



Tristel

Tristel plc

**Placing and Admission to AIM
by Teather & Greenwood**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult an independent professional adviser authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. Prospective investors should carefully consider the section entitled “Risk Factors” in Part II of this document before taking any action.

This document, which comprises an admission document for the purposes of the AIM Rules and a prospectus for the purposes of the POS Regulations has been drawn up in accordance therewith. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

The Directors of Tristel plc, whose names appear on page 8 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the existing issued Ordinary Shares (including the Placing Shares) to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 1 June 2005.

TRISTEL PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4728199)

PLACING OF 5,405,405 ORDINARY SHARES OF 1P EACH AT 37P PER SHARE

and

ADMISSION TO TRADING ON AIM

Nominated Adviser and Broker

TEATHER & GREENWOOD LIMITED

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, London Stock Exchange plc has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange.

Teather & Greenwood, which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as respectively nominated adviser and broker to the Company (for the purpose of the AIM Rules) and no one else in connection with the Placing and the Admission and will not be responsible for providing the protections afforded to customers of Teather & Greenwood nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. Teather & Greenwood's responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this document.

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DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or unless the context otherwise requires:

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Ordinary Shares (including the Placing Shares) to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules for companies whose securities are traded on AIM and their nominated advisers published by the London Stock Exchange, as amended from time to time
“A Ordinary Shares”	the ordinary shares of 1p each, issued and unissued, in the capital of the Company to be redesignated as Ordinary Shares with effect from Admission
“Articles”	the articles of association of the Company
“B Ordinary Shares”	the unissued ordinary shares of 1p each in the capital of the Company to be redesignated as Ordinary Shares with effect from Admission
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST)
“Combined Code”	the combined code on corporate governance, as set out in an appendix to the Listing Rules
“Company”	Tristel plc
“Continental Europe”	Western Europe excluding the United Kingdom and Ireland
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Directors” or “Board”	the directors of the Company whose names are listed on page 8 of this document
“EIS”	the Enterprise Investment Scheme
“EMI Scheme”	the Tristel EMI Scheme, details of which are set out in paragraph 6(A) of Part IV of this document
“Enlarged Share Capital”	the entire issued share capital of the Company immediately following the Placing and assuming the exercise of all outstanding and vested options on Admission
“EU”	the European Union
“Exit Options”	the share options granted to certain directors and employees of the Company exercisable following Admission, details of which are set out in paragraphs 2(g), 5 and 6(D) of Part IV of this document
“FSA”	the Financial Services Authority Limited, the single statutory regulator under FSMA
“FSMA”	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto
“Hospitals”	NHS acute and private sector hospitals
“Listing Rules”	the rules for listing issued by the UK Listing Authority

“Lock-in Agreement”	an agreement between Teather & Greenwood (1), Windsor International Corporation (2), The World Financial Trading Corp. (3) and Atlas World Carriers S.A. (4) relating to the disposal of Ordinary Shares summarised in paragraph 17(b) of Part IV of this document
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the 4,054,054 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	the A Ordinary Shares and the B Ordinary Shares or, following their redesignation with effect from Admission, the ordinary shares of 1p each, issued and unissued, in the capital of the Company
“Placing”	the placing by Teather & Greenwood of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement between, <i>inter alia</i> , the Directors (1), the Company (2), and Teather & Greenwood (3), dated 27 May 2005, relating to the Placing and Admission, particulars of which are summarised in paragraph 17(a) of Part IV of this document
“Placing Price”	the price of 37p per Placing Share
“Placing Shares”	the 5,405,405 Ordinary Shares which are the subject of the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Selling Shareholders”	The World Financial Trading Corp., Atlas World Carriers S.A., Paul Christopher Swinney, Paul Martin Barnes and Peter Charles Anderson Clarke
“Shareholders”	holders of Ordinary Shares
“Share Option Schemes”	the EMI Scheme and the Unapproved Scheme
“TCL”	Tristel Technologies Limited (formerly The Tristel Company Limited), the principal operating subsidiary of the Group
“Teather & Greenwood”	Teather & Greenwood Limited, which is authorised and regulated in the United Kingdom by the FSA
“Tristel”, “The Tristel Group” or “Group”	Tristel plc and its subsidiaries, from time to time
“UK Listing Authority”	a division of the FSA acting as the competent authority for the purposes of Part VI of FSMA
“Unapproved Scheme”	the Tristel Unapproved Scheme, details of which are set out in paragraph 6(B) of Part IV of this document
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America
“VCTs”	Venture Capital Trusts

GLOSSARY

The following glossary of terms applies throughout this document, unless otherwise stated or the context otherwise requires:

Biocide/biocidal	a chemical that kills organisms such as bacteria, fungi, and viruses
Biofilms	a layered culture of micro organisms growing on a surface
Chlorine dioxide	chlorine dioxide (ClO ₂) is a highly energetic oxidising agent possessing broad spectrum biocidal properties, and is rapidly sporicidal. Its mode of action ensures that bacteria are unable to develop resistance. Furthermore, it is safe to use at the concentrations employed in the Tristel products
Endoscopy	the visual inspection of a cavity of the body by means of an endoscope
Flexible endoscopes	complex medical instruments used for the examination of the interior of the human body. They relay a visual image of the organ examined to the physician. Most flexible endoscopes have narrow channels through which air, water and biopsy forceps can be passed
MRSA	Methicillin resistant <i>Staphylococcus aureus</i> — also known as the hospital superbug
Potable water	drinkable water
Sporicide/sporicidal	a biocide that is capable of killing bacterial spores which are the most resistant organisms to chemical biocides
Ultrasound instruments	instruments used in a type of imaging technique which uses high frequency sound waves to examine organs inside a body
Ultrasound transducers	a conversion device used in ultrasound imaging
Washer-disinfector	equipment used by hospitals to wash, disinfect and rinse flexible endoscopes

KEY INFORMATION

THE FOLLOWING INFORMATION MUST BE READ IN CONJUNCTION WITH THE WHOLE OF THIS DOCUMENT INCLUDING IN PARTICULAR PART II HEADED ‘RISK FACTORS’.

Introduction

Tristel is a healthcare business specialising in infection control in hospitals. Tristel markets a proprietary chlorine dioxide chemistry that is highly effective in destroying all types of bacteria (including bacterial spores, tuberculosis and MRSA), fungi and viruses.

Tristel's core product range of instrument disinfectants has become the market leader in the UK hospital sector. They are used to decontaminate heat sensitive endoscopic and ultrasound instruments in over 375 Hospitals, which represent approximately 60 per cent. of all UK Hospitals.

Financials

The following financial information has been extracted from the accountants' report on the Group contained in Part III of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>8 months ended 28 February 2005 £</i>
Turnover	659,170	1,529,854	2,183,423	1,946,794
Operating (loss) profit before share related charges	(17,576)	150,766	204,648	332,010
Operating (loss) profit after share related charges*	(17,576)	150,766	204,648	54,010
(Loss) profit on ordinary activities before taxation	(26,681)	59,502	164,695	5,455

*Share related charges for the period ended 28 February 2005 amount to £278,000 comprising a UITF 17 charge of £228,000 and related employer's National Insurance contributions of £50,000 associated with the granting and anticipated exercise of Exit Options.

As at the period ended 28 February 2005 the Group had consolidated net assets of £153,492.

The Directors report that trading since 28 February 2005 has been in line with their expectations.

Reasons for the Placing

The Placing will raise approximately £1.5 million before expenses (£1.1 million after expenses) for the Company. The net proceeds of the Placing will be used for:

- increased investment in sales and marketing activities for existing and new products and development of export markets;
- research and development both for the enhancement of existing products and the addition of new products to the Company's portfolio;
- working capital requirements; and
- debt repayment of £367,500.

The Directors also believe that the profile of the Group will be significantly enhanced as a UK quoted public company.

The Placing will also provide an opportunity for the Selling Shareholders to realise part of the value of their shareholdings in the Company.

PLACING STATISTICS

Placing Price	37p
Number of Ordinary Shares in issue prior to the Placing assuming all outstanding and vested options are exercised on Admission	19,782,766
Number of New Ordinary Shares being issued pursuant to the Placing	4,054,054
Number of Ordinary Shares being sold by the Selling Shareholders pursuant to the Placing	1,351,351
Number of Ordinary Shares in issue immediately following Admission assuming all outstanding and vested options are exercised on Admission	23,836,820
Market capitalisation following the Placing assuming all outstanding and vested options are exercised on Admission at the Placing Price	£8,819,623
Percentage of Enlarged Share Capital being placed	22.68 per cent.
Estimated gross proceeds of the Placing	£2,000,000
Estimated net proceeds of the Placing receivable by the Company	£1,114,000

EXPECTED TIMETABLE

Admission and dealings in the Enlarged Share Capital on AIM to commence	1 June 2005
CREST accounts credited for Placing Shares in uncertificated form	1 June 2005
Despatch of definitive share certificates for Placing Shares in certificated form	15 June 2005

DIRECTORS, SECRETARY AND ADVISERS

Directors	<p>Francisco Angel Soler (Non-Executive Chairman)</p> <p>Paul Christopher Swinney (Chief Executive)</p> <p>Paul Martin Barnes FCCA (Finance Director)</p> <p>Peter Francis Howard Stephens (Non-Executive Director)</p> <p>Peter Charles Anderson Clarke (Non-Executive Director)</p> <p>All of whose business address is:</p> <p>Unit 4C</p> <p>Lynx Business Park</p> <p>Fordham Road</p> <p>Snailwell</p> <p>Cambridgeshire</p> <p>CB8 7NY</p>
Company secretary	Paul Martin Barnes FCCA
Registered office	<p>Unit 4C</p> <p>Lynx Business Park</p> <p>Fordham Road</p> <p>Snailwell</p> <p>Cambridgeshire</p> <p>CB8 7NY</p>
Nominated adviser and broker	<p>Teather & Greenwood Limited</p> <p>Beaufort House</p> <p>15 St Botolph Street</p> <p>London</p> <p>EC3A 7QR</p>
Auditors to the Company	<p>Hedges Chandler</p> <p>14 Cornard Road</p> <p>Sudbury</p> <p>Suffolk</p> <p>CO10 2XA</p>
Reporting accountants to the Company	<p>Deloitte & Touche LLP</p> <p>City House</p> <p>126-130 Hills Road</p> <p>Cambridge</p> <p>CB2 1RY</p>
Solicitors to the Company	<p>Maclay Murray & Spens, London</p> <p>5 Old Bailey</p> <p>London</p> <p>EC4M 7JX</p>
Solicitors to the Placing	<p>Wedlake Bell</p> <p>52 Bedford Row</p> <p>London</p> <p>WC1R 4LR</p>
Principal bankers	<p>HSBC plc</p> <p>53 High Street</p> <p>Newmarket</p> <p>Suffolk</p>
Registrars	<p>Computershare Investor Services Plc</p> <p>Corporate Actions</p> <p>PO Box 859</p> <p>The Pavilions</p> <p>Bridgewater Road</p> <p>Bristol</p> <p>BS99 1X2</p>

PART I

THE COMPANY AND ITS BUSINESS ACTIVITIES

Introduction

Tristel is a healthcare business specialising in infection control in hospitals. Tristel markets a proprietary chlorine dioxide chemistry that is highly effective in destroying all types of bacteria (including bacterial spores, tuberculosis and MRSA), fungi and viruses.

Tristel's product development strategy over the past two years has successfully enabled the Company to develop one or more products to combat each of the main routes of transmission of hospital acquired infection, namely, instruments, surfaces, water and skin. The patented formulation is used in products that address each route of transmission.

Tristel's core product range of instrument disinfectants has become the market leader in the UK hospital sector. They are used to decontaminate heat sensitive endoscopic and ultrasound instruments in over 375 Hospitals, which represent approximately 60 per cent. of all UK Hospitals.

History

In 1998, the business that became Tristel acquired all world-wide rights to the patented chemistry. TCL, the principal operating subsidiary of the Group, was established at this time to exploit the UK market. The business has grown substantially with turnover increasing from £68,000 for the 8 months ended to 31 December 1998, to approximately £2 million for the 8 months ended 28 February 2005.

Technology

Tristel's core technology is a patented chlorine dioxide formulation. The Directors believe that chlorine dioxide is one of a small group of sporicidal agents that is safe and easy to use.

Tristel's formulation is a two-part system. The first part is a sodium chlorite solution and the second part comprises an organic acid blend, corrosion inhibitors, buffers and preservatives. By mixing the two parts, chlorine dioxide is generated in aqueous solution.

The key features of the Tristel technology, some of which form the patented claims, include:

- the speed of the reaction: chlorine dioxide is generated very rapidly;
- the pH at which the reaction takes place (4.5 — 6.5): the Directors believe that most other aqueous systems operate in highly acidic conditions to produce a fast reaction; and
- the effectiveness of the corrosion inhibition system: this is especially relevant for the sterilisation of sensitive endoscopic and ultrasound instruments.

Core Products

Instrument Solutions

The core technology is employed as a disinfecting and sporicidal solution for medical instruments, primarily flexible endoscopes. The products are bottled solutions and there are a number of formats, offering users a choice of re-use life and volume.

