567**	**1,526,567**	**–**	**1,526,567**	**265,000**	**242,500**	**507,500**	**1,694,067**			

Share options held by the Directors are subject to vesting arrangements over the life of the option as detailed in the specific instances above.

Directors' shareholdings

The interests of the Directors in the shares of the Company at 30 June 2017 and 30 June 2016 were:

Ordinary 1p shares	30 June 2017	30 June 2016
Executive		
Paul Swinney	483,129	930,000
Elizabeth Dixon	55,000	55,000
Non-Executive		
Francisco Soler	8,413,834	10,913,834
Paul Barnes	590,180	730,180
David Orr	12,511	–

The market price of the Company's shares as at 30 June 2017 was 190.5p. The range during the year was 89p to 213.7p (Source - London Stock Exchange).

David Orr Remuneration Committee Chairman
18 October 2017

Corporate Governance Report

Corporate governance

Companies who have their securities traded on the AIM are not required to comply with the disclosure requirements of the UK Corporate Governance code published by the Financial Reporting Council. The Board has determined that the Company should maintain high standards of corporate governance, and has adopted procedures and 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 12 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
Paul Swinney	9	9
Elizabeth Dixon	9	9
Francisco Soler	12	12
Paul Barnes	12	12
David Orr	12	12

Committees of the Board

Remuneration Committee

The Remuneration Committee comprises all Non-Executive Directors, which was under the Chairmanship of David Orr. 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 32 to 33.

Audit Committee

The Audit Committee comprises all 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 three 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 communications received verbally or in writing. Directors regularly attend meetings with both private and institutional shareholders 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 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 FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 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 Board has concluded that an internal audit function is not justified at this juncture. However, this decision will be reviewed as the operations of the Group develop.

The key procedures designed to provide an effective system of internal controls that are operating up to the date of sign-off of this report are set out below.

Control environment

There is an organisational structure with clearly defined lines of responsibility and delegation of accountability and authority.

Risk management

The Group employs Directors and senior personnel with the appropriate knowledge and experience for a business engaged in activities in its field of operations, and undertake regular risk assessments and reviews of its activities.

Financial information

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

Management of liquid resources

The Board is risk averse when investing any surplus cash funds. The Group's treasury management policy is reviewed annually.

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 2017.

Results and dividends

There was a profit for the year after taxation amounting to £3.417m (2016: £2.102m).

A final dividend of £0.923m (2.19p per share) was paid during the year in respect of the year ended 30 June 2016. (2015: £0.899m (2.14p per share)).

An interim dividend of £0.594m (1.40p per share) was paid during the year in respect of the year ended 30 June 2017 (2016: £0.480m, 1.14p per share); The Board has decided not to pay a third consecutive special dividend (a special dividend of £1.265m (3p per share) was paid on 8 August 2016 in respect of the year ended 30 June 2016). The Directors recommend a final dividend of 2.63p per share (2016: 2.19p per share). If approved, the total distribution of dividends for the year ended 30 June 2017 will be £1.709m (2016: £2.668m).

A review of the Group's performance for the year ended 30 June 2017 is contained in the Chairman's Statement on pages 6 to 7 and the Chief Executive's Review on pages 8 to 19.

Directors

The Directors shown below have held office during the year.

FA Soler
PC Swinney
EA Dixon
PM Barnes
DWE Orr

The Group provides Directors and Officers indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2017 the policy cost £7,500 (2016: £7,120).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 32 to 33.

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. Further details are provided in the Corporate Governance Report.

Substantial shareholdings

Except for the Directors' interests noted above, the Directors are aware of the following share holders who were interested in 3% or more of the Company's equity at 30 June 2017:

	No. of shares	% of issued share capital
Hargreaves Lansdown	3,040,453	7.11%
Barclays Stockbrokers	2,252,050	5.27%
Amati Global Investors Limited	1,844,046	4.31%
Charles Stanley Stockbrokers	2,601,502	6.09%
Unicorn Asset Management	1,635,829	3.83%
Investec Wealth & Investment	1,936,122	4.53%
AXA Framlington Investment Manager	1,300,000	3.04%

Principal risks and uncertainties

Reference to this topic can be found within the Strategic Report on pages 28 to 29.

Reference to the Groups primary research and development advancements can be found within the Chief Executive's Review on page 17.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic 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.
- 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 Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- So far as each Director is aware there is no relevant audit information of which the Company auditor is unaware.
- 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
18 October 2017

Tristel Plc

REPORT AND ACCOUNTS FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2017

Independent Auditor's Report to the members of Tristel plc

Opinion - Our opinion on the financial statements is unmodified

We have audited the financial statements of Tristel plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash-Flow Statements, the Notes to the Consolidated and Company Cash-Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements 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.

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 2017 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 with the Companies Act 2006.
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate.
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall Group materiality: We determined materiality for the Group financial statement as a whole at the planning stage of our audit to be £189,000, based upon 5% of the Group's estimate of profit before tax for the full year. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the Group. We chose not to revise our materiality threshold during the course of the audit once the final adjusted profit before tax, which was higher than the estimated results, was known.
- Of the Group's 9 subsidiaries, the principal component is Tristel Solutions Limited that accounts for 64% of external revenue and 77% of current assets. We performed full scope audits of the financial information of the Parent Company Tristel plc, and the principal trading entity Tristel Solutions Limited. On all other entities in the Group, we have completed targeted or analytical procedures to support the Group audit opinion.
- Key audit matters were identified as improper revenue recognition, impairment of intangible assets, including goodwill, and the valuation of acquired intangibles on the acquisition in Australia.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group

Improper revenue recognition
Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to fraud or error.

The Group's principal revenue stream relates to the sale of products to customers. Revenue is recognised at the point when the customer has taken undisputed delivery of goods. The Group has a high volume of revenue transactions which exposes the Group to the risk of invalid transactions within the revenue population.

Revenue is a material figure in the financial statements (2017 £20,273,000; 2016 £17,104,000), and we therefore identified improper revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Considering the stated accounting policy in respect of revenue recognition and whether it is compliant with International Accounting Standard (IAS) 18 'Revenue'.
- Completing an attribute test over a sample of revenue transactions to confirm the occurrence of revenue by agreeing each selection to internal and third-party delivery notes.
- Testing cut-off testing by selecting a sample of transactions immediately pre and post year end to ensure appropriate recognition of transactions near the year end.
- Identifying large value transactions in the final quarter and testing these to delivery confirmation.

The Group's accounting policy on revenue is shown in note 1 to the financial statements and related disclosures are included in note 2.

Key observations
Our audit work did not identify any material errors in the occurrence of revenue recognised in the year or any material instances of revenue not being recognised in accordance with stated accounting policies.

Impairment of intangible assets, including goodwill

The carrying value of goodwill amounts to £1,065,000 (2016 £667,000) and other intangibles £5,924,000 (2016 £5,380,000). There is a risk that intangible assets including goodwill recognised on historical acquisitions may be impaired. An annual impairment review is completed in order to assess the carrying value of the intangible assets and goodwill.

The review is based on identifiable assets for which future revenues and gross margins can be assigned to calculate a value in use based on a discounted cash flow model.