Flexible endoscopes have lumens (channels) which, because they are made of plastics and polymers, cannot be sterilised by heat. The use of flexible endoscopes in therapeutic and diagnostic procedures has expanded significantly in recent years and has given rise to the need for chemical disinfection and the development of washer-disinfectors which can pump the disinfectant through the lumens.

Tristel's chlorine dioxide formulation was introduced to the UK market in 1995 as a replacement for the chemical 2 per cent. glutaraldehyde, which had been the universally used disinfectant for flexible endoscopes, before concerns with its toxicity led to the search for safer alternatives. In January 1999, the Directors estimate that less than 100 UK Hospitals had replaced 2 per cent. glutaraldehyde. In January 2002, Johnson & Johnson announced it would cease supply to the UK market of the world's leading 2 per cent. glutaraldehyde brand, Cidex. In February 2005, the Directors estimate that over 90 per cent. of all Hospitals had adopted an alternative, with Tristel supplying in excess of 60 per cent. of all Hospitals.

The Directors believe sales of Tristel Instrument Solutions will continue to grow as hospitals replace old washer-disinfectors with modern systems that are able to operate with higher value Tristel products, and as Tristel wins custom away from the other biocidal chemistries available.

Instrument Wipes System

Using the two-part system of the core technology, Tristel has developed a surface wipe for medical instruments. The Directors believe the wipe, for which a patent has been applied, is unique in that it can achieve high-level disinfection and be sporicidal with a very short contact time of less than one minute. The main competitors are the many brands of alcohol wipes and alcohol and quarternary ammonium compound combination wipes, that are not sporicidal and take longer to be effective against organisms such as MRSA.

The wipe is targeted at non-lumened instruments which include the expanding markets of ultrasound transducers and ear, nose and throat endoscopy. The Directors believe that these are areas in hospitals into which there has been limited investment in washer-disinfectors. The Tristel Instrument Wipes System is positioned as the premium biocidal wipe, given its unique sporicidal properties, but at a comparable cost, per use, to Tristel Instrument Solutions.

Sales of the Instrument Wipes System commenced in March 2004, with packaging initially comprising a tub of wipes plus the activator foamer. In October 2004, a major development was made to the product by packaging each individual impregnated wipe in a sealed sachet with traceability labels which have unique identifying numbers, allowing the user to implement an audit trail. Additionally, Tristel introduced a pre-clean wipe and a rinse wipe, each in individual sachets, thereby offering the user a complete, wipe-based decontamination system with traceability.

New Products

Surface Disinfectants

Tristel has employed the two-part system of its core chemistry to develop a sporicidal surface cleaner for general hospital use, branded Tristel Duo. It is used to disinfect items such as patient trolleys, beds, mattresses and intravenous drip stands. The product was launched in April 2005 and is effective against the organisms that create the most common hospital-acquired infections which include *MRSA*, *Acinetobacter*, *Norwalk virus* and *Clostridium difficile*, a sporing organism which causes outbreaks of diarrhoea. Tristel Duo is targeted at high-risk areas of the hospital such as intensive care, burns, organ transplant and oncology units.

Tristel Duo is a premium priced product reflecting its unique properties and will be sold to the Company's existing customer base through the Hospitals' infection control teams.

Water Disinfection

During 2004 Tristel completed the development of the Tristel Generator. This is a micro-processor controlled dosing system that produces a continuous stream of aqueous chlorine dioxide instantaneously and on demand. The Company was awarded a DTI "SMART" award of £99,320 to fund part of the project.

The Tristel Generator enables the control of biofilms that develop in pipework and water supply systems and the dosing of water to render it bacteria free. This is particularly important for the control of *Legionella*, the cause of Legionnaires disease. Applications for the Tristel Generator within the healthcare marketplace are the disinfection of dental unit water lines and the provision of bacteria-free rinse water for washer-disinfectors. The Tristel Generator can also produce disinfecting and sporicidal solutions at the point of use for supply to washer-disinfectors.

Skin Disinfectants

The NHS "clean hands" campaign has attracted much attention especially in relation to MRSA. The Directors believe there is a significant opportunity to sell a non-alcohol based hand rub for healthcare workers as current alcohol based hand rubs, although inexpensive and widely available, cause drying of the skin. As a consequence, the frequency of hand washing can be less than that required to achieve effective control of infection in hospitals. Tristel has developed a hand rub utilising the Tristel Duo technology used in its sporicidal surface cleaner.

The Board plans to introduce the product in the latter half of 2005.

Manufacturing

Tristel's core chemistry is manufactured by a contract manufacturer, Medichem International (Manufacturing) Limited, based in Queensborough, Kent. Medichem manufactures, warehouses and transports the Instrument Solutions to Tristel's customers. Medichem has the exclusive right to manufacture Tristel chemical products for supply to the European, African, Middle and Far Eastern markets. Tristel is free to appoint other manufacturers in the Americas.

Tristel uses other contract manufacturers for the manufacture of the Instrument Wipes, Tristel Duo and the Tristel Generator.

Competitors

Competitors can be categorised by the chemistry employed in their products. All chemistries used in Tristel's and its competitors' products have biocidal properties and these properties vary between chemistry types. Biocidal efficacy is the main differentiating factor between products.

Tristel's primary competitors in each of its product groups are:

- *Instrument Solutions* Johnson & Johnson; Steris; Sterilox; Dupont Antec; Schulke Mayr
- *Instrument Wipes System* Nice-Pak PDI
- *Surface Disinfectants* Ecolab; Nice-Pak PDI; Vernon Carus (Healthcare Enterprises)
- *Water Disinfection* Vernagene; Sterilox
- *Skin Disinfectants* Multiple manufacturers.

Markets and Development Strategy

Instrument Solutions

Instrument Solutions are sold directly by Tristel's own sales force, which has given the Company tight control over the presentation of its products and the marketing message conveyed. This sales strategy will continue. The primary target for Instrument Solutions has been the UK Hospital market because they undertake the majority of endoscopic procedures.

Tristel expects sales growth to continue as use of its products spreads from endoscopy departments to other areas of the hospital, for example day surgery and ambulatory care units. Tristel offers a range of products in differing packaging formats and chlorine dioxide concentrations to meet the needs of various departments in the modern hospital.

Tristel has packaged and labelled its products under collaborative marketing arrangements with several washer-disinfector manufacturers which have contributed to Tristel's leading market position in the UK.

The completion of the Tristel Generator development will enable similar collaborative marketing arrangements with a number of washer-disinfector manufacturers based in Continental Europe that are entering into the UK market. The Directors believe this will assist the Company to maintain growth of Instrument Solutions sales over the medium term.

Instrument Wipes System and Surface Disinfectants

The principal target market for the Instrument Wipes System and Surface Disinfectants is the UK Hospital sector and the Primary Care Trusts. In addition, potential target markets for the Instrument Wipes System and Surface Disinfectants include community hospitals, GP practices, nursing homes, ambulance services, dental practices, veterinary establishments, the armed forces and the laboratory market. Where Tristel does not have a direct presence in these markets, it intends to appoint specialist distributors.

Water Disinfection

The immediate opportunities for the Tristel Generator in the healthcare marketplace are the disinfection of dental unit water lines, the provision of bacteria-free rinse water for washer-disinfectors and the supply of disinfecting and sporicidal solution to washer-disinfectors.

Other opportunities that are available to Tristel which it would exploit through distribution and licensing arrangements for its Generator technology include treating potable water; cleaning in place; treating process water in food and beverage manufacture; vegetable, meat, poultry and sea-food washing. There is also an opportunity in bio-security where rapid response is required in civil or military emergency scenarios because, as a sporicidal agent, the chemistry would be effective against *Bacillus anthracis*, anthrax.

Skin Disinfectants

The Directors believe the advantages of the Tristel Duo technology over alcohol based hand rubs will lead to substantial market penetration in the medium term. However, the drive to make alcohol based hand rubs available in every ward at a patient's bed will make it difficult to displace these products in the near term.

Export markets

The Instrument Solutions and Instrument Wipes System have been sold via Brennan & Co., a distributor in Ireland based in Dublin. Brennan & Co. has gained market share from Johnson & Johnson, which has historically dominated the Irish market.

Tristel has recruited additional staff with language skills in order to develop its export business. Having developed a cohesive portfolio of products, the Directors believe that Tristel will be able to enter other overseas markets after Admission.

Entry into overseas markets will be via distributors as has been achieved in Ireland. Tristel will be highly selective in choosing which markets should be entered and the sequence in which they should be approached.

Future Product Development

Tristel is in the advanced stages of a product development project to combine the Tristel Generator with a bench-top washer-disinfector manufactured in the UK. The aim of the project is to transform the washer-disinfector into a specialised system for the ear, nose and throat market.

Additionally, Tristel has developed a two-part sachet which is capable of holding the two Tristel reagents in two compartments separated by a seal that can be burst with hand pressure. The reagents immediately react to create a controlled dose of chlorine dioxide that can be poured into a tray or sink of water to dilute down to a working concentration. The Directors believe the packaging format has extensive worldwide applications that Tristel intends to exploit.

Summary Financial Information

The following financial information has been extracted from the accountant's report on the Group contained in Part III of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	<i>Year ended</i> <i>30 June</i> <i>2002</i> <i>£</i>	<i>Year ended</i> <i>30 June</i> <i>2003</i> <i>£</i>	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£</i>	<i>8 months</i> <i>ended 28</i> <i>February</i> <i>2005</i> <i>£</i>
Turnover	659,170	1,529,854	2,183,423	1,946,794
Operating (loss) profit before share related charges	(17,576)	150,766	204,648	332,010
Operating (loss) profit after share related charges*	(17,576)	150,766	204,648	54,010
(Loss) profit on ordinary activities before taxation	(26,681)	59,502	164,695	5,455

*Share related charges for the period ended 28 February 2005 amount to £278,000 comprising a UITF 17 charge of £228,000 and related employer's National Insurance contributions of £50,000 associated with the granting and anticipated exercise of Exit Options.

As at the period ended 28 February 2005 the Group had consolidated net assets of £153,492.

The Directors report that trading since 28 February 2005 has been in line with their expectations.

Directors

The Board consists of five Directors in respect of whom brief biographies are set out below. Details of the share option, service agreements, letters of appointment and emoluments relating to the Directors are set out in paragraphs 2(g), 5, 6, 7(b), 7(d) and 8 of Part IV of this document.

Francisco A Soler (aged 59), Non-Executive Chairman

Francisco is a founding shareholder of the Group and is an active investor in a number of companies around the world. Among them he is 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 remains a shareholder of that company. He is Chairman of International Bancorp of Miami, Inc., the holding company of The International Bank of Miami, and of Harbour Club Milano, the most prestigious multi-sports club in Italy. He was Chairman of Leisure Tennis Limited, the owner of the prestigious Harbour Club leisure facility in Central London, which was sold to Cannons Group Plc for £27 million in August 1998. He is a Knight Templar.

Paul Swinney (aged 47), Chief Executive

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

Paul Barnes FCCA (aged 51), Finance Director

Paul is a Chartered Certified Accountant with extensive experience of developing SME businesses from concept to listing and sale. He was a founder and Finance Director of Tradepoint Financial Networks plc, which was admitted to trading on AIM and achieved formal recognition as an investment exchange during his time at the company. He will become Finance Director following the proposed admission to trading on AIM. At present Mr Barnes provides his services as a non-executive finance director on a consultancy basis and has been connected with the Group since 1999. He was appointed as a director of the Company on 24 May 2004 and of TCL on 15 June 2004.

Peter Stephens (aged 49), Non-Executive Director

Peter was previously Head of European Equities Sales at Salomon Brothers and Credit Lyonnais. Since 2001 he has been working as a self-employed venture capitalist. He studied at Oxford University and qualified as a Barrister in 1978. He is a founding shareholder and was appointed as a director of the Company on 24 May 2004 and of TCL on 15 June 2004.

Peter Clarke (aged 41), Non-Executive Director

Peter is currently Managing Director of Carolon Europe, a healthcare business which services the NHS and other medical markets. Prior to this he worked as a sales manager at LRG Limited, Databeat Systems Limited and Eurocopy plc. He is one of the founding shareholders and a Board member since inception.

Senior Management

In addition to the Directors, details of the senior employees of the Group are set out below:

Polly Oates (aged 48) Marketing, Regulatory & Business Administration

Polly has pursued a career in marketing and business administration, working in the telecoms and healthcare sectors. She joined the Group in 2002.

Kevin Menhinick (aged 49) Sales Manager

Kevin joined the Group in 1996 and is responsible for the sales team. Prior to joining he worked as a Sales and Marketing Manager for J.J. Astaphan.

Robert Holland (aged 44) Technical Manager

Robert is an electrical engineer responsible for technical development and commercial application as well as validation services with experience in servicing washer-disinfectors. He joined the Group in 1995.

Louise Frost (aged 34) Financial Controller

Louise is a member of the Institute of Accounting Technicians who joined the Group in 2003. She was previously Financial Controller of Nilfisk-Advance Limited.

Employees

Tristel employs 12 staff in total who operate from the Company's leased premises in Newmarket, Suffolk, providing office and warehouse accommodation.

The Company contributes to defined contribution pension schemes for employees and Directors. The Company's contributions are up to date.

Reasons for the Placing

The Placing will raise approximately £1.5 million before expenses (£1.1 million after expenses) for the Company. The net proceeds of the Placing will be used for:

- increased investment in sales and marketing activities for existing and new products and development of export markets;
- research and development both for the enhancement of existing products and the addition of new products to the Company's portfolio;
- working capital requirements; and
- debt repayment of £367,500.

The Directors believe that Admission will:

- enhance the Group's status and profile;
- assist the Company in raising additional capital should this be required; and
- provide liquidity for investors through the ability to buy and sell Ordinary Shares.

The Placing will also provide an opportunity for the Selling Shareholders to realise part of the value of their shareholdings in the Company.

Terms of the Placing

Under the Placing the Company is issuing 4,054,054 New Ordinary Shares (representing approximately 17.01 per cent. of the Enlarged Share Capital) and the Selling Shareholders are selling 1,351,351 existing Ordinary Shares (representing approximately 5.67 per cent. of the Enlarged Share Capital). The Placing is conditional upon, among other things, Admission. The Placing is not being underwritten. Further details of the Placing Agreement are set out in paragraph 17(a) of Part IV of this document.

Application has been made for the existing issued Ordinary Shares (including the New Ordinary Shares) to be admitted to trading on AIM. Dealings on AIM are expected to commence on 1 June 2005.

The Directors' interests following Admission are set out in paragraph 7 of Part IV of this document. In aggregate, the Directors will be interested in 62.20 per cent. of the Enlarged Share Capital following Admission, on the assumption that all of the Placing Shares are issued.

Intellectual Property

Tristel's intellectual property comprises five issued patents and five patents at the application stage. A summary of these patents is given in the table below:

<i>Technology</i>	<i>Patent holder/applicant</i>	<i>Country/region</i>	<i>Type</i>	<i>Issued/application</i>	<i>Patent no.</i>	<i>Filing date</i>
Core chemistry	Bruce Green ⁽¹⁾	Europe	Ex PCT	Issued	0785719	5.10.95
Core chemistry	Bruce Green ⁽¹⁾	USA	National	Issued	5,696,046	5.09.97
Core chemistry	Bruce Green ⁽¹⁾	USA	National	Issued	6,007,772	29.07.97
Core chemistry	Bruce Green ⁽¹⁾	Australia	National	Issued	695928	5.10.95
Core chemistry	Bruce Green ⁽¹⁾	Brazil	National	Application	9509266.8	5.10.95
Core chemistry	Bruce Green ⁽¹⁾	Canada	National	Issued	2,200,478	20.4.04
Sporicidal wipe	Bruce Green ⁽¹⁾	United Kingdom	PCT/GB	Application	003234	26.7.04
Sporicidal wipe & traceability system	Bruce Green & Paul Swinney ⁽¹⁾	United Kingdom	PCT/GB	Application	003227	26.7.04
Tristel Generator	John Hawker, Tim Allen & Paul Swinney ⁽²⁾	United Kingdom	PCT/GB	Application	003203	23.7.04
Chlorine dioxide foam	Bruce Green ⁽¹⁾	United Kingdom	GB	Application	501719.9	23.1.05

Note:

- (1) These patents and patent applications have been assigned to the Company pursuant to the assignment dated 27 May 2005 referred to in paragraph 9(iv) of Part IV of this document but the assignment has not yet been registered at the relevant patent registry.
- (2) This patent was assigned by the investors to the Company pursuant to an assignment dated 15 December 2003 referred to in paragraph 9(xii) of Part IV of this document.

The Company has significant ongoing research and development which gives rise to technological developments for which the Company may seek patent protection for developments with future potential value.

Lock-in Arrangements

Under the terms of the Placing Agreement and the Lock-in Agreement the Directors and their related investment vehicles have undertaken that, subject to certain limited exceptions, they will not sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in Ordinary Shares held by them respectively until the expiry of a 12 month period from Admission and, without the consent of the Company's Nominated Adviser, for a further 12 months thereafter.

Corporate Governance

The Directors intend to comply with the Combined Code in such respects as are appropriate for a company of its size, nature and stage of development. The Board includes Non-Executive Directors with relevant sector experience to complement the Executive Directors and to provide an independent view to the Board.

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities.

The audit committee will be headed by Peter Stephens and also consist of Francisco A Soler and Peter Clarke. It will meet not less than four times each year and will be responsible for monitoring the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on, meeting with the auditors and reviewing reports from the auditors relating to accounting and internal controls. The Finance Director will be invited to attend meetings, but the committee will meet with the auditors at least once a year without the Finance Director being present.

The remuneration committee will be chaired by Peter Stephens and also consist of Francisco A Soler and Peter Clarke. It will review the performance of the Executive Directors and set the scale and structure of their remuneration and review the basis of their service agreements with due regard to the interests of the shareholders. Other Board members may be invited to attend meetings. The remuneration committee will also make recommendations to the Directors concerning the allocation of share options to Directors and employees. No director is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration and terms of appointment of Non-Executive Directors will be set by the Board.

The Company will operate a share dealing code for directors and employees.

The Board has not yet formally considered the guidance issued by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning the internal requirements of the Combined Code. The Board intends to regularly review key business and financial risks facing the Group in the operation of its business on an informal basis through the monthly Board meetings and also via the requirement to satisfy the quality standards of ISO 13485.

The Board considers that Peter Stephens and Peter Clarke are independent directors, notwithstanding any shares they hold in the Company and any cross directorships they may have previously held with each other or any other Directors.

Dividend Policy

In the short term it is the Directors' intention to reinvest funds directly into the Company rather than to fund the payment of dividends. Thereafter, the payment of dividends will be subject to the availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Company's activities.

Exit Options

Exit Options were granted on 8 July 2004 and 6 September 2004 to some Directors and senior managers under a warrant agreement and the Share Option Schemes, respectively. The terms of the options are such that they will become exercisable on Admission over a total of 2,411,705 Ordinary Shares at an exercise price of 1p per share.

The participants in the Exit Options are Paul Swinney (in respect of 1,627,900 Ordinary Shares), Paul Barnes (in respect of 482,341 Ordinary Shares), Kevin Menhinick (in respect of 120,585 Ordinary Shares), Polly Oates (in respect of 60,293 Ordinary Shares), Danielle Nugent (in respect of 84,410 Ordinary Shares) and Robert Holland (in respect of 36,176 Ordinary Shares).

The participants in the Exit Options will exercise their options in full on Admission. Further details are set out in paragraphs 2(g), 5, 6(D) and 6(E) of Part IV of this document

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Dealing Arrangements

Application has been made for the issued Ordinary Shares (including the Placing Shares) to be admitted to trading on AIM and it is anticipated that Admission will become effective and that dealings will commence on 1 June 2005.

Taxation

Your attention is drawn to paragraph 16 of Part IV of this document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

Further Information

Your attention is drawn to Parts II, III and IV of this document.

PART II

RISK FACTORS

If you are in any doubt about the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom. In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors consider that the following risk factors are significant to potential investors and should be carefully considered together with all other information contained in this document, prior to investing in the Ordinary Shares. The risks listed do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority.

General

- Prior to Admission, there has been no public market in the Ordinary Shares. Whilst the Company is applying for the admission of the Enlarged Share Capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in paragraph 17(b) of Part IV of this document) and therefore the Ordinary Shares may be or may become difficult to sell.
- An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA who specialises in the acquisition of shares and other securities in the UK before making any decision to invest.

Share Price Volatility

- The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or other securities related to the healthcare industry or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Group and/or competitors.
- The market price of the Ordinary Shares may not reflect the underlying value of the Group.
- Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might carry a higher risk than a share quoted on the Official List.

Loss of Key Personnel

- Loss of key management could have adverse consequences for the Group. While the Company has entered into service agreements with both of its Executive Directors, the retention of their services cannot be guaranteed.

Group Strategy

- There can be no certainty that the Group will be able to implement successfully the strategy set out in this document.
- The ability of the Group to implement its strategy in a competitive market requires effective planning and management control systems. The Group's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with the Group's growth. Failure to do so could have an adverse effect on the Group's business, financial condition and results of operations.
- There may be a change in government regulation or policies, which materially adversely affect the Company's ability to implement successfully the strategy set out in this document.

Intellectual Property

- Although the Company goes to substantial efforts to protect its intellectual property, there can be no assurance that patents will be issued with respect to applications now pending or which may be applied for in the future. The lack of any such patents may have a material adverse effect on the Group's ability

to develop its business. No assurance can be given that patents granted to the Group will be sufficiently broad in their scope to provide protection for the Group against other third party technology or chemistry. There can be no assurance as to the validity or scope of any patents which have been, or may in the future be, granted or licensed to the Group or that claims relating to the patents will not be asserted by other parties

- The commercial success of the Group also depends upon the Group not infringing patents granted to third parties who may have filed applications or who have obtained or may obtain patents relating to business processes which might inhibit the Group's ability to develop and exploit its own business. If this is the case, the Group may have to obtain alternative technology or chemistry or reach commercially acceptable terms on the exploitation of other parties' intellectual property rights. There can be no assurance that the Group will be able to obtain alternative technology or chemistry or, if any licences are required, that the Group will be able to obtain any such licence on commercially acceptable terms, if at all.
- To the extent that the Group's processes are protected by intellectual property rights and the Group is alleged to infringe third party intellectual property rights, then litigation may be necessary and could result in substantial cost to, and diversion of efforts by, the Group's management with no guarantee of success.

Competition

- Competitors may be able to develop products that are more attractive to customers than the Group's products. In order to be successful in the future the Group will need to continue to finance substantial research and development activities and continue to respond promptly and effectively to the challenges of technological and regulatory change in the healthcare industry and competitors' innovations. An inability to devote sufficient resources to research and development activities in order to achieve this may lead to a material and adverse effect on the Group's business.

Commercialisation

- The Group may have to defend itself against legal proceedings which could have an adverse affect on trading performance and, in turn, future profits.
- The Group's business exposes it to potential product liability and indemnity risks. There can be no assurance that the necessary insurance cover will be available to the Group at a commercially acceptable cost or that, in the event of any claim, the level or extent of insurance carried by the Group now or in the future will be adequate, or that a product liability or other claim would not materially and adversely affect the business of the Group.
- The Group's ability to generate revenues in part depends on the efforts of third parties, over whom there is little control. New sales of the Group's products may also be subject to potential delays arising from customers' acceptance and approval processes.
- A substantial proportion of the Group's manufacturing process is outsourced to Medichem International (Manufacturing) Limited, based in Queensborough, Kent. This arrangement provides the Group with a volume manufacturing capability and minimises logistics channels. No assurance can be given that Medichem International (Manufacturing) Limited, or any future manufacturing supplier, will achieve and sustain the production yields required to meet the Group's customers' demand for the Group's products. This could have a material and adverse effect on the Group's business.
- The average selling prices of the Group's products could decrease rapidly, which may negatively impact on its gross margins (unless manufacturing costs are brought into line) and sales. The future success of the Group is dependent in part on new product development over the coming years. If the Group fails successfully to design and introduce new and improved products it is possible that the Company may find that its current product suite becomes obsolete and unmarketable.

Development

- Product approval, if granted, can be withdrawn for failure to comply with regulatory requirements or upon the occurrence of adverse events following commercial introduction of the product. Many of these events may be outside the Company's control.

Further Funding Requirements

- The Company may require access to additional funding in the future, and if the Company fails to obtain such funding, it may need to delay or scale back the development and commercialisation of its products or research and development programmes. The funds that the Company may need will be determined by numerous factors, some of which are beyond the Company's control. Additionally, funds may be necessary due to a number of factors including the following:
 - progress of research activities;
 - the number and scope of research programmes;
 - the Company's ability to establish and maintain current and new research and development and licensing arrangements;
 - the costs involved in enforcing patent claims and other intellectual property rights; and
 - the costs and timing of regulatory approvals.
- If the Company's capital resources are insufficient to meet future capital requirements, additional funds would be required. If the Company is unable to obtain additional funds on satisfactory terms, it may be required to cease or reduce its operating activities. If the Company raises additional funds by selling additional shares, the ownership interests of existing shareholders may be materially diluted.

Although the Directors will seek to minimise the impact of the risk factors, investment in the Company should only be made by investors able to sustain a total loss of the investment.

PART III

ACCOUNTANTS' REPORT

Deloitte.

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The Directors
Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
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EC3A 7QR

27 May 2005

Dear Sirs

Tristel plc (the “Company”)

We report on the financial information of the Company and its subsidiary undertakings (together the “Group”) set out below. This financial information has been prepared for inclusion in the Admission Document dated 27 May 2005 relating to the Admission of the Company to the AIM market of London Stock Exchange plc (the “Prospectus”).