Management's assessment of the potential impairment of the Group's intangible assets incorporates key assumptions over the timing and extent of future revenues, gross margin and the discount rate used.

Due to the inherent uncertainty involved in forecasting and discounting future cash flows, we identified the impairment of intangible assets, including goodwill, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Considering management's assessment as to whether there were any indicators of impairment associated with the goodwill and other intangible assets based on our knowledge of the Group and its trading performance and the status of individual projects.
- Auditing the reasonableness of the key assumptions based on historical comparisons, the accuracy of the Group's forecasts and evaluating the sensitivity of key assumptions including growth rates and the discount rate used by management.
- Checking the mathematical accuracy of the discounted cash-flow models.
- Assessing the adequacy of the Group's disclosures in respect of impairment tests (see notes 10 and 11) and significant judgements and estimates (page 57).

The Group's accounting policies on intangible assets and goodwill are shown in note 1 to the financial statements.

Key observations
Our testing did not identify any reasons for further impairment of goodwill or additional factors to consider impacting the carrying value of other intangible assets to be recognised within the financial statements and we found no material errors in calculations completed.

Key Audit Matter – Group *continued*

Valuation of acquired intangibles
During the year, Tristel plc purchased the trade and assets of its former Australian distributor for consideration of £1.1m.

Management are required to fair value separately identifiable assets and liabilities on acquisition. This involves identifying and valuing separable intangibles distinct from goodwill and assessment of any gain or loss on termination of the distributor arrangement. The Company engaged a third party to assist in this assessment.

We therefore identified the valuation of acquired intangibles on the acquisition in Australia as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group *continued*

Our audit work included but was not restricted to:

- Using our own valuation specialists to assist us in evaluating the assets acquired and valuation methodology.
- Agreeing the transaction to supporting documentation.
- Assessing the basis of key assumptions based on underlying documents and reports.
- Checking the mathematical accuracy of the valuation models used.
- Assessing the adequacy of disclosures.

The Group's accounting policy on acquisitions is shown in note 1 to the financial statements and related disclosures are included in note 10 and 11.

Key observations
The accounting for the acquisition and intangibles recognised were found to be in accordance with supporting documentation. We found no material errors in the calculations.

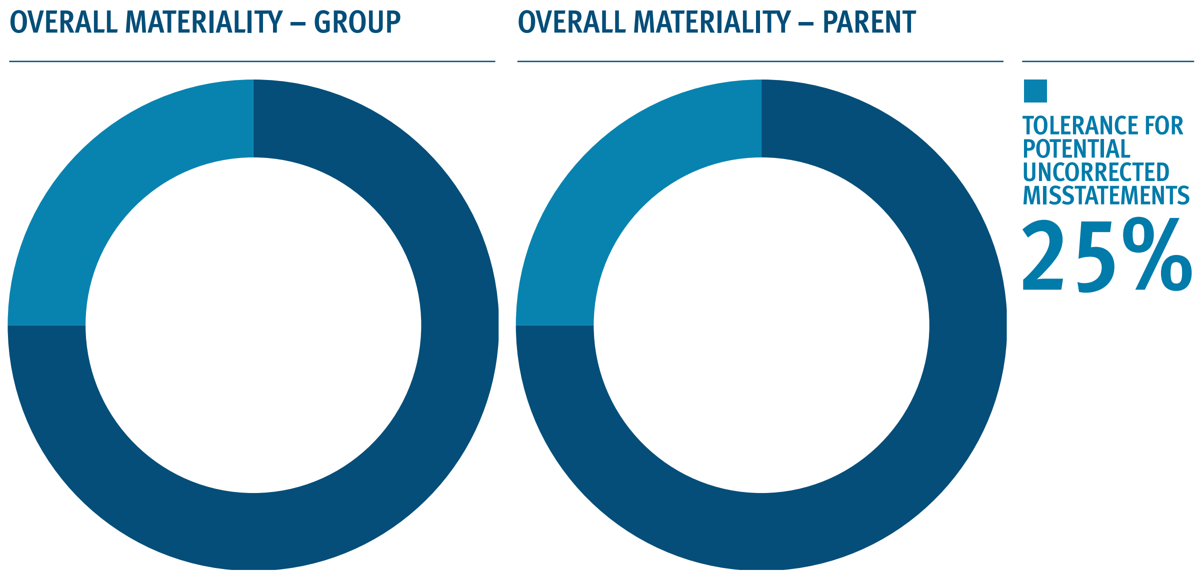
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	We determined materiality for the Group financial statements as a whole at the planning stage of our audit to be £189,000 based upon 5% of the Group's estimate of profit before tax. This benchmark is considered the most appropriate because profit before tax is a primary measure of profitability used by shareholders and is a generally accepted audit benchmark. We chose not to revise our materiality threshold during the course of the audit once the final adjusted profit before tax, which was higher than the estimated results, was known. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2016, which was £163,000, which is a result of the increase in profit before tax year over year.	£141,000 which is 1% of total assets. This benchmark is considered the most appropriate because the parent entity is a holding Company. The balance sheet of the parent primarily consists of intangible assets, investments, Group balances and cash. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2016, being £81,000, which is a result of an increase in total assets held by the parent entity.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.	We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£9,950 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,050 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was based on our understanding of the Group's business and is risk based. We take into account the size and risk profile of each entity, any changes in the business and other factors when determining the level of work to be performed at each entity:

- Each subsidiary has its own finance team and business processes, with the finance team based in the UK accounting for Tristel plc and the principal trading entity Tristel Solutions Limited. Although day-to-day processes and controls are separately managed in each overseas subsidiary, Group management are responsible for all judgemental processes including significant risk areas.
- We performed full scope audits of the financial information of the Parent Company Tristel plc, and the principal trading entity Tristel Solutions Limited, which is the only component that is individually significant to the Group. For all other entities in the Group, we have completed targeted or analytical procedures to support the Group audit opinion.
- Our audit approach was fully substantive in nature.
- The total percentage coverage of full-scope and targeted procedures over revenue was 90%.
- The total percentage coverage of full scope and targeted procedures over total assets was 84%.
- Component auditors were used to complete targeted audit procedures for two overseas entities. The Group audit team instructed the component auditors the targeted procedures to be completed over the significant areas for Group purposes within each component. The Group audit team reviewed the audit working papers for these significant areas. All other audit work was completed by the Group auditors.
- Our audit approach in the current year is consistent with 2016 with the addition of targeted procedures for the new subsidiary in Australia.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 5 to 29, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.
- The Parent Company financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of Directors' remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Alison Seekings Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

18 October 2017

Consolidated Income Statement

for the year ended 30 June 2017

	NOTE	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Revenue	2	20,273	17,104
Cost of sales	2	(4,598)	(4,549)
Gross profit		15,675	12,555
Administrative expenses:	2		
Share-based payments		(121)	(674)
Depreciation, amortisation and impairments	2	(1,310)	(1,071)
Other	2	(10,342)	(8,242)
Total administrative expenses		(11,773)	(9,987)
Operating profit		3,902	2,568
Finance income	4	4	12
Finance costs	4	–	–
Other income	10	41	–
Results from equity accounted associate	13	19	13
Profit before tax		3,966	2,593
Taxation	6	(549)	(491)
Profit after tax		3,417	2,102
Attributable to:			
Equity holders of parent	9	3,417	2,102
		3,417	2,102
Earnings per share from total and continuing operations attributable to equity holders of the parent			
Basic – pence	9	8.06	5.01
Diluted – pence	9	7.80	4.81

All amounts relate to continuing operations.

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2017

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Profit for the period	3,417	2,102
Items that will be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	47	146
Other comprehensive income for the period	47	146
Total comprehensive income for the period	3,464	2,248
Attributable to:		
Equity holders of the parent	3,464	2,248
	3,464	2,248

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	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 2015	414	9,920	478	(147)	3,493	14,158	7	14,165
Transactions with owners								
Dividends paid	–	–	–	–	(2,621)	(2,621)	–	(2,621)
Shares issued	7	491	–	–	–	498	–	498
Share-based payments – IFRS 2	–	–	–	–	674	674	–	674
Total transactions with owners	7	491	–	–	(1,947)	(1,449)	–	(1,449)
Profit for the year ended 30 June 2016	–	–	–	–	2,102	2,102	–	2,102
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	–	146	–	146	–	146
Total comprehensive income	–	–	–	146	2,102	2,248	–	2,248
30 June 2016	421	10,411	478	(1)	3,648	14,957	7	14,964
Transactions with owners								
Dividends paid	–	–	–	–	(2,787)	(2,787)	–	(2,787)
Shares issued	6	294	–	–	–	300	–	300
Share-based payments – IFRS 2	–	–	–	–	121	121	–	121
Total transactions with owners	6	294	–	–	(2,666)	(2,366)	–	(2,366)
Profit for the year ended 30 June 2017	–	–	–	–	3,417	3,417	–	3,417
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	–	47	–	47	–	47
Total comprehensive income	–	–	–	47	3,417	3,464	–	3,464
30 June 2017	427	10,705	478	46	4,399	16,055	7	16,062

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Company Statement of Changes in Equity

for the year ended 30 June 2017

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
30 June 2015	414	9,920	2,736	13,070
Transactions with owners				
Dividends paid	–	–	(2,621)	(2,621)
Shares issued	7	491	–	498
Share-based payments – IFRS 2	–	–	674	674
Total transactions with owners	7	491	(1,947)	(1,449)
Profit and total comprehensive income for the year ended 30 June 2016	–	–	2,307	2,307
30 June 2016	421	10,411	3,096	13,928
Transactions with owners				
Dividends paid	–	–	(2,787)	(2,787)
Shares issued	6	294	–	300
Share-based payments – IFRS 2	–	–	121	121
Total transactions with owners	6	294	(2,666)	(2,366)
Profit and total comprehensive income for the year ended 30 June 2017	–	–	3,827	3,827
30 June 2017	427	10,705	4,257	15,389

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Consolidated Balance Sheet
as at 30 June 2017

	NOTE	2017 £'000	2016 £'000
Non-current assets			
Investment	13	589	–
Goodwill	10	1,065	667
Intangible assets	11	5,924	5,380
Property, plant and equipment	12	1,409	1,416
		8,987	7,463
Current assets			
Inventories	14	2,292	1,875
Trade and other receivables	15	3,745	3,735
Cash and cash equivalents	16	5,088	5,715
		11,125	11,325
Total assets		20,112	18,788
Capital and reserves			
Share capital	22	427	421
Share premium account		10,705	10,411
Merger reserve		478	478
Foreign exchange reserve		46	(1)
Retained earnings		4,399	3,648
Equity attributable to owners of the parent		16,055	14,957
Non-controlling interests		7	7
Total equity		16,062	14,964
Current liabilities			
Trade and other payables	17	3,147	3,256
Current tax	21	728	432
		3,875	3,688
Non-current liabilities			
Deferred tax	21	175	136
Total liabilities		4,050	3,824
Total equity and liabilities		20,112	18,788

The financial statements were approved and authorised for issue by the Board of Directors on 18 October 2017, and were signed on its behalf by:

Elizabeth Dixon Director

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Company Balance Sheet
as at 30 June 2017

	NOTE	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	11	3,396	3,394
Investments	13	3,149	2,439
		6,545	5,833
Current assets			
Trade and other receivables	15	6,165	4,774
Cash and cash equivalents	16	2,767	3,506
Current tax	21	6	6
		8,938	8,286
Total assets		15,483	14,119
Capital and reserves			
Share capital	22	427	421
Share premium account		10,705	10,411
Retained earnings		4,257	3,096
		15,389	13,928
Current liabilities			
Trade and other payables	17	85	182
		85	182
Non-current liabilities			
Deferred tax	21	9	9
Total liabilities		94	191
Total equity and liabilities		15,483	14,119

The parent company's profit for the financial year was £3.827m (2016: £2.307m) which includes a dividend of £4.261m received from its subsidiary companies.

The financial statements were approved and authorised for issue by the Board of Directors on 18 October 2017, and were signed on its behalf by:

Elizabeth Dixon Director
Registered number 04728199 (England & Wales)

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Consolidated Cash Flow Statement

for the year ended 30 June 2017

	NOTE	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operating activities	i	4,806	4,819
Corporation tax paid		(454)	(269)
Net cash generated from operating activities		4,352	4,550
Cash flows used in investing activities			
Interest received		4	12
Purchase of intangible assets		(419)	(406)
Purchase of trade and assets		(994)	–
Purchase of investments		(589)	–
Purchases of property, plant and equipment		(585)	(499)
Proceeds from sale of property, plant and equipment		45	16
Net cash used in investing activities		(2,538)	(877)
Cash flows from financing activities			
Share issues		300	498
Dividends paid		(2,787)	(2,621)
Net cash used in financing activities		(2,487)	(2,123)
Net (decrease)/increase in cash and cash equivalents		(673)	1,550
Cash and cash equivalents at the beginning of the period	ii	5,715	4,045
Exchange differences on cash and cash equivalents		46	120
Cash and cash equivalents at the end of the period	ii	5,088	5,715

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Notes to the Consolidated Cash Flow Statement

for the year ended 30 June 2017

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

	2017 £'000	2016 £'000
Profit before tax	3,966	2,593
Depreciation of plant, property & equipment	564	442
Amortisation of intangible assets	679	524
Impairment of intangible asset	67	125
Gain on settlement of pre-existing agreement	(41)	–
Share-based payments – IFRS 2	121	674
Profit on disposal of property, plant and equipment	(16)	(2)
Loss on disposal of intangible asset	–	8
Finance income	(4)	(12)
	5,336	4,352
(Increase)/decrease in inventories	(294)	186
(Increase) in trade and other receivables	(1)	(541)
(Decrease)/increase in trade and other payables	(235)	822
Cash generated from operations	4,806	4,819

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 2017 £'000	30 June 2016 £'000
Year ended 30 June 2017		
Cash and cash equivalents	5,088	5,715
	5,088	5,715