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited non-statutory consolidated financial statements for the years ended 30 June 2002, 30 June 2003 and 30 June 2004 and the audited non-statutory consolidated financial statements for the eight months ended 28 February 2005 of the Company, after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by us relating to the audits of the non-statutory consolidated financial statements underlying the financial information for the years ended 30 June 2002, 30 June 2003 and 30 June 2004 and the non-statutory consolidated financial statements underlying the financial information for the eight months ended

28 February 2005. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits and losses, and cash flows for the periods then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraphs 45(1)(b)(iii) and 45(10)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Eight months ended</i>
	<i>Notes</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>28 February</i>
		<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
		<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Turnover	2	659,170	1,529,854	2,183,423	1,946,794
Cost of sales		(273,115)	(720,462)	(964,916)	(891,412)
Gross profit		386,055	809,392	1,218,507	1,055,382
Other operating expenses (net)					
Administrative expenses					
— Share related charges	6,20	—	—	—	(278,000)
— Other		(403,631)	(658,626)	(1,013,859)	(723,372)
Operating (loss) profit		(17,576)	150,766	204,648	54,010
Loss on sale of subsidiary	13	—	—	—	(22,275)
Interest receivable and similar income	3	644	1,853	2,168	1,475
Interest payable and similar charges	4	(9,749)	(93,117)	(42,121)	(27,755)
(Loss) profit on ordinary activities before taxation	2,5	(26,681)	59,502	164,695	5,455
Tax on (loss) profit on ordinary activities	8	36,809	(25,584)	(52,815)	(36,115)
Profit (loss) on ordinary activities after taxation, being retained profit (loss) for the financial period	20	10,128	33,918	111,880	(30,660)
Earnings (loss) per share	9				
Basic		0.07p	0.23p	0.76p	(0.20)p
Diluted		0.07p	0.23p	0.76p	(0.20)p

All activities derive from continuing operations.

The Group has no recognised gains or losses other than the profits as shown above.

CONSOLIDATED BALANCE SHEETS

	<i>Notes</i>	<i>30 June 2002 £</i>	<i>30 June 2003 £</i>	<i>30 June 2004 £</i>	<i>28 February 2005 £</i>
Fixed assets					
Intangible assets	10	203,113	168,293	377,282	498,430
Tangible assets	11	17,704	54,525	68,160	92,618
		<u>220,817</u>	<u>222,818</u>	<u>445,442</u>	<u>591,048</u>
Current assets					
Stocks	14	5,039	8,751	10,600	184,606
Debtors	15	235,548	354,959	413,515	538,676
Cash at bank and in hand		23,316	—	94,486	88,493
		<u>263,903</u>	<u>363,710</u>	<u>518,601</u>	<u>811,775</u>
Creditors: Amounts falling due within one year	16	(408,537)	(435,444)	(668,349)	(946,099)
Net current liabilities		<u>(144,634)</u>	<u>(71,734)</u>	<u>(149,748)</u>	<u>(134,324)</u>
Total assets less current liabilities		76,183	151,084	295,694	456,724
Creditors: Amounts falling due after more than one year	17	(352,832)	(393,815)	(315,000)	(303,232)
Provisions for liabilities and charges	18	—	—	(41,542)	—
Net (liabilities) assets		<u>(276,649)</u>	<u>(242,731)</u>	<u>(60,848)</u>	<u>153,492</u>
Capital and reserves					
Called-up share capital	19	17,965	17,965	30,391	30,667
Share premium account	20	588,189	588,189	167,240	183,964
Merger reserve	20	—	—	478,526	478,526
Profit and loss account	20	(882,803)	(848,885)	(737,005)	(539,665)
Equity shareholders' (deficit) funds	21	<u>(276,649)</u>	<u>(242,731)</u>	<u>(60,848)</u>	<u>153,492</u>

CONSOLIDATED CASH FLOW STATEMENTS

		<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
Net cash (outflow) inflow from operating activities	23	(6,702)	64,703	276,391	166,891
Returns on investments and servicing of finance	24	433	763	440	(25,980)
Taxation	24	—	(48)	—	—
Capital expenditure and financial investment	24	(15,218)	(24,233)	(275,489)	(182,308)
Acquisitions and disposals	24	—	—	—	(2,216)
Cash (outflow) inflow before financing		(21,487)	41,185	1,342	(43,613)
Financing	24	45,000	(91,151)	75,597	60,059
Increase (decrease) in cash in the period	25	<u>23,513</u>	<u>(49,966)</u>	<u>76,939</u>	<u>16,446</u>

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout all periods presented, is set out below:

Accounting convention

The financial information is prepared under the historical cost convention.

Basis of consolidation

The financial information consolidates the financial information of Tristel plc and of its subsidiary undertakings.

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 28 February 2005, 30 June 2004, 30 June 2003 and 30 June 2002. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Corporate restructuring

During the year ended 30 June 2004, the Group carried out a corporate restructuring consisting of the introduction of a new holding company. Prior to that date the holding company was Emergent Technology Group Inc, a company incorporated in the British Virgin Isles. The new holding company was incorporated under the name Bondco 1005 Limited and registered in England and Wales with registered number 4728199 on 9 April 2003. On 20 June 2003 its name was changed to Tristel (Holdings) Limited. On 16 June 2004 Tristel (Holdings) Limited acquired the entire issued ordinary share capital of Emergent Technology Group Inc in exchange for the issue of shares to shareholders on a one hundred-for-one basis. On 23 May 2005 Tristel (Holdings) Limited was re-registered as a public limited company and changed its name to Tristel plc.

Emergent Technology Group Inc was sold in the period ended 28 February 2005.

The restructuring represented a change in the identity of the holding company rather than an acquisition of the business. Consequently, the restructuring has been accounted for using merger accounting principles. Accordingly although Tristel plc did not become the parent company of the Group until 16 June 2004, the Group financial information is presented as if the companies had always been part of the same Group. Balance sheet comparatives are presented on the combined basis.

In accordance with sections 131 and 133 of the Companies Act 1985, Tristel plc has taken no account of any premium on the shares issued to acquire Emergent Technology Group Inc and has recorded the cost of the investment at the nominal value of the shares issued. The resulting difference arising on consolidation has been credited to a merger reserve.

Turnover

Turnover is the total amount receivable by the Group in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding value added tax and trade discounts. Product revenue is recognised upon shipment of product and service income is recognised upon the relating services having been completed or over the term of the contract where relevant.

Tangible fixed assets

Depreciation is provided on tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold improvements	Over life of lease
Plant and machinery	33%
Fixtures and fittings	20% to 25%
Motor vehicles	25%

Intangible fixed assets — patents, trademarks and licences

Patents, trademarks and licences are included at cost and depreciated in equal annual instalments over a period of ten years which is their estimated useful economic life. Provision is made for any impairment.

Intangible fixed assets — research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial feasibility of individual projects. In

such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. Provision is made for any impairment.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks

Stocks are stated 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, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis.

Pensions

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Government grants

Government grants relating to fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Share option related charges

In accordance with UITF 17, the Group recognises a charge on share options issued at below fair value, equal to the differential between the fair value and exercise price of the option.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2. Segmental Information

There is only one class of business being the supply of infection control products and associated services to the healthcare sector, all of which originates in the United Kingdom.

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
Turnover by destination				
United Kingdom	653,921	1,456,403	2,147,813	1,919,139
Rest of Europe	1,201	64,084	33,610	27,655
New Zealand	4,048	9,367	2,000	—
	<u>659,170</u>	<u>1,529,854</u>	<u>2,183,423</u>	<u>1,946,794</u>

Eight months ended 28 February 2005

	<i>United Kingdom £</i>	<i>British Virgin Isles £</i>	<i>Total £</i>
Turnover by origin	1,946,794	—	1,946,794
Profit (loss) on ordinary activities before taxation	26,290	(20,835)	5,455
Segment net assets *	153,492	—	153,492

* At 28 February 2005, Emergent Technology Group Inc, a company which is incorporated in the British Virgin Isles, was no longer part of the Group and hence no part of the Group's net assets was attributable to this company.

	<i>United Kingdom £</i>	<i>British Virgin Isles £</i>	<i>Total £</i>
Year ended 30 June 2004			
Turnover by origin	2,183,423	—	2,183,423
Profit (loss) on ordinary activities before taxation	278,301	(113,606)	164,695
Segment net assets (liabilities)	176,531	(237,379)	(60,848)
Year ended 30 June 2003			
Turnover by origin	1,529,854	—	1,529,854
Profit (loss) on ordinary activities before taxation	136,841	(77,339)	59,502
Segment net liabilities	(62,079)	(180,652)	(242,731)
Year ended 30 June 2002			
Turnover by origin	659,170	—	659,170
Profit (loss) on ordinary activities before taxation	43,527	(70,208)	(26,681)
Segment net liabilities	(173,335)	(103,314)	(276,649)

3. Interest Receivable and Similar Income

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
Bank interest receivable	—	36	189	1,475
Other interest	644	1,817	1,979	—
	<u>644</u>	<u>1,853</u>	<u>2,168</u>	<u>1,475</u>

4. Interest Payable and Similar Charges

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
On bank loans and overdrafts	40	217	—	370
On shareholder loan (see note 27)	9,539	92,027	40,393	21,175
On hire purchase contracts	—	791	1,107	316
Other	170	82	621	5,894
	<u>9,749</u>	<u>93,117</u>	<u>42,121</u>	<u>27,755</u>

5. (Loss) Profit on Ordinary Activities before Taxation

(Loss) profit on ordinary activities before taxation is stated after charging (crediting):

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
Depreciation and amounts written off				
— Owned tangible assets	5,448	7,712	10,837	17,364
— Assets on hire purchase contracts	—	5,755	7,208	2,054
Amortisation of intangible fixed assets	34,820	34,820	34,820	23,213
Rentals under operating leases				
— Hire of motor vehicles	21,649	20,637	21,719	14,080
— Other	9,166	10,000	18,715	13,025
Auditors' remuneration for audit services	5,750	6,750	7,760	5,000
Auditors' remuneration for non-audit services	3,125	8,812	3,533	3,468
Research and development	11,349	56,643	93,356	76,821
	<u>11,349</u>	<u>56,643</u>	<u>93,356</u>	<u>76,821</u>

The auditors for the period under review were Hedges Chandler.

6. Employee Numbers and Staff Costs

The average monthly number of employees (including executive directors) was:

	<i>Year ended 30 June 2002 Number</i>	<i>Year ended 30 June 2003 Number</i>	<i>Year ended 30 June 2004 Number</i>	<i>Eight months ended 28 February 2005 Number</i>
Directors	1	1	1	1
Sales and marketing	1	5	6	6
Administration	1	1	2	2
	<u>3</u>	<u>7</u>	<u>9</u>	<u>9</u>
Their aggregate remuneration comprised:	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Wages and salaries	121,498	233,118	310,456	461,417
Social security costs	11,570	27,696	37,371	74,440
Other pension costs	3,651	6,027	17,327	10,390
	<u>136,719</u>	<u>266,841</u>	<u>365,154</u>	<u>546,247</u>

Share related charges

Staff costs for the period ended 28 February 2005 include a charge of £278,000 comprising a UITF 17 charge of £228,000 and related employer's National Insurance contributions of £50,000 associated with the granting and anticipated exercise of exit options as detailed in note 19.

7. Directors' Remuneration

(a) Directors' emoluments

The remuneration of the directors was as follows:

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
Aggregate emoluments	33,460	50,000	87,540	66,333
Money purchase pension contributions	1,804	1,804	8,750	5,250
	<u>35,264</u>	<u>51,804</u>	<u>96,290</u>	<u>71,583</u>

(b) Directors' pension contributions

	<i>Year ended 30 June 2002 Number</i>	<i>Year ended 30 June 2003 Number</i>	<i>Year ended 30 June 2004 Number</i>	<i>Eight months ended 28 February 2005 Number</i>
Number of directors who are members of a money purchase pension scheme	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

(c) Directors' shareholdings

The directors of Emergent Technology Group Inc held beneficial interests in the shares of Emergent Technology Group Inc as follows:

	<i>30 June 2002 Number</i>	<i>30 June 2003 Number</i>	<i>30 June 2004 Number</i>	<i>28 February 2005 Number</i>
Ordinary shares of \$1 each				
P C Swinney (resigned 28 February 2005)	3,498	3,498	—	—
F A Soler	9,116	9,116	—	—
P C Clarke (resigned 28 February 2005)	740	740	—	—

On 16 June 2004, the directors exchanged their interests in the shares of Emergent Technology Group Inc for shares in the Company.

The directors held beneficial interests in the shares of the Company as follows:

	<i>30 June 2002 Number</i>	<i>30 June 2003 Number</i>	<i>30 June 2004 Number</i>	<i>28 February 2005 Number</i>
A Ordinary shares of 1p each				
P C Swinney (appointed 24 May 2004)	—	100	222,275	222,275
F A Soler (appointed 24 May 2004)	—	—	911,644	911,644
P C Clarke (appointed 24 May 2004)	—	—	—	—
P F H Stephens (appointed 24 May 2004)	—	—	97,301	97,301
P M Barnes (appointed 24 May 2004)	—	—	—	—

Subsequent to 28 February 2005, P M Barnes and P C Clarke acquired 30,000 and 74,200 A ordinary shares respectively through the exercise of share options and P C Swinney sold 29,870 of his shares.