	30 June 2016 £'000	30 June 2015 £'000
Year ended 30 June 2016		
Cash and cash equivalents	5,715	4,045
	5,715	4,045

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Company Cash Flow Statement

for the year ended 30 June 2017

	NOTE	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operating activities	a	2,622	2,847
Corporation tax paid		(64)	(123)
Net cash generated from operating activities		2,558	2,724
Cash flows from investing activities			
Purchase of intangible assets		(224)	(125)
Purchase of investment		(589)	(19)
Interest received		3	7
Net cash used in investing activities		(810)	(137)
Cash flows from financing activities			
Dividends paid		(2,787)	(2,621)
Share issues		300	498
Net cash used in financing activities		(2,487)	(2,123)
Net (decrease)/increase in cash and cash equivalents		(739)	464
Cash and cash equivalents at the beginning of the period	b	3,506	3,042
Cash and cash equivalents at the end of the period	b	2,767	3,506

Notes to the Company Cash Flow Statement

for the year ended 30 June 2017

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

	2017 £'000	2016 £'000
Profit before tax	3,890	2,307
Non-operating cash flow to fund acquisition	(1,060)	–
Amortisation of intangibles	222	197
Finance income	(3)	(7)
	3,049	2,497
(Increase)/decrease in trade and other receivables	(330)	238
(Decrease)/increase in trade and other payables	(97)	112
Cash generated from operations	2,622	2,847

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 2017 £'000	30 June 2016 £'000
Year ended 30 June 2017		
Cash and cash equivalents	2,767	3,506
	2,767	3,506

	30 June 2016 £'000	30 June 2015 £'000
Year ended 30 June 2016		
Cash and cash equivalents	3,506	3,042
	3,506	3,042

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).

There have been no new financial reporting standards effective for the year which have impacted the accounting policies stated below. Tristel plc, the Group's ultimate Parent Company, is a limited liability company incorporated and domiciled in the United Kingdom.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2016. Subsidiaries are entities over which the Group has rights or is exposed to variable returns from its involvement with the investee and has the power to affect those returns by controlling 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.

Going concern basis

Management have considered the trading performance of the Group with underlying trends and expectations, this forms the basis of the Group's current forecasts. The forecasts in addition to the resources available to the group leave management to believe that the Group will continue for the foreseeable future for a period of not less than twelve months from date of approval of accounts.

Business combinations completed prior to date of transition to IFRS

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

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

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

Associates

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

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Unless otherwise stated changes resulting from the profit or loss generated by the associate are reported in 'share of profits of associates' in the consolidated Income Statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

1. Accounting policies *continued*

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 determination of a suitable discount rate and assessment of useful life. An asset has been regarded by the Group as having an indefinite useful life, based on an analysis of relevant factors by management there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity.

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.

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. This specifically applies to outstanding vested share options at the balance sheet date. In estimating the amount of the deferred tax asset that should be recognised management make judgements based on current forecasts about future taxable profits and expectations of when options will be exercised.

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 either the Black-Scholes or Monte Carlo pricing model, depending upon the vesting conditions of the options. The valuation of share-based payments requires judgements 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.

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.

1. Accounting policies *continued*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit acquired. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. The details of these assumptions are set out in note 10.

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 below.

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.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Provision is made for any impairment. The amortisation of 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 11.

Software

Software that is acquired from third parties by the Group is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged over the useful life of the asset, deemed to be seven years based on historical trends of software utilisation.

1. Accounting policies *continued*

Property, plant and equipment

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

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 to which the asset belongs.

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

Foreign currency translation

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

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

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

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

Inventories

Inventories are valued on a first-in, first-out basis 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

All 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.

1. Accounting policies *continued*

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.

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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

continued

1. Accounting policies *continued*

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 using either the Monte Carlo or the Black-Scholes pricing model. Further details are set out in note 22.

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.

EU adopted IFRSs not yet applied

As of 30 June 2017, 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 15 Revenue from contracts with customers (IASB effective date 1 January 2018).
- IFRS 16 Leases (effective 1 January 2019).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018).

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, except for IFRS 16. Under IFRS 16, the majority of lease obligations of the group will be recognised on the balance sheet.

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 89% (2016: 85%) of Group revenues.

The second segment, which constitutes 4% (2016: 6%) of the business activity, relates to manufacture and sale of disinfection and cleaning products, into veterinary and animal welfare sectors ('Animal Healthcare').

The third segment addresses the pharmaceutical and personal care product manufacturing industries ('Contamination Control') and has generated 7% (2016: 9%) of the Group's revenues this year.

2. Segmental analysis *continued*

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	Contamin -ation Control £'000	2017 Group £'000	Human Healthcare £'000	Animal Healthcare £'000	Contamin -ation Control £'000	2016 Group £'000
Revenue from external customers	18,107	878	1,288	20,273	14,599	1,015	1,490	17,104
Segment revenues	18,107	878	1,288	20,273	14,599	1,015	1,490	17,104
Cost of material	3,881	223	494	4,598	3,574	333	642	4,549
Gross profit	14,226	655	794	15,675	11,025	682	848	12,555
Gross margin %	79%	75%	62%	77%	76%	67%	57%	73%

Centrally incurred income and expenses not attributable to individual segments:

	2017 Group £'000	2016 Group £'000
Other operating income	-	-
Depreciation, amortisation and impairment of non-financial assets	(1,310)	(1,071)
Other administrative expenses	(10,342)	(8,242)
Share-based payments	(121)	(674)
Operating profit	3,902	2,568

Operating profit can be reconciled to Group profit before tax as follows:

	2017 Group £'000	2016 Group £'000
Operating profit	3,902	2,568
Finance income	4	12
Results from equity accounted associate	19	13
Other income	41	-
Group profit before tax	3,966	2,593

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

	Human Healthcare £'000	Animal Healthcare £'000	Contamin -ation Control £'000	2017 Group £'000	Human Healthcare £'000	Animal Healthcare £'000	Contamin -ation Control £'000	2016 Group £'000
United Kingdom	8,910	636	1,129	10,675	8,547	679	1,140	10,366
Germany	3,048	62	150	3,260	1,778	-	-	1,778
Rest of the World	6,149	180	9	6,338	4,274	336	350	4,960
Group revenues	18,107	878	1,288	20,273	14,599	1,015	1,490	17,104

Revenues from external customers in the Group's domicile – 'United Kingdom', as well as its other major markets, 'Germany' and '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, but include £5.138m from a single customer which makes up 28% of this segment's revenue (2016: £4.828m, being 33%). Animal Healthcare revenues were derived from a number of customers, with the largest customer accountable for £0.180m, which represents 20% of revenue for that segment (2016: £0.225m, 22% from a single customer).

During the year 25.3% of the Group's total revenues were earned from a single customer (2016: 28.2%).

2. Segmental analysis *continued*

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

Geography	2017 £'000	2016 £'000
United Kingdom	8,779	7,324
Germany	132	79
Rest of the World	76	60
Non-current assets	8,987	7,463

Segment	2017 £'000	2016 £'000
Human Healthcare	6,611	4,874
Animal Healthcare	2,291	2,410
Contamination Control	85	179
	8,987	7,463

The Group's current assets and liabilities are shown, where identifiable, by segment, below:

2017	Human Healthcare £'000	Animal Healthcare £'000	Contamin -ation Control £'000	Group £'000	Total £'000
Segment assets	4,189	153	346	6,437	11,125
Segment liabilities	1,142	19	26	2,688	3,875
2016	£'000	£'000	£'000	£'000	£'000
Segment assets	4,081	172	458	6,614	11,325
Segment liabilities	1,219	22	9	2,438	3,688

3. Employees and Directors

Group	2017 £'000	2016 £'000
Wages and salaries	5,120	5,241
Social security costs	460	405
Other pension costs	165	120
	5,745	5,766

A charge of £121,000 (2016: £674,000) 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:

	2017 Number	2016 Number
Executive Directors	2	2
Non-Executive Directors	3	3
Sales and marketing	39	32
Administration	28	24
Production	39	38
	111	99

	2017 £'000	2016 £'000
Directors' emoluments	598	666
Aggregate pension contributions to money purchase schemes	51	51
Share-based payments	-	358
	649	1,075

3. Employees and Directors *continued*

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

	2017 Number	2016 Number
Money purchase schemes	2	2

Remuneration of the highest paid Director during the year was:

	2017 £'000	2016 £'000
Emoluments	301	374
Aggregate contributions to money purchase schemes	28	28
	329	402

Remuneration by Director is detailed in the Annual Remuneration Statement on pages 34 to 35.

Key management compensation

	2017 Group £'000	2016 Group £'000
Short-term employee benefits	1,190	1,196
Post-employment benefits	59	65
Share-based payments IFRS 2	-	534
	1,249	1,795

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

	2017 £'000	2016 £'000
Finance income:		
Deposit account interest	4	12
Other interest	-	-
	4	12
Finance costs:		
Bank interest	-	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2017
continued

5. Profit before tax

	2017 £'000	2016 £'000
The profit before tax is stated after charging:		
Cost of inventories recognised as expense	4,223	4,369
Depreciation - owned assets	564	442
Profit on disposal of property, plant & equipment	(16)	(2)
Patents, licences and proprietary technology amortisation	222	197
Development costs and customer relationship amortisation	414	308
Computer software and website amortisation	43	19
Impairment of intangible assets	-	125
Impairment of goodwill	67	-
Gain on settlement of pre-existing agreement	(41)	-
Auditor's remuneration	65	55
Foreign exchange loss/(gain)	22	(151)
Operating lease rentals - land and buildings	342	336
- vehicles and equipment	96	40
Research costs expensed	665	251

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

	2017 £'000	2016 £'000
Audit of these financial statements	39	29
Audit of financial statements of subsidiaries	23	23
Audit related assurance service: review of half year statements	3	3
	65	55

6. Taxation

The taxation charge represents:

	2017 £'000	2016 £'000
Current taxation:		
Corporation tax	724	444
Adjustment in respect of earlier years	12	10
Total current tax	736	454
Deferred tax:		
Origination and reversal of temporary differences	(187)	14
Over provided in respect of prior periods	-	23
Total deferred tax	(187)	37
Total tax charge in Income Statement	549	491

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

continued

6. Taxation *continued*

Factors affecting the tax charge:

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

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	3,966	2,593
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.75% (2016: 20%)	783	519
Effects of:		
Expenses not deductible for tax purposes	58	31
Income not taxable	(8)	-
Tax rate differences	5	(11)
Enhanced relief on qualifying scientific research expenditure	(154)	(136)
Adjustment in respect of prior years	12	33
Tax losses not utilised and other temporary differences	(147)	55
Total tax charge for year	549	491

7. 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 £3.827m (2016: £2.307m) which includes a dividend of £4.1m and £0.161m received from its subsidiary companies Tristel Solutions Limited and Tristel GmbH respectively.

8. Dividends

Amounts recognised as distributions to equity holders in the year:

	2017 £'000	2016 £'000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2016 of 2.19p (2015: 2.14p) per share	928	899
Interim dividend for the year ended 30 June 2017 of 1.40p (2016: 1.14p) per share	594	480
Special dividend of 3p per share paid on the 8 August 2016 (2015: 3p per share)	1,265	1,242
	2,787	2,621
Special dividend of 3p per share paid on the 8 August 2016	-	1,265
Proposed final dividend for the year ended 30 June 2017 of 2.63p (2016: 2.19p) per share	1,115	923
Company		
Dividend received from subsidiaries	(4,261)	(2,781)

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.

9. Earnings per share

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

	2017 £'000	2016 £'000
Retained profit for the financial year attributable to equity holders of the parent	3,417	2,102

	Shares '000 Number	Shares '000 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	42,418	41,945
Share options	1,399	1,747
	43,817	43,692
Earnings per ordinary share		
Basic	8.06p	5.01p
Diluted	7.80p	4.81p

A total of 260,000 options of ordinary shares were anti-dilutive at 30 June 2017 (70,000 at 30 June 2016). All remaining share options are dilutive at 30 June 2017.

10. Goodwill

Group	Total £'000
Cost	
at 30 June 2015	779
Additions	-
At 30 June 2016	779
Additions	465
At 30 June 2017	1,244
Impairment	
At 30 June 2015	112
Impairment	-
At 30 June 2016	112
Impairment	67
At 30 June 2017	179
Net book value	
At 30 June 2017	1,065
At 30 June 2016	667

Company

The Company has no goodwill.

10. Goodwill *continued*

Goodwill in the year relates to the acquisition of trade and assets from Ashmed Pty, our Australian distributor (see below). The activity is separately identifiable as the operations of the newly incorporated entity Tristel Pty Limited and form a single cash-generating unit within Human Healthcare.

The balance of the acquired goodwill is in respect of Newmarket Technologies Limited (NTL), formerly Tristel Technologies Limited. 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 Group's management reporting.

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-flow forecasts for each CGU are considered, and where deemed appropriate, adjusted to reflect risks specific to the CGU.

For NTL, the rate used to discount the forecast cash-flows for goodwill is 16%. With a zero sales growth rate, the net present value of profits expected over the next five years exceeds the carrying value of £0.600m, with headroom of £0.3m. However the NBV is based on the expectation that revenue is forecast to decline at a rate of 10% year-on-year. At this level an impairment of £0.1m has been recorded.

Ashmed PTY

In August 2016, the Group acquired the trade and assets of AshMed Pty, our Australian distributor's business for £1.1m including a contribution to legal costs, giving rise to goodwill of £465,000 and a gain on settlement of the distribution agreement of £41,000. The separate intangibles have been recognised in full along with a deferred tax liability arising on the transaction of £242,000. The total acquisition related costs amount to £59,000 and are included in Administrative expenses in the Consolidated Income Statement.

For Ashmed, the assumptions used to determine the recoverable value of goodwill are those regarding discount rates and growth rates. Management has estimated the discount rate as a market-derived WACC of 16%. Growth rates are based upon industry growth forecasts within the CGU and on recent history and expectations of future changes in the market. The net present value of profits expected over the next eight years exceeds the carrying value of £0.465m, with headroom of £3.1m. A sensitivity analysis has been carried out where growth has been forecast to decline at a rate of 10% year-on-year, at this level the headroom is £2.3m, as such no impairment has been recorded.