Details of options for directors who served during the period are as follows:

	<i>1 July 2003 Number</i>	<i>Granted Number</i>	<i>30 June 2004 Number</i>	<i>Granted Number</i>	<i>28 February 2005 Number</i>	<i>Exercise price</i>
P C Swinney (i)	—	—	—	127,515	127,515	58.82p
P C Clarke (ii)	—	74,200	74,200	—	74,200	38.79p
P M Barnes (iii)	—	30,000	30,000	—	30,000	33.73p

i. These options vest in full upon a listing or a third (at each year end) upon achievement of Group EBITDA targets over a three year period (FY2005 — £492,000; FY2006 — £720,000; FY2007 — £792,000). The exercise period upon a listing is within 90 days of the listing. The exercise period in the event the options vest upon achieving the targets as stated is 90 days from the date the financial statements for the respective year are signed.

ii. These options vested on 16 June 2004 and the exercise period is from 16 June 2004 to 30 June 2005 (or 3 months after the grantee's death if earlier).

iii. One third vested on 1 June 2004 and the remainder vested on 29 April 2005. The exercise period is three years following the vesting date.

In addition to the above options P C Swinney and P M Barnes are entitled to further exit share options (granted in the period ended 28 February 2005) in the event that the Company is floated or sold.

On 27 May 2005, the number of exit options was agreed to be 2,411,705 of which P C Swinney and P M Barnes are entitled to 1,627,900 and 482,341 options respectively.

Prior to 1 July 2003 there were no share options in issue.

8. Taxation

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
The tax (credit) charge comprises:				
Current tax				
UK corporation tax	48	—	—	101,105
Deferred taxation				
– timing difference, origination and reversal	(36,857)	25,584	52,815	(89,041)
– increase in tax rate	—	—	—	24,051
Total tax on (loss) profit on ordinary activities	(36,809)	25,584	52,815	36,115

The standard rate of tax for the period based on the UK standard rate of corporation tax is 30 per cent. (2002–2004 — 19 per cent.). The actual tax charge for the current and previous periods differs from the standard rate for the reasons set out in the following reconciliation:

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
(Loss) profit on ordinary activities before tax	(26,681)	59,502	164,695	5,455
Tax at 30% (2002–2004 — 19%) thereon	(5,069)	11,305	31,292	1,637
<i>Factors affecting charge for the period:</i>				
Expenses not deductible for tax purposes	15,457	17,316	25,509	12,617
Capital allowances in excess of depreciation	(1,432)	(1,195)	(46,429)	(10,765)
Utilisation of tax losses	(8,834)	(24,390)	(9,925)	(6,411)
Movement in short-term timing differences	—	—	3,538	22,127
Effect of share related charges	—	—	—	83,400
R&D enhanced expenditure	—	(2,684)	(3,574)	(1,500)
Effect of starting rate tax band	(74)	(352)	(411)	—
Current tax charge for the period	48	—	—	101,105

Analysis of deferred tax balances:

<i>Provided</i>	<i>30 June 2002 £</i>	<i>30 June 2003 £</i>	<i>30 June 2004 £</i>	<i>28 February 2005 £</i>
Beginning of period	—	(36,857)	(11,273)	41,542
(Credited) charged to profit and loss account	(36,857)	25,584	52,815	(64,990)
End of period	(36,857)	(11,273)	41,542	(23,448)

There are no unprovided deferred tax balances.

9. Earnings per ordinary share

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

	<i>Year ended 30 June 2002</i>	<i>Year ended 30 June 2003</i>	<i>Year ended 30 June 2004</i>	<i>Eight months ended 28 February 2005</i>
Retained profit (loss) for the financial period (£)	10,128	33,918	111,880	(30,660)
Weighted average number of ordinary shares for basic earnings per share	14,821,655	14,821,655	14,718,555	15,297,247
Weighted average number of ordinary shares for diluted earnings per share	14,821,655	14,821,655	14,722,593	15,297,247*

*FRS 14 requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss.

Given that the Group is loss making in the period ended 28 February 2005 no dilutive adjustment has been made.

The weighted average number of shares for the calculation of the diluted earnings per share does not take account of the exit options (see note 19) as they only become exercisable upon the Admission of the Company to AIM.

The weighted average number of shares (and the resulting earnings (loss) per share) for each of the periods, as disclosed, takes account of the four for one bonus issue of shares which took place subsequent to 28 February 2005.

10. Intangible fixed assets

	<i>Patent, trademarks and licences £</i>	<i>Development costs £</i>	<i>Total £</i>
Cost			
At 30 June 2002 and at 30 June 2003	353,819	—	353,819
Additions in year	—	243,809	243,809
At 30 June 2004	353,819	243,809	597,628
Additions in period	63,661	80,700	144,361
At 28 February 2005	417,480	324,509	741,989
Amortisation			
At 1 July 2001	115,886	—	115,886
Charge for the year	34,820	—	34,820
At 30 June 2002	150,706	—	150,706
Charge for the year	34,820	—	34,820
At 30 June 2003	185,526	—	185,526
Charge for the year	34,820	—	34,820
At 30 June 2004	220,346	—	220,346
Charge for the period	23,213	—	23,213
At 28 February 2005	243,559	—	243,559
Net book value			
At 30 June 2002	203,113	—	203,113
At 30 June 2003	168,293	—	168,293
At 30 June 2004	133,473	243,809	377,282
At 28 February 2005	173,921	324,509	498,430

The capitalised development costs are in relation to the 'Tristel Generator', the development of which was completed in August 2004. Amortisation of these development costs will commence upon the generation of relating revenues.

Patent, trademarks and licences are being amortised over ten years.

11. Tangible fixed assets

	<i>Leasehold improve- ments</i> £	<i>Plant and machinery</i> £	<i>Fixtures and fittings</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost					
At 1 July 2001	—	14,250	7,018	—	21,268
Additions	—	—	15,218	—	15,218
At 30 June 2002	—	14,250	22,236	—	36,486
Additions	—	—	21,454	28,834	50,288
At 30 June 2003	—	14,250	43,690	28,834	86,774
Additions	13,869	9,210	8,601	—	31,680
At 30 June 2004	13,869	23,460	52,291	28,834	118,454
Additions	2,336	—	15,442	35,208	52,986
Disposals	—	—	(5,244)	(16,750)	(21,994)
At 28 February 2005	16,205	23,460	62,489	47,292	149,446
Depreciation					
At 1 July 2001	—	11,083	2,251	—	13,334
Charge for the year	—	3,167	2,281	—	5,448
At 30 June 2002	—	14,250	4,532	—	18,782
Charge for the year	—	—	7,712	5,755	13,467
At 30 June 2003	—	14,250	12,244	5,755	32,249
Charge for the year	—	256	10,581	7,208	18,045
At 30 June 2004	—	14,506	22,825	12,963	50,294
Charge for the period	2,101	2,047	7,816	7,454	19,418
Disposals	—	—	(4,161)	(8,723)	(12,884)
At 28 February 2005	2,101	16,553	26,480	11,694	56,828
Net book value					
At 30 June 2002	—	—	17,704	—	17,704
At 30 June 2003	—	—	31,446	23,079	54,525
At 30 June 2004	13,869	8,954	29,466	15,871	68,160
At 28 February 2005	14,104	6,907	36,009	35,598	92,618

The net book value of assets held under hire purchase contracts is as follows:

	£
At 30 June 2002	—
At 30 June 2003	23,079
At 30 June 2004	15,871
At 28 February 2005	—

12. Subsidiary undertakings

At 28 February 2005 the Company owned the following subsidiary.

<i>Name of subsidiary</i>	<i>Nature of business</i>	<i>Holding %</i>	<i>Country of incorporation</i>
Tristel Technologies Limited	Supply of infection control products to the healthcare sector	100	United Kingdom

13. Sale of subsidiary undertaking

On 28 February 2005 the Group sold its 100 per cent. interest in the ordinary share capital of Emergent Technology Group Inc. The loss of Emergent Technology Group Inc up to the date of disposal was £20,835, and the loss for its last financial year was £113,606.

Net assets disposed of and the related sale proceeds were as follows:

	£
Current assets	62,216
Loan debtor — due from Tristel plc	367,500
Creditors	(12,313)
Loan creditor — due to Windsor International Corporation	(367,500)
	<u>49,903</u>
Loss on sale	(22,275)
Sale proceeds	<u>27,628</u>
Satisfied by:	
Cash	<u>27,628</u>
Net cash inflows in respect of the sale comprised:	
Cash consideration	—*
Cash at bank and in hand sold	<u>(2,216)</u>
	<u>(2,216)</u>

* The cash consideration is included within other debtors at 28 February 2005.

14. Stocks

	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>30 June 2004</i>	<i>28 February 2005</i>
	£	£	£	£
Raw materials	—	—	—	28,221
Work in progress	—	—	—	78,637
Finished goods	5,039	8,751	10,600	77,748
	<u>5,039</u>	<u>8,751</u>	<u>10,600</u>	<u>184,606</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

15. Debtors

	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>30 June 2004</i>	<i>28 February 2005</i>
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	168,478	241,040	310,669	440,356
Other debtors	—	936	40,817	29,322
Directors' current accounts (see note 27)	28,456	88,459	45,985	14,887
Prepayments and accrued income	1,757	13,251	16,044	30,663
Deferred tax asset (see note 8)	36,857	11,273	—	23,448
	<u>235,548</u>	<u>354,959</u>	<u>413,515</u>	<u>538,676</u>

16. Creditors: Amounts falling due within one year

	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>30 June 2004</i>	<i>28 February 2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Bank loan (see note 17)	—	—	—	4,431
Bank overdraft	—	26,650	44,197	21,758
Other loans (see note 17)	—	—	105,000	78,750
Hire purchase contracts	—	13,028	3,714	—
Trade creditors	178,404	200,087	253,247	392,253
Corporation tax	48	—	—	101,105
Withholding tax payable	—	—	357	6,250
Other taxes and social security	59,588	33,149	60,248	76,695
Other creditors	82,288	47,288	206	112
Accruals and deferred income	88,209	115,242	201,380	264,745
	<u>408,537</u>	<u>435,444</u>	<u>668,349</u>	<u>946,099</u>

The bank overdraft is secured by a debenture which includes a fixed and floating charge over the assets of The Tristel Company Limited.

17. Creditors: Amounts falling due after more than one year

	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>30 June 2004</i>	<i>28 February 2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Bank loan	—	—	—	14,482
Hire purchase contracts	—	3,714	—	—
Other loans	352,832	390,101	315,000	288,750
	<u>352,832</u>	<u>393,815</u>	<u>315,000</u>	<u>303,232</u>

The bank loan at 28 February 2005 of £18,913 is unsecured and repayable in monthly instalments of £486. Interest charged on this loan is 3 per cent. above the bank's base rate.

Other loans (falling due within and after one year) at 30 June 2002, 30 June 2003 and 30 June 2004 represent an unsecured loan from Windsor International Corporation (a shareholder of the Company) to Emergent Technology Group Inc (a subsidiary of the Group until 28 February 2005). As at 30 June 2002, no interest had been charged by the lender. In December 2002, £119,109 of interest was charged to the Group. On 8 March 2004, by way of a formal loan agreement, it was agreed that £29,898 of additional interest be charged to the Group for the period 31 May 2003 to 29 February 2004. These interest charges were capitalised as part of the principal loan amount. From 8 March 2004 the interest rate was fixed at 8 per cent. The loan balance is repayable from 8 March 2004 in sixteen quarterly instalments of £26,250 which commenced on 30 September 2004. As a consequence of the Group disposing of Emergent Technology Group Inc on 28 February 2005 this loan is not included as at 28 February 2005.

At 28 February 2005, other loans (falling due within and after one year) represent an unsecured loan payable to Emergent Technology Group Inc which relates to the purchase of The Tristel Company Limited (by the Company) from Emergent Technology Group Inc. This loan is repayable in fourteen equal instalments of £26,250 payable on 30 June, 30 September, 31 December and 31 March in each year until the final instalment has been paid. The first instalment is payable on 30 June 2005. Interest charged on this loan is at a rate of 8 per cent. The benefit of this loan has subsequently been assigned by Emergent Technology Group Inc to Windsor International Corporation.