The details of the business combination are as follows:

Group	Total £'000
Fair value of consideration transferred	
Amount settled in cash	994
Gain on settlement	41
Total	1,035
Recognised amounts of identifiable net assets	
Intangible assets	804
Total non-current assets	804
Inventories	123
Trade and other receivables	9
Total current assets	132
Other liabilities	124
Deferred tax	242
Total current liabilities	366
Identifiable net assets	570
Goodwill on acquisition	465

10. Goodwill *continued*

The goodwill on acquisition of £465,000 is primarily related to the sales know-how of key personnel.

The Australian business contributed incremental revenue of £1.991m and incremental profit before tax of £0.824m for the year ended 30 June 2017. If the trade and assets had been acquired on 1 July 2016 the incremental revenue for the group would have been £2,275m and the incremental profit before tax £0.942m.

11. 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 10 of these financial statements).

The rate used to discount the forecast cash flows for all CGU's is 16%. Where sensitivity analysis has been carried out, it has been via the removal of growth expectations within a CGU.

Patents, licences and proprietary technology

Included within patents, licences and proprietary technology are 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. The carrying amount of this asset is £2.291m, which includes amortisation for the period of £0.120m. Through management reporting the relevant products are identifiable to form a single cash-generating unit (CGU) used for the purpose of an impairment review, tested in accordance with IAS 36. The result of the review shows the value in use exceeds the carrying value of the asset, with headroom of £2.295m. However, a sensitivity review has also been applied by assuming revenue will decline by 10% year-on-year 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 £1.335m, as such no impairment has been recorded. In addition, management have set an amortisation policy of 20 years for the remaining balance of the asset, with remaining amortisation life of 18 years. This period has been set based on management's knowledge of the markets that these products serve, and that the IP and technological know-how is expected to remain relevant for this period.

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 89% of group revenues, notwithstanding this, an impairment review has been conducted and the recoverable amount exceeds the carrying value of the asset of £1.362m by £40.863m.

Development – marketable products

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 £1.945m, this leaves headroom of £1.362m, as such the carrying value of the asset of £583k is supported, and no impairment was recorded.

Also included is the cost of development for a new chemistry delivery device, Puffin. The carrying value of this is £300k. 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 £237k, however as the device is still in development a sensitivity analysis has been carried out adopting a deduction in total revenues of 10%, at this level headroom of £142k remains, as such no impairment is considered necessary.

The balance of this asset category holds a carrying value of £424k 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 16%, at this level the minimal headroom attributable to any of the assets held is £1.187m, as such no impairment would be required to be recorded.

Computer software and website

During the financial year the Group continued its investments in its new operating system (SAP Business One – HANA). At the year end the system was utilised by all but two of the Group's entities, with further planned. Management took the view that the asset will have a useful life of seven years based on historical trends for software utilisation, new additions in the period are amortised in line with the balance brought forward from the prior year. There are no indicators of impairment of the carrying value of £0.211m. The other element of this category is the Group's new website. In line with IAS 38 management have capitalised the website on the basis of the potential to generate revenue for the Group. The website went live on the last day of the previous financial year and has a current carrying value of £0.038m. It includes or will include the following functions:

11. Intangible assets *continued*

- Electronic ordering platform to interact directly with SAP Business One.
- Online Training portal.
- Distributor sections. Country appointed distributors have access to full technical and marketing information for their areas.

Customer relationships

The rate used to discount the forecast cash flows for customer relationships is 16%. Growth rates are based upon industry growth forecasts within the CGU and on recent history and expectations of future changes in the market. The net present value of profits expected over the next eight years exceeds the carrying value of £0.717m, with headroom of £2.9m. A sensitivity analysis has been carried out where growth has been forecast to decline at a rate of 10% year-on-year, at this level the headroom is £2.0m, as such no impairment has been recorded.

Group	Patents, licences and proprietary technology £'000	Development of marketable products £'000	Customer relationships £'000	Computer software & website £'000	Totals £'000
Cost					
At 30 June 2015	4,871	4,106	-	145	9,122
Additions	125	204	-	77	406
Reclassification	315	(315)	-	-	-
Disposal	-	(13)	-	-	(13)
At 30 June 2016	5,311	3,982	-	222	9,515
Additions	179	151	804	89	1,223
Disposal	-	-	-	-	-
At 30 June 2017	5,490	4,133	804	311	10,738
Amortisation					
At 30 June 2015	1,357	2,134	-	-	3,491
Reclassification	61	(61)	-	-	-
Charge for year	197	308	-	19	524
Impairment	-	125	-	-	125
Disposal	-	(5)	-	-	(5)
At 30 June 2016	1,615	2,501	-	19	4,135
Charge for the year	222	327	87	43	679
At 30 June 2017	1,837	2,828	87	62	4,814
Net book value					
At 30 June 2017	3,653	1,305	717	249	5,924
At 30 June 2016	3,696	1,481	-	203	5,380

Company	Patents and licences £'000	Totals £'000
Cost		
At 30 June 2015	4,577	4,577
Additions	125	125
At 30 June 2016	4,702	4,702
Additions	224	224
At 30 June 2017	4,926	4,926

11. Intangible assets *continued*

Company	Patents and licences £'000	Totals £'000
Amortisation		
At 30 June 2015	1,111	1,111
Charge for year	197	197
At 30 June 2016	1,308	1,308
Charge for year	222	222
At 30 June 2017	1,530	1,530
Net book value		
At 30 June 2017	3,396	3,396
At 30 June 2016	3,394	3,394

12. Property, plant and equipment

Group	Improvements to property £'000	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Cost					
At 30 June 2015	1,550	1,337	88	407	3,382
Net exchange differences	-	12	(3)	(27)	(18)
Additions	105	280	26	88	499
Disposals	-	(449)	(6)	(57)	(512)
At 30 June 2016	1,655	1,180	105	411	3,351
Net exchange differences	-	7	-	6	13
Additions	75	420	10	80	585
Disposals	-	(14)	-	(140)	(154)
At 30 June 2017	1,730	1,593	115	357	3,795
Depreciation					
At 30 June 2015	838	967	47	183	2,035
Net exchange differences	(3)	(5)	-	(36)	(44)
Eliminated on disposal	-	(449)	(3)	(46)	(498)
Charge for year	204	136	13	89	442
At 30 June 2016	1,039	649	57	190	1,935
Net exchange differences	-	4	-	2	6
Eliminated on disposal	-	(11)	-	(108)	(119)
Charge for year	210	253	15	86	564
At 30 June 2017	1,249	895	72	170	2,386
Net book value					
At 30 June 2017	481	698	43	187	1,409
At 30 June 2016	616	531	48	221	1,416

Company

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

13. Investments

Group

	2017 £'000	2016 £'000
Investment in MobileODT Ltd	589	-

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

	2017	2016
Class of shares	€1 Ordinary	€1 Ordinary
Holding	20%	20%

	2017 £'000	2016 £'000
Assets	369	253
Liabilities	175	97
Aggregate capital and reserves	193	156
Revenue	385	285
Profit for the period	96	66
Profit for the period attributable to the Group	19	13

Company

	Shares in Group undertakings and associate £'000	Other investments £'000
Cost		
At 30 June 2015	2,179	-
Capital contributions as a result of share-based payments	674	-
Investment in Tristel GMBH	19	-
At 30 June 2016	2,872	-
Capital contributions as a result of share-based payments	121	-
Investment in MobileODT Ltd	-	589
At 30 June 2017	2,993	589
Impairment		
At 30 June 2016	433	-
Movement in the year	-	-
At 30 June 2017	433	-
Net book value		
At 30 June 2017	2,560	589
At 30 June 2016	2,439	-

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 £121,000 (2016: £674,000).

13. Investments *continued*

MobileODT Ltd (Incorporated in Israel)
Nature of business: Manufacture of intelligent visual diagnostic tools

	2017	2016
Class of shares	£1 Ordinary	£1 Ordinary
Holding	3%	-

Subsidiaries

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

	2017	2016
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

Scorcher Idea Limited (Incorporated in England and Wales)
Nature of business: Development of infection control delivery

	2017	2016
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

Tristel New Zealand Limited (Incorporated in New Zealand)
Nature of business: Supply of infection control products

	2017	2016
Class of shares	$1 Ordinary	$1 Ordinary
Holding	100%	100%

Tristel Medical Equipment Co Ltd (Incorporated in China) 100% owned by Tristel Asia Limited
Nature of business: Supply of infection control products

	2017	2016
Class of shares	¥1 Ordinary	¥1 Ordinary
Holding	100%	100%

Tristel Asia Limited (Incorporated in Hong Kong)
Nature of business: Supply of infection control products

	2017	2016
Class of shares	$1 Ordinary	$1 Ordinary
Holding	100%	100%

Medichem International Limited (Incorporated in England and Wales) – Not material to the group, non-trading
Nature of business: Holder of trademarks

	2017	2016
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

	2017	2016
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

Tristel GMBH (Incorporated in Germany)
Nature of business: Supply of infection control products

	2017	2016
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%

Tristel Pty Limited (Incorporated in Australia)
Nature of business: Supply of infection control products

	2017	2016
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	-

Tristel Sp. z.o.o. (Incorporated in Poland)
Nature of business: Supply of infection control products

	2017	2016
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	-

14. Inventories

Group	2017 £'000	2016 £'000
Raw materials	1,592	1,102
Finished goods	695	695
Work in progress	5	78
	2,292	1,875

Included in the above is a stock provision of £136,000 (2016: £210,000) held in respect of both raw materials and finished goods.

Company

The Company has no inventories.

15. Trade and other receivables

Current	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Trade receivables	3,030	2,955	-	-
Amounts owed by Group undertakings	-	-	6,130	4,415
Other receivables	156	450	13	340
Prepayments	559	330	22	19
	3,745	3,735	6,165	4,774

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:

Current	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Impairment provision brought forward	(29)	(32)	-	-
Impairment losses recognised	-	3	-	-
Increase in provision	(29)	-	-	-
Impairment provision carried forward	(58)	(29)	-	-

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 Contamination Control segment, the credit risk is lessened due to the large number of customers. Credit risk is predominantly within the Human Healthcare segment.

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

continued

16. Cash and cash equivalents

Bank accounts	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
	5,088	5,715	2,767	3,506
	5,088	5,715	2,767	3,506

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.

17. Trade and other payables

Current	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Trade payables	1,275	1,104	1	10
Social security and other taxes	353	701	-	-
Accruals	1,519	1,451	84	172
	3,147	3,256	85	182

18. Financial liabilities – interest bearing loans and borrowing

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

19. 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.

Cash-flow risk

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 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, as the Group has no bank borrowings at 30 June 2017.

19. Financial instruments *continued*

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 Group's 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 as presented on the face of the balance sheet.

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

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

Capital for the period is summarised as follows:

	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Total equity	16,062	14,964	15,389	13,928
Cash and cash equivalents	(5,088)	(5,715)	(2,767)	(3,506)
Capital	10,974	9,249	12,622	10,422
Total equity	16,062	14,964	15,389	13,928
Borrowings	-	-	-	-
Overall financing	16,062	14,964	15,389	13,928
Capital to overall financing ratio	0.68	0.62	0.82	0.75

Financial assets and liabilities

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

Credit risk

Exposure to credit

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017 Group carrying amount £'000	2016 Group carrying amount £'000	2017 Company carrying amount £'000	2016 Company carrying amount £'000
Cash and cash equivalents	5,088	5,715	2,767	3,506
Trade and other receivables excluding prepayments and VAT	3,178	3,080	6,143	4,429
	8,266	8,795	8,910	7,935

19. Financial instruments *continued*

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

	2017 Group carrying amount £'000	2016 Group carrying amount £'000	2017 Company carrying amount £'000	2016 Company carrying amount £'000
United Kingdom	2,333	2,557	6,143	4,429
Rest of the World	845	523	-	-
	3,178	3,080	6,143	4,429

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £58,000 (2016: £29,000) have been provided against but no other receivables were considered to be impaired.

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

Group	2017 £'000	2016 £'000
Not past due	2,238	1,912
Past due 0-30 days	657	587
Past due 31-120 days	275	346
Past due 120 days +	8	235
	3,178	3,080

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 2017					
Non-derivative financial liabilities					
Trade and other payables	2,794	2,794	2,794	-	-
	2,794	2,794	2,794	-	-
30 June 2016					
Non-derivative financial liabilities					
Trade and other payables	2,555	2,555	2,555	-	-
	2,555	2,555	2,555	-	-

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 2017					
Non-derivative financial liabilities					
Trade and other payables	85	85	85	-	-
30 June 2016					
Non-derivative financial liabilities					
Trade and other payables	182	182	182	-	-

19. Financial instruments *continued*

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

	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Current assets: loans and receivables at amortised cost				
Cash and cash equivalents	5,088	5,715	2,767	3,506
Trade and other receivables	3,178	3,080	6,143	4,429
	8,266	8,795	8,910	7,935

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

	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Current liabilities				
Trade and other payables	2,794	2,555	85	182
	2,794	2,555	85	182
Non-current liabilities				
Interest bearing loans and borrowings	-	-	-	-

All of the above relate to the IAS 39 category 'other financial liabilities' held at amortised cost.

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, as the Group has no bank borrowings at 30 June 2017.

Currency risk

The Group has an element of currency risk as it buys certain chemicals, parts and equipment from overseas manufacturers, sells finished products into overseas markets and holds foreign currency cash balances. The movement in exchange rates following the UK referendum on EU membership means that the Group will face an element of uncertainty in relation to foreign currency transaction and assets in the near term.

Interest rate

The Group's financial assets include cash at bank and short-term investments. At 30 June 2017, the average interest rate earned on the temporary closing balances was 0.1% (2016: 0.1%).

Sensitivity analysis

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

The Group has an exposure to exchange rates, gains and losses are recognised upon the translation of overseas subsidiary profits, foreign currency cash holdings and non-GBP trade. There is a loss of £22k within these financial statements, shown on page 65 within note 5. This balance consists of an £8k gain originating upon the translation of overseas profits and a £30k loss from the revaluation of cash and open trade balances at the year end.