Borrowings are repayable as follows:

	30 June 2002 £	30 June 2003 £	30 June 2004 £	28 February 2005 £
Bank loan				
— Between one and two years	—	—	—	5,830
— Between two and five years	—	—	—	8,652
Hire purchase contracts				
— Between one and two years	—	3,714	—	—
Other loans				
— Between one and two years	—	—	105,000	105,000
— Between two and five years	352,832	390,101	210,000	183,750
	<u>352,832</u>	<u>393,815</u>	<u>315,000</u>	<u>303,232</u>

18. Provisions for liabilities and charges

	30 June 2002 £	30 June 2003 £	30 June 2004 £	28 February 2005 £
Deferred tax (refer to note 8)	—	—	41,542	—
	<u>—</u>	<u>—</u>	<u>41,542</u>	<u>—</u>

19. Called-up Share Capital

Authorised share capital:

	30 June 2002 \$	30 June 2003 \$	30 June 2004 £	28 February 2005 £
3,678,000 A ordinary shares of 1p each	—	—	36,780	36,780
350,000 B ordinary shares of 1p each	—	—	3,500	3,500
50,000 ordinary shares of \$1 each	50,000	50,000	—	—
	<u>50,000</u>	<u>50,000</u>	<u>40,280</u>	<u>40,280</u>

Allotted, called-up and fully paid

	30 June 2002 £	30 June 2003 £	30 June 2004 £	28 February 2005 £
3,066,726 (30 June 2004 — 3,039,098) A ordinary shares of 1p each	—	—	30,391	30,667
B ordinary shares of 1p each	—	—	—	—
29,644 ordinary shares of \$1 each	17,965	17,965	—	—
	<u>17,965</u>	<u>17,965</u>	<u>30,391</u>	<u>30,667</u>

The share information above relates to Emergent Technology Group Inc as at 30 June 2002 and 30 June 2003 and the Company as at 30 June 2004 and 28 February 2005.

On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each.

By an ordinary resolution passed on 15 June 2004:

- each of the 1,000 ordinary shares of £1 were sub-divided into 100 ordinary shares of 1p each;
- the capital of the Company was increased to £40,280 divided into 4,028,000 ordinary shares of 1p each;
- the 100 ordinary shares then in issue and 3,677,900 of the unissued ordinary shares were all redesignated as A ordinary shares and 350,000 of the unissued ordinary shares were redesignated as B ordinary shares.

The A and B ordinary shares have the same rights to dividends, voting rights and the priority and amounts receivable on the winding up of the Company. The B ordinary shares differ in that the holders of the B ordinary shares must be employed by the Company.

On 16 June 2004, Tristel plc acquired the entire issued ordinary share capital of Emergent Technology Group Inc in exchange for the issue of shares to shareholders on a one hundred-for-one basis. This resulted in the issued share capital being 2,762,816.

Immediately prior to the share for share exchange the issued share capital of Emergent Technology Group Inc comprised 27,628.16 ordinary bearer shares of \$1 each.

Following the Group reorganisation, the Company issued a further 235,652 A ordinary shares of 1p each at £0.6153 per share at a total premium of £167,240 in order to provide increased working capital for the Group.

On 3 September 2004, the Company issued a further 27,628 A ordinary shares for £0.6153 per share resulting in a total premium of £16,724.

On 29 April 2005, 30,000 A ordinary shares were issued and on 23 May 2005 74,200 A ordinary shares were issued following the exercise of share options by two of the directors.

On 23 May 2005, a bonus issue took place on a basis of 4 shares for every 1 share held. The result was an issue of 12,683,704 A ordinary shares.

By ordinary and special resolutions passed on 23 May 2005, the authorised share capital of the Company was increased to £600,000 divided into 60,000,000 A ordinary shares and the A ordinary and B ordinary shares were redesignated as ordinary shares with effect from admission of the ordinary shares to AIM.

On 27 May 2005, 760,876 A ordinary shares were issued in consideration of the assignment of certain patents and other intellectual property.

Share options

Options at 28 February 2005 have been granted under the schemes described below for ordinary shares of the Company as follows:

	<i>Number of shares under option</i>	<i>Exercise price per share</i>	<i>Exercise period</i>
<i>EMI Scheme</i>			
Standard Form Option for B ordinary shares	*70,788	58.82p	10 years commencing 2 years after grant
Performance Option, for A ordinary shares	**127,515	58.82p	***
<i>Unapproved scheme</i>	74,200	38.79p	16 June 2004 to 30 June 2005
	****30,000	33.73p	3 years from vesting date

* One third of these share options vest on date of grant, one third vest one year from date of grant and the remaining third vests two years from date of grant.

** These options vest in full upon a listing or a third (at each year end) upon achievement of Group EBITDA targets over a three year period (FY2005 — £492,000; FY2006 — £720,000; FY2007 — £792,000).

*** The exercise period upon a listing is within 90 days of the listing. The exercise period in the event the options vest upon achieving the targets as stated is 90 days from the date the financial statements for the respective year are signed.

**** One third vested on 1 June 2004 and the remainder vested on 29 April 2005.

As a consequence of the bonus issue which took place subsequent to 28 February 2005, the number of share options (and associated exercise prices) have been rebased (in the same proportion) accordingly.

Exit options

Exit share options were granted in the period ended 28 February 2005 under which certain employees are entitled to a number of options for A ordinary shares upon the listing or sale of the Company. The grant price for the exit options is 1p a share.

On 27 May 2005, the number of exit options (adjusted to reflect the bonus issue on 23 May 2005) was agreed to be 2,411,705.

The exercise period will be 40 days from the date of listing except for P C Swinney and P M Barnes for which the exercise period will be 24 months from the date of admission.

20. Reserves

	<i>Share premium account</i>	<i>Merger reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 30 June 2002	588,189	—	(882,803)	(294,614)
Profit for the financial period	—	—	33,918	33,918
At 30 June 2003	588,189	—	(848,885)	(260,696)
Profit for the financial year	—	—	111,880	111,880
Purchase of own shares *	(98,779)	—	—	(98,779)
Share for share exchange	(489,410)	478,526	—	(10,884)
Issue of shares	167,240	—	—	167,240
At 30 June 2004	167,240	478,526	(737,005)	(91,239)
Issue of shares	16,724	—	—	16,724
Loss for the financial period	—	—	(30,660)	(30,660)
Share related charges**	—	—	228,000	228,000
At 28 February 2005	183,964	478,526	(539,665)	122,825

* On 11 May 2004 P Swinney (and his family) and P Clarke sold 1,275.15 and 740 Bearer Shares respectively in Emergent Technology Group Inc for a consideration of £75,000 and £25,000 respectively.

** The share related charges represent the profit and loss account charge for the exit share options granted at less than fair value in accordance with UITF 17.

Of the consolidated profit and loss account deficit at 28 February 2005, £921,248 was attributable to Emergent Technology Group Inc which was sold on 28 February 2005.

21. Reconciliation of Movements in Shareholders' (Deficit) Funds

	<i>Year ended 30 June 2002</i>	<i>Year ended 30 June 2003</i>	<i>Year ended 30 June 2004</i>	<i>Eight months ended 28 February 2005</i>
	£	£	£	£
Profit (loss) retained for the period	10,128	33,918	111,880	(30,660)
Share related charges (see note 20)	—	—	—	228,000
Proceeds from issue of shares	—	—	170,003	17,000
Purchase of own shares	—	—	(100,000)	—
Net reduction in shareholders' deficit	10,128	33,918	181,883	214,340
Opening shareholders' deficit	(286,777)	(276,649)	(242,731)	(60,848)
Closing shareholders' (deficit) funds	(276,649)	(242,731)	(60,848)	153,492

22. Derivatives and other Financial Instruments

The Group's financial instruments include cash, debtors and creditors, which arise in the normal course of business. The Group's financial liabilities in the period have comprised a bank overdraft, a bank loan, obligations under hire purchase contracts, a shareholder loan and a loan with Emergent Technology Group Inc (which at 28 February 2005 is no longer part of the Group) (refer to notes 16 and 17). It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

This note deals with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Fixed assets such as investments in subsidiary companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have also been excluded from the disclosures, other than the currency disclosures.

Interest rate risk and liquidity risk

The Group has no financial assets other than cash deposits at bank of £88,493 (£94,487, £nil and £23,316 as at 30 June 2004, 30 June 2003 and 30 June 2002 respectively) which are part of the financing arrangements of the Group. The cash deposits comprise amounts placed on investment accounts to which the Group has instant access. The Group seeks to maximise interest receipts within these parameters. Interest receipts are cash on deposits at the prevailing rate.

The Group's policy throughout the periods presented has been to minimise the risk by placing funds in low risk cash but to also maximise the return on funds placed on deposit.

Interest rate profile

All the Group's cash deposits are subject to a floating interest rate which is linked to the UK bank base rate.

The interest rate profile of the Group's financial liabilities are as follows:

	<i>Fixed rate</i> £	<i>Floating rate</i> £	<i>Total</i> £
28 February 2005			
— Overdrafts	—	21,758	21,758
— Bank loan	—	18,913	18,913
— Loan from Emergent Technology Group Inc	367,500	—	367,500
	<u>367,500</u>	<u>40,671</u>	<u>408,171</u>
30 June 2004			
— Overdrafts	—	44,197	44,197
— Shareholder loan	420,000	—	420,000
— Hire purchase contracts	—	3,714	3,714
	<u>420,000</u>	<u>47,911</u>	<u>467,911</u>
30 June 2003			
— Overdrafts	—	26,650	26,650
— Shareholder loan	390,101	—	390,101
— Hire purchase contracts	—	16,742	16,742
	<u>390,101</u>	<u>43,392</u>	<u>433,493</u>
30 June 2002			
— Shareholder loan	352,832	—	352,832
	<u>352,832</u>	<u>—</u>	<u>352,832</u>

The interest rate on floating rate financial liabilities is linked to LIBOR. Further details of interest rates on long term borrowings are given in note 17.

Further analysis of the interest rate profile is as follows:

	<i>28 February 2005</i>		<i>30 June 2004</i>	
	<i>Fixed rate</i>	<i>Weighted average period for which rate is fixed years</i>	<i>Fixed rate</i>	<i>Weighted average period for which rate is fixed years</i>
	<i>Weighted average interest rate %</i>		<i>Weighted average interest rate %</i>	
Borrowings	<u>8</u>	<u>4</u>	<u>10</u>	<u>6</u>

	30 June 2003		30 June 2002	
	<i>Fixed rate</i>		<i>Fixed rate</i>	
	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed years</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed years</i>
Borrowings	10	6	10	6

The interest rate on floating rate financial liabilities is linked to six-month LIBOR in the case of sterling liabilities and US prime rate for US dollar liabilities. Further details of interest rates on long term borrowings are given in note 17.

Borrowing facilities

The Group had no undrawn committed borrowing facilities at 28 February 2005, 30 June 2004, 30 June 2003 or at 30 June 2002.

Fair values

In the opinion of the directors there was no significant difference between the book values and the fair values of the Group's financial assets and liabilities at 28 February 2005, 30 June 2004, 30 June 2003 and 30 June 2002.

Market price risk

The principal market price risk comprises interest rate exposure. The Group funds are invested in cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

Liquidity risk

The Group's policy throughout the period regarding liquidity has been to maximise the return on funds placed on deposit but to minimise the associated risk by placing funds in low risk cash deposits.

23. Reconciliation of Operating (Loss) Profit to Operating Cash Flows

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
Operating (loss) profit	(17,576)	150,766	204,648	54,010
Depreciation charge	5,448	13,467	18,045	19,418
Loss on disposal of fixed assets	—	—	—	1,082
Amortisation of intangible fixed assets	34,820	34,820	34,820	23,213
Share related charges	—	—	—	228,000
Increase in stocks	(2,511)	(3,712)	(1,849)	(174,006)
Increase in debtors	(141,018)	(144,995)	(29,011)	(174,904)
Increase in creditors	114,135	14,357	49,738	190,078
Net cash (outflow) inflow from operating activities	(6,702)	64,703	276,391	166,891

24. Analysis of Cash Flows

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
<i>Returns on investments and servicing of finance</i>				
Bank interest received	—	36	189	1,475
Bank interest paid	(40)	(217)	—	(370)
Loan interest paid	—	—	—	(26,769)
Other interest received	644	1,817	1,979	—
Other interest paid	(171)	(82)	(621)	—
Interest element of hire purchase payments	—	(791)	(1,107)	(316)
Net cash inflow (outflow)	433	763	440	(25,980)
<i>Taxation</i>				
Tax paid	—	(48)	—	—
Net cash outflow	—	(48)	—	—
<i>Capital expenditure and financial investment</i>				
Purchase of tangible fixed assets	(15,218)	(24,233)	(31,680)	(52,985)
Sale of tangible fixed assets	—	—	—	8,027
Development costs incurred	—	—	(243,809)	(80,700)
Purchase of patents and trademarks	—	—	—	(56,650)
Net cash outflow	(15,218)	(24,233)	(275,489)	(182,308)
<i>Acquisitions and disposals</i>				
Disposal of subsidiary undertaking	—	—	—	(2,216)
Net cash outflow	—	—	—	(2,216)
<i>Financing</i>				
Issue of shares	—	—	170,002	17,001
New borrowings	45,000	—	—	20,000
Repayments of borrowings	—	(81,840)	—	(53,587)
Capital element of hire purchase contracts	—	(9,311)	(13,028)	(3,714)
Government grant received	—	—	18,623	80,359
Purchase of own shares	—	—	(100,000)	—
Net cash inflow (outflow)	45,000	(91,151)	75,597	60,059

25. Analysis and Reconciliation of Net Debt

	<i>30 June 2002 £</i>	<i>Cash flow £</i>	<i>Other changes £</i>	<i>30 June 2003 £</i>
Cash at bank and in hand	23,316	(23,316)	—	—
Bank overdraft	—	(26,650)	—	(26,650)
		(49,966)		
Hire purchase contracts	—	9,311	(26,053)	(16,742)
Debts falling due after more than one year	(352,832)	81,840	(119,109)	(390,101)
Net debt	(329,516)	41,185	(145,162)	(433,493)
	<i>30 June 2003 £</i>	<i>Cash flow £</i>	<i>Other changes £</i>	<i>30 June 2004 £</i>
Cash at bank and in hand	—	94,486	—	94,486
Bank overdraft	(26,650)	(17,547)	—	(44,197)
		76,939		
Hire purchase contracts	(16,742)	13,028	—	(3,714)
Debts falling due after more than one year	(390,101)	—	75,101	(315,000)
Debts falling due within one year	—	—	(105,000)	(105,000)
Net debt	(433,493)	89,967	(29,899)	(373,425)
	<i>30 June 2004 £</i>	<i>Cash flow £</i>	<i>Other changes £</i>	<i>28 February 2005 £</i>
Cash at bank and in hand	94,486	(5,993)	—	88,493
Bank overdraft	(44,197)	22,439	—	(21,758)
		16,446		
Hire purchase contracts	(3,714)	3,714	—	—
Debts falling due after more than one year	(315,000)	11,768	—	(303,232)
Debts falling due within one year	(105,000)	21,819	—	(83,181)
Net debt	(373,425)	53,747	—	(319,678)
	<i>30 June 2002 £</i>	<i>30 June 2003 £</i>	<i>30 June 2004 £</i>	<i>28 February 2005 £</i>
Increase (decrease) in cash in the period	23,513	(49,966)	76,939	16,446
Cash (inflow) outflow from (increase) decrease in debt and financing	(45,000)	91,151	13,028	37,301
Change in net debt resulting from cash flows	(21,487)	41,185	89,967	53,747
New hire purchase contracts	—	(26,053)	—	—
Other movements	—	(119,109)	(29,899)	—
Net debt at beginning of period	(308,029)	(329,516)	(433,493)	(373,425)
Net debt at end of period	(329,516)	(433,493)	(373,425)	(319,678)

26. Financial Commitments

Operating lease commitments

The Group had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings £</i>	<i>Other £</i>
28 February 2005		
— within one year	—	3,539
— between two and five years	15,000	11,584
	<u>15,000</u>	<u>15,123</u>
30 June 2004		
— within one year	625	3,608
— between two and five years	15,000	16,306
	<u>15,625</u>	<u>19,914</u>
30 June 2003		
— within one year	10,000	745
— between two and five years	—	21,718
	<u>10,000</u>	<u>22,463</u>
30 June 2002		
— within one year	—	2,782
— between two and five years	10,000	5,412
	<u>10,000</u>	<u>8,194</u>

Capital commitments

The Group had no capital commitments at 28 February 2005, 30 June 2004, 30 June 2003 or at 30 June 2002.

27. Related Party Transactions

Sale of Emergent Technology Group Inc

On 28 February 2005, the entire share capital of Emergent Technology Group Inc was sold to Windsor International Corporation, a shareholder and a company controlled by Francisco A Soler, a director of the Company, for a consideration of £27,628. On this date, the Group had a balance of £367,500 payable to Emergent Technology Group Inc. The benefit of this loan has been assigned by Emergent Technology Group Inc to Windsor International Corporation.

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 Company, the following royalty payments were made by the Group:

	<i>Year ended 30 June 2002 £</i>	<i>Year ended 30 June 2003 £</i>	<i>Year ended 30 June 2004 £</i>	<i>Eight months ended 28 February 2005 £</i>
Royalty payments	<u>25,556</u>	<u>63,806</u>	<u>89,413</u>	<u>78,278</u>

In relation to these payments, the following amounts were accrued by the Group:

	<i>30 June 2002 £</i>	<i>30 June 2003 £</i>	<i>30 June 2004 £</i>	<i>28 February 2005 £</i>
Accrued royalty payments	<u>10,030</u>	<u>32,660</u>	<u>16,331</u>	<u>19,373</u>

On 3 September 2004, 27,628 A ordinary shares in the Company were issued to Bruce Green in consideration for fees waived in respect of the technology licence agreement. The shares were issued at a price of £0.6153.

On 27 May 2005, the Company issued 760,786 A ordinary shares to Bruce Green in consideration of the assignment of certain patents and other intellectual property.

Transactions between the Group and Windsor International Corporation

A loan was advanced (initially in December 1997) from Windsor International Corporation, a company controlled by Francisco A Soler, a director of the Company, to Emergent Technology Group Inc. The balance outstanding at the end of each period is given in the table below. As at 30 June 2002, no interest had been charged by the lender. In December 2002, £119,109 of interest was charged to the Group. On 8 March 2004, by way of a formal loan agreement, it was agreed that £29,898 of additional interest be charged to the Group for the period 31 May 2003 to 29 February 2004. From 8 March 2004, the interest rate is 8 per cent. per annum. The loan balance is repayable from 8 March 2004 in sixteen quarterly instalments of £26,250 which commenced on 28 September 2004. As a consequence of the Group disposing of its shares in Emergent Technology Group Inc on 28 February 2005, the outstanding loan balance with the Group at that date is £nil.

	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>30 June 2004</i>	<i>28 February 2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Windsor International Corporation loan balance	352,832	390,101	420,000	—

Directors' loan accounts

The loan account balance of directors at each period end is as follows:

	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>30 June 2004</i>	<i>28 February 2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Amounts owed to (by) the Group				
P C Swinney	28,456	88,459	45,985	14,887
P C Clarke	—	(880)	(412)	—
	28,456	87,579	45,573	14,887

The amounts owed by P C Swinney at 30 June 2002, 30 June 2003 and 30 June 2004 related principally to Emergent Technology Group Inc, a company which is incorporated in the British Virgin Isles.

Interest was charged on any overdrawn made by directors, during the period under review, at a commercial rate.

During the year ended 30 June 2004, £30,506 of a loan advanced to P C Swinney was written off.

In the period ended 28 February 2005, P C Swinney purchased a car from the Group for a consideration of £8,027.

The amount due from P C Swinney at 28 February 2005 has been settled in full subsequent to the period end.

28. Contingent Liabilities

In the period under review The Tristel Company Limited (the Company's subsidiary undertaking) received grant income from the DTI in relation to the development of the 'Tristel Generator'. As at 28 February 2005 The Tristel Company Limited had received a total of £98,981 in relation to this project, all of which has been deferred.

The Tristel Company Limited may be required to repay some or all of the grant if before three years after the date on which the final payment is made:

- i. The Tristel Company Limited ceases to be a subsidiary of the company of which it was a subsidiary as at 14 November 2003;
- ii. there is a change of control of the company;
- iii. ownership or control of the company changes so that the company ceases to be a small and medium sized enterprise as defined in the European Commission Recommendation applicable at 14 November 2003.

29. Post balance sheet events

On 24 May 2005 Tristel (Holdings) Limited was registered as a public limited company Tristel plc.

For changes to share capital subsequent to 28 February 2005 refer to note 19.

30. Ultimate Parent Undertaking and Controlling Party

At 28 February 2005, the largest shareholders of the Group were Windsor International Corporation (29.7 per cent.), The World Financial Trading Corp. (29.7 per cent.) and Atlas World Carriers S.A. (14.9 per cent.). Francisco A Soler (a director of the Company) is both the president and a director of each of these companies. Francisco A Soler has a beneficial interest in the shares held by Windsor International Corporation and a non-beneficial interest (no shares are registered in his own name) in the shareholdings of both The World Financial Trading Corp. and Atlas World Carriers S.A. As a consequence of Francisco A Soler only having a beneficial interest in the shareholding of Windsor International Corporation, Francisco A Soler is not considered by the directors of the Company to be the controlling party, and hence as a result, in the opinion of the directors there was no one controlling party for the period under review or as at the date of this report.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

PART IV

GENERAL INFORMATION

1. The Company

- (a) The Company was incorporated in England and Wales on 9 April 2003 under the Companies Act 1985 to 1989 as a private company limited by shares with the name Bondco 1005 Limited and the registered number 4728199.
- (b) The Company changed its name to Tristel (Holdings) Limited on 20 June 2003. On 24 May 2005 the Company re-registered as a public company limited by shares with the name Tristel plc.
- (c) The liability of the members of the Company is limited to the amount paid up or to be paid up on their shares.
- (d) The registered office of the Company is at Unit 4C, Lynx Business Park, Fordham Road, Snailwell, Cambridgeshire CB8 7NY.

2. Share Capital

- (a) On incorporation the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each.
- (b) By an ordinary resolution passed on 15 June 2004:
 - (i) each of the 1,000 ordinary shares of £1 were sub-divided into 100 ordinary shares of 1p each;
 - (ii) the capital of the Company was increased to £40,280 divided into 4,028,000 ordinary shares of 1p each;
 - (iii) the 100 ordinary shares registered in Paul Swinney's name and 3,677,900 of the unissued ordinary shares were all redesignated as A Ordinary Shares. Furthermore, 350,000 of the unissued ordinary shares were redesignated as B Ordinary Shares.
- (c) By ordinary resolutions passed on 23 May 2005:
 - (i) the capital of the Company was increased to £600,000 divided into 60,000,000 A Ordinary Shares; and
 - (ii) with effect from Admission, the A Ordinary Shares and the B Ordinary Shares, in issue and unissued, were redesignated as Ordinary Shares.
- (d) On incorporation 1 ordinary share of £1 was issued to Suzanne Marie Terry. On 15 June 2004 2,762,716 A Ordinary Shares were issued. On 16 June 2004 40,630 A Ordinary Shares were issued. On 22 June 2004 235,652 A Ordinary Shares were issued. On 3 September 2004 27,628 A Ordinary Shares were issued. On 29 April 2005 30,000 A Ordinary Shares were issued. On 23 May 2005 74,200 A Ordinary Shares were issued.

On 23 May 2005 a bonus issue took place on a basis of 4 A Ordinary Shares for every 1 A Ordinary Share held. The result was an issue of a further 12,683,704 A Ordinary Shares.

On 27 May 2005 760,876 A Ordinary Shares were issued. A further 3,167,260 Ordinary Shares will be issued on Admission following the exercise of options. On the exercise of such options the Company will incur a charge to National Insurance of up to £135,537
- (e) By ordinary and special resolutions passed on 23 May 2005:
 - (i) the directors were authorised for the purpose of section 80 of the Act to allot relevant securities in the capital of the Company up to an aggregate nominal amount of £329,543.87 such authority to expire on 23 May 2006 or at the conclusion of the next annual general meeting of the Company in 2006 (whichever is the earlier); and
 - (ii) the directors were empowered to allot equity securities wholly for cash as if section 89(1) of the Act did not apply, provided that the power is limited to the allotment of equity securities in connection with (1) up to an aggregate nominal amount of £35,099.08 on any adjustment of the number of A Ordinary Shares and B Ordinary Shares the subject of warrants and options granted to the employees, directors and consultants of the Group, (2) up to an aggregate nominal amount of £70,000.00 pursuant to a private placing of Ordinary Shares on Admission, (3) in connection with an offer of such securities by way of rights to holders of Ordinary Shares and (4) other

allotments up to an aggregate nominal amount of £26,977.25, such power to expire at the conclusion of the next annual general meeting of the Company or 23 May 2006 (whichever is the earlier).

- (f) As at the date of this document, and immediately following the Placing, the Company's authorised and issued share capital is and will be as follows:

	<i>Present</i>		<i>Following the issue of the Placing Shares and assuming the exercise on Admission of all outstanding and vested options</i>	
	<i>Nominal Value (£)</i>	<i>Number of A Ordinary Shares</i>	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>
Authorised	600,000.00	60,000,000	600,000.00	60,000,000
Issued and fully paid	166,155.06	16,615,506	238,368.20	23,836,820

- (g) The Company has granted options over its Ordinary Shares to certain Directors and employees as follows:

<i>Name</i>	<i>Number of Shares subject to options</i>	<i>Date of grant</i>	<i>Exercise price per share</i>	<i>Exercise period</i>
Paul Christopher Swinney	637,575 A Ordinary Shares ⁽¹⁾	06.09.04	11.764p	01.06.05 to 01.06.07
	212,476 A Ordinary Shares ⁽²⁾	06.09.04	1p	01.06.05 to 01.06.07
	1,415,424 A Ordinary Shares ⁽³⁾	06.09.04	1p	01.06.05 to 01.06.07
Paul Martin Barnes	482,341 A Ordinary Shares ⁽⁴⁾	08.07.04	1p	01.06.05 to 01.06.07
Danielle Nugent	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	01.06.05 to 06.09.14
	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.05 to 06.09.14
	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.06 to 06.09.14
	84,410 A Ordinary Shares ⁽²⁾	06.09.04	1p	01.06.05 to 01.06.07
Kevin Menhinick	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	01.06.05 to 06.09.14
	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.05 to 06.09.14
	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.06 to 06.09.14
	120,585 A Ordinary Shares ⁽²⁾	06.09.04	1p	01.06.05 to 01.06.07
Robert Holland	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	01.06.05 to 06.09.14
	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.05 to 06.09.14
	28,780 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.06 to 06.09.14
	36,176 A Ordinary Shares ⁽²⁾	06.09.04	1p	01.06.05 to 01.06.07
Polly Oates	14,390 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	01.06.05 to 06.09.14
	14,390 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.05 to 06.09.14
	14,390 B Ordinary Shares ⁽¹⁾	06.09.04	11.764p	06.09.06 to 06.09.14
	60,293 A Ordinary Shares ⁽²⁾	06.09.04	1p	01.06.05 to 01.06.07
Louise Frost	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	01.06.05 to 02.02.15
	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	02.02.06 to 02.02.15
	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	02.02.07 to 02.02.15
Jennifer O'Callaghan	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	01.06.05 to 02.02.15
	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	02.02.06 to 02.02.15
	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	02.02.07 to 02.02.15
Lesley Murray	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	01.06.05 to 02.02.15
	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	02.02.06 to 02.02.15
	5,750 B Ordinary Shares ⁽¹⁾	02.02.05	11.764p	02.02.07 to 02.02.15

Notes:

- (1) See paragraph 6(C) of this Part IV for further details of these options.
(2) See paragraph 6(D) of this Part IV for further details of these options.
(3) See paragraph 6(E) of this Part IV for further details of this option.
(4) See paragraph 5 of this Part IV for further details of this option.