Fair values versus carrying amounts

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

20. Leasing agreements

Group	2017 £'000	2016 £'000
Future minimum lease amounts repayable under non-cancellable operating leases fall due:		
Within one year	424	358
Between one and five years	1,466	1,204
In more than five years	257	475
	2,147	2,037

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

Company

The Company has no lease agreements.

21. Taxation

Current tax	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Corporation Tax at 30 June	728	432	(6)	(6)

Deferred tax	2017 Group £'000	2016 Group £'000	2017 Company £'000	2016 Company £'000
Balance at 1 July	(136)	(99)	(9)	(9)
Arising on acquisition	(242)	-	-	-
Credited/(charged) to Income Statement for the year	203	(37)	-	-
Balance at 30 June	(175)	(136)	(9)	(9)
Made up of:				
Deferred tax assets	30	67	-	-
Deferred tax liabilities	(205)	(203)	(9)	(9)
Balance at 30 June	(175)	(136)	(9)	(9)

Recognised deferred tax (liability)/asset

Deferred tax liabilities are attributable to the following:

	Fixed asset timing differences £'000	Deferred tax on acquired intangibles £'000	Other temporary differences £'000	Group Total £'000	Company fixed asset timing differences £'000
Balance at 30 June 2015	(167)	-	68	(99)	(9)
(Charged)/Credited to Income Statement for the year	(39)	-	2	(37)	-
Balance at 30 June 2016	(206)	-	70	(136)	(9)
Arising on acquisition	-	(242)	-	(242)	-
Credited/(Charged) to Income Statement for the year	61	25	117	203	-
Balance at 30 June 2017	(145)	(217)	187	(175)	(9)

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

21. Taxation *continued*

Net deferred tax (liability)/asset	Group £'000	Company £'000
Deferred tax liability	(205)	(9)
Deferred tax asset	30	-
Balance at 30 June 2017	(175)	(9)
Balance at 30 June 2016	(136)	(9)

The Group deferred tax asset at 30 June 2017 has been recognised at 19% (2016: 18%) as it is expected that this will be the rate applicable on reversal of the temporary differences.

22. Called up share capital

Allotted, issued and fully paid ordinary shares of 1 pence each	Number	£'000
30 June 2016	42,165,201	421
Issued during the year	584,216	6
30 June 2017	42,749,417	427

584,216 ordinary shares of 1 pence each, related to the exercise of 584,216 share options, were issued during the year (2016: 773,000), for a total consideration of £299,000, being £6,000 equity and £294,000 share premium. The weighted average exercise price was 51.15 pence.

Share-based payments

The Group maintains three share-based payment schemes: two Senior Management Schemes and a General Employee Scheme.

The Senior Management Schemes are part of the remuneration package of the Executive Directors and Senior Management. Options under this scheme will vest if certain conditions defined in the programme are met or vest immediately upon grant. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

The Senior Management Scheme (1) is part of the remuneration package of the Executive Directors and Senior Management. Options under this scheme will vest if certain conditions defined in the programme are met or vest immediately upon grant. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price. A performance criteria was achieved in the prior period and all shares are vested at 30 June 2017 and 30 June 2016.

The General Employee Schemes are 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 2017 the Group and the Company had 33 share-based payment arrangements, under three schemes. Grants in the year are detailed below:

	General employee scheme	General employee scheme	General employee scheme	General employee scheme
Grant date	21-Jul-16	17-Oct-16	18-Oct-16	22-Feb-17
Vesting period ends	21-Jul-16	17-Oct-16	18-Oct-16	22-Feb-17
Share price at date of grant	125.50p	155.50p	156.00p	150.48p
Volatility	44%	44%	44%	44%
Option life	10 years	10 years	10 years	10 years
Expected dividend yield	2.60%	2.60%	2.60%	2.60%
Risk free investment rate	0.50%	0.50%	0.50%	0.50%
Fair value at grant date	0.355p	0.407p	0.407p	0.382p
Exercise price at date of grant	125.50p	160.00p	160.00p	150.00p

22. Called up share capital *continued*

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

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

Fair values for the share option schemes have been determined using the Black-Scholes model, although for the Senior management scheme (1), fair values have been calculated via the Monte Carlo method. Reference to the Monte Carlo method can be found within the financial review section of the Strategic Report on page 24 of these financial statements.

A reconciliation of option movements over the year to 30 June 2017 is shown below:-

	Senior management scheme	Weighted average exercise price	General employee scheme	Weighted average exercise price	Senior management scheme (1)	Weighted average exercise price
Outstanding at 30 June 2015	1,610,000	59.69p	815,000	62.65p	-	-
Granted	-	-	220,000	117.00p	1,198,017	0.01p
Forfeited	-	-	(10,000)	105.50p	-	-
Exercised	(310,000)	59.10p	(463,000)	68.31p	-	-
Outstanding at 30 June 2016	1,300,000	59.79p	562,000	80.27p	1,198,017	0.01p
Granted	-	-	310,000	150.32p	-	0.01p
Forfeited	-	-	(10,000)	145.50p	-	-
Exercised	(242,500)	53.75p	(159,550)	104.46p	(182,166)	0.01p
Outstanding at 30 June 2017	1,057,500	54.41p	702,450	101.71p	1,015,851	0.01p
Exercisable at 30 June 2016	625,000	54.15p	562,000	80.27p	1,198,017	0.01p
Exercisable at 30 June 2017	382,500	54.41p	702,450	105.36p	1,015,851	0.01p

The total charge at 30 June 2017 relating to employee share-based payment plans, in accordance with IFRS 2, was £121,000 (2016: £674,000) 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 1p and 160p. The weighted average of the remaining contractual life of options at the end of the period is seven years.

23. 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 shareholder in the Parent Company Tristel plc, royalties and commissions related to the Groups patented technology of £188,000 (2016: £176,000) were payable during the year to Bruce Green Limited, a company owned by Mr Green. Appropriate provision has been made for all amounts owed to Bruce Green Limited at 30 June 2017.

Transactions between the Group and David Orr

Under the terms of supply agreements between the Company and Fencor Packaging Group Limited, a private company incorporated in England and Wales in which Mr David Orr, a Non-Executive Director in the Company, is a Director and shareholder, monies totalling £44,000 were payable (2016: £61,000). At 30 June 2017, the Group owed Fencor Packaging Group Limited £5,000 (2016: £16,000). Under the terms of supply agreements between the Company and Manor Packaging Limited, a private company incorporated in England and Wales in which Mr David Orr, a Non-Executive Director in the Company, is a Director, monies totalling £352,000 were payable (2016: £346,000). At 30 June 2017, the Group owed Manor Packaging Limited £55,000 (2016: £73,000).

Transactions between the Group and associate companies

During the year the Group charged its associate company Tristel Italia srl £63,000 (2016: £58,000) in respect of finished goods and was owed £15,000 (2016: £46,000).

23. Related party disclosures *continued*

Transactions with Directors

Dividends were paid to Directors as follows:

	30 June 2017 £	30 June 2016 £
Paul Swinney	61,287	59,935
Elizabeth Dixon	3,625	3,084
Francisco Soler	719,222	698,214
Paul Barnes	48,119	46,176
David Orr	824	-

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

Notes

Notes

Design: Silk Pearce

**WE
HAVE
CHEMISTRY.**

TRISTEL PLC

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