- (h) Save as is disclosed in sub-paragraph (g) above, no share or loan capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.
- (i) Except to the extent disapplied pursuant to Section 95 of the Act (as is referred to in sub-paragraph (e)(ii) above), the provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be paid up in, cash) will apply to the authorised but unissued share capital of the Company.

3. Significant Investments

Save as disclosed in this document, there have been no significant investments by the Company or its subsidiaries since 28 February 2005, being the date to which the last audited non-statutory consolidated financial statements of the Company have been made up.

4. Memorandum and Articles of Association

(A) Memorandum of association of the Company

The principal objects of the Company are to carry on the business of a holding company.

The objects of the Company are set out in full in clause 3 of the memorandum of association of the Company which is available for inspection at the address and times specified in paragraph 19 of this Part IV.

(B) Summary of the articles of association of the Company

The Articles, which were adopted by special resolution on 23 May 2005 and come into effect on Admission, contain provisions *inter alia* to the following effect:

(a) Variation of class rights and class meetings

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may be varied or abrogated either in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

The provisions of the Articles relating to general meetings of the Company shall apply to every separate general meeting of the holders of a particular class of shares except that:

- (i) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;
- (ii) the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class (unless all the shares of the class are registered in the name of a single shareholder, in which case the quorum shall be that single shareholder);
- (iii) if any such separate general meeting is adjourned, the quorum at the adjourned meeting shall be one person holding shares of that class present in person or by proxy;
- (iv) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and
- (v) on a poll, every such holder shall have one vote for every share of the class held by him.

(b) Alteration of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts and currencies as the resolution prescribes; or
- (ii) consolidate, or consolidate and divide, all or any of its share capital into shares of a larger amount than its existing shares; or

- (iii) sub-divide all or any of its existing shares into shares of a smaller nominal amount; or
- (iv) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled.
- (v) the Company may from time to time by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve.

(c) *Purchase of own shares*

The Company may purchase its own shares.

(d) *Transfer of shares*

Shares may be held in uncertificated form and uncertificated shares may be transferred otherwise than by a written instrument in accordance with the rules, procedures and practices of the relevant system (CREST) and the CREST Regulations. The directors shall not refuse to register a transfer of any such share unless permitted or required to do so in accordance with the CREST Regulations.

Transfers of shares in certificated form may be effected by an instrument of transfer in the usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.

The directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer:

- (i) is in respect of only one class of share;
- (ii) is in favour of a single transferee or not more than four joint transferees; and
- (iii) is duly stamped (if required), is delivered for registration to the registrar's office, or such other place as the directors may determine and is accompanied by the certificate(s) for the shares to which it relates and such other evidence as the directors may reasonably require to prove the title of the transferor to make the transfer.

In addition, the directors may refuse to register:

- (iv) a transfer if a notice has been duly served in respect of shares (representing at least 0.25 per cent. of the issued shares of the class in question (excluding any shares of that class held as treasury shares)) pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares and the notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days) and continues not to be complied with; or
- (v) The transfer of a share which is not fully paid or on which the Company has a lien provided that such refusal shall not be exercised so as to disturb the market in those shares.

Registration of transfers of shares may be suspended and the register of members closed by the directors provided (*inter alia*) that the register of members shall not be closed for more than thirty days in any year.

(e) *Voting*

Subject to any special rights or restrictions as to voting imposed by or pursuant to the Articles or attached to any shares, on a show of hands every member present in person or by proxy shall have one vote only and in the case of a poll every member present in person or by proxy shall have one vote for every share held by him.

If a member of any other person appearing to be interested in shares in the Company shall have been served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company the information required by such notice, then (unless the directors otherwise determine) in respect of the relevant shares, the member shall not (for so long as the default continues)

be entitled to attend or vote, either personally or by proxy at a general meeting or to exercise any other right conferred by membership in relation to such meeting.

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote, in addition any other vote he may have.

(f) *Dividends*

The Company may, by ordinary resolution, declare dividends but no dividend shall be payable except out of the profits of the Company available for distribution in accordance with the provisions of the Act or in excess of the amount recommended by the directors. The directors may from time to time pay such interim dividends as appears to them to be justified by the profits of the Company.

Subject to the rights attached to any shares, the profits of the Company which it resolves to distribute by way of dividend shall be applied in payment of dividends upon the shares (otherwise than in advance of calls) in proportion to the amounts paid up on the shares and so that all dividends shall be apportioned and paid in proportion to the amounts paid up on the shares during any part(s) of the period in respect of which the dividend is paid. If any share is issued upon terms providing that it shall rank for dividend as from or after a particular date, such share shall rank for dividend accordingly. Subject to the rights attached to any shares, no dividend payable in respect of any share shall bear interest.

(g) *Distribution in specie*

If sanctioned by an ordinary resolution of the Company, the directors shall direct payment of the whole or any part of any dividend by the distribution of specific assets and, in particular, of paid up shares.

(h) *Retention of dividends*

The directors may retain any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if:

- (i) a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares;
- (ii) The shares which are the subject of that notice represent in aggregate not less than 0.25 per cent. of that class of share (excluding any shares of that class held as treasury shares); and
- (iii) The notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days from the date of service of the notice) and the holder of the shares remains in default in complying with such notice.

In addition, the directors may retain any dividend in the circumstances where a person who has become entitled to a share as a consequence of a transmission event (such as death or bankruptcy) fails to comply within ninety days of receipt of a notice from the directors requiring that person to elect to be registered as the holder of the share concerned or to transfer that share.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years from the date on which such dividend became due for payment shall be forfeited and shall revert to the Company.

(i) *Directors*

(i) *Number of directors*

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be less than 4 nor more than 7.

(ii) *Age*

Subject to the provisions of the Act, any person who has attained the age of 70 years may be elected or re-elected to the office of director in like manner and (save for a requirement to give notice of the director's age in the notice of meeting) without further formalities than are required in the case of a person who has not attained that age and no director shall vacate his office or be required to retire on account of his having attained any particular age.

(iii) Shareholding qualification

A director shall not be required to hold any shares in the Company by way of qualification for office. A director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings.

(iv) Retirement by rotation

At each annual general meeting of the Company, one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation, provided however that no director shall continue to hold office as a director after the third annual general meeting following his election or re-election without submitting himself for re-election at the said third annual general meeting.

The directors to retire by rotation shall include any director who wishes to retire and those who have been the longest in office since their last re-election or appointment. Where two or more directors have been in office for an equal length of time, the director to retire shall (unless the directors agree otherwise among themselves) be determined by lot.

(v) Directors' remuneration and expenses

The Company shall pay to the directors (but not alternate directors) for their services as directors such aggregate amount of fees as the directors shall decide, which fees shall accrue daily. Any such remuneration shall be distinct from any salary, remuneration or other amounts payable to the director pursuant to any other provision of the Articles or any service agreement between the Company and the relevant director.

Any director who performs services, which, in the opinion of the directors, go beyond the ordinary duties of a director, may be paid such additional remuneration and may receive such other benefits as the directors may determine.

The Company may also pay or repay to any director all reasonable travelling, hotel and other expenses properly incurred in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise incurred in connection with the business of the Company.

The directors may establish and/or contribute to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or was at the time a director or officer or employee of the Company or any associated company, for his benefit or for the benefit of any member of his family. The directors may also establish and/or contribute to any death and/or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

(vi) Interests in contracts

A director, notwithstanding his office:

- (1) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is in any way interested, whether directly or indirectly;
- (2) may hold another office or employment with the Company or any other associated company (other than the office of auditor) and may act in a professional capacity for the Company or any such other associated company;
- (3) may be or become a director or other officer of, or otherwise be interested in, any associated company of the Company; and
- (4) shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a director or officer of or from his interest in such other associated company.

(vii) *Directors' interests*

Save as provided in the Articles, a director shall not vote at a meeting of the directors in respect of any contract, arrangement, transaction or any other proposal of any kind in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is, to his knowledge, a material interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company. This prohibition does not apply to any resolution concerning any of the following matters:

- (1) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (2) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (3) any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in an offer in which he is or may be entitled to participate;
- (4) any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which he or any persons connected with him do not to his knowledge, directly or indirectly, hold an interest in shares (as that term is used in sections 198 to 211 (inclusive) of the Act) representing one per cent., or more of either any class of the equity share capital, or the voting rights, in such body corporate;
- (5) any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which he may benefit and which either has been approved, or is conditional upon approval, by the Inland Revenue for taxation purposes; or relates both to employees and directors of the Company (or any associated company) and does not award him any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and
- (6) any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any persons including directors.

A Director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

(j) *Reserves*

The directors may from time to time set aside out of the profits of the Company and put in a reserve such sums as they think proper. Such sums may, at the direction of the directors, be used for any purpose for which the profits of the Company may properly be applied and, pending such use, may either be employed in the business of the Company or be invested.

(k) *Untraced shareholders*

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of twelve years, the Company, so far as the directors are aware, has not received any communication from such member or person (in his capacity as member or person entitled by transmission).

(l) *Distribution of assets on a winding up*

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other authority required by the Act, divide among the members in specie the whole or any part of the assets of the Company and may for such purposes set such value as he deems fair upon any property to be divided any may determine how such division shall be carried out as

between the members or different classes of members. The liquidator may also vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the members as the liquidator thinks fit but so that no member shall be compelled to accept any shares in respect of which there is an actual or potential liability

5. Details of a Director's Warrant Arrangement

The Company has issued a share warrant dated 8 July 2004 to Paul Barnes as varied by an agreement dated 27 May 2005 in respect of 482,341 A Ordinary Shares.

The principal terms of the warrant are:

- (i) the grantee may exercise the warrant, *inter alia*, with effect from Admission;
- (ii) the number of shares the subject of the warrant and/or the warrant price may be adjusted in such manner as the Company's auditors confirm in writing to be fair and reasonable upon the occurrence of any capitalisation insofar as no new consideration is received by the Company (for example, on the proposed bonus issue) or upon any sub-division, reduction or consolidation of the capital of the Company;
- (iii) the warrant will automatically lapse in so far as not exercised by the earliest of, *inter alia*, (1) 12 months from the death of the grantee; (2) 24 months after Admission; (3) the date of commencement of the winding up of the Company; (4) the grantee purporting to assign whole or part of its interest in the warrant; (5) the grantee being adjudged bankrupt or entering into a voluntary agreement with his creditors; or (6) the date the grantee ceases to be an employee of the Company;
- (iv) the grantee agrees that he shall pay any National Insurance Contributions payable by reason of the exercise of the warrant. However, the Company will pay such contributions if it has sufficient resources.

6. Share Option Schemes

(A) EMI Scheme

The following is a summary of the rules of the EMI Scheme:

(a) Purpose

The purpose of the EMI Scheme is to allow the grant of options which will be qualifying options for the purposes of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 5") in order to attract and retain staff.

(b) Eligibility

Any eligible employee as defined in Schedule 5 may be granted an option under the EMI Scheme.

(c) Terms of options

The employees to whom options are to be granted, the number of shares to be granted to any individual employee (subject to the overall limits specified in Schedule 5 from time to time), the price at which the option can be exercised, the conditions of exercise and all other terms subject to compliance with Schedule 5 and the rules of the EMI Scheme are at the discretion of the board of the Company from time to time.

(d) Validity of options

If an option is granted under the EMI Scheme but is held not to satisfy the requirements of Schedule 5 or if in respect of that option there is a subsequent disqualifying event (as defined in Schedule 5) the option will still be valid and exercisable by the grantee.

(e) Tax and national insurance

The terms on which an option will be granted will, to the extent permitted by law, require the grantee to indemnify the Company against any tax or national insurance which may be payable or accountable for by the Company. However, to the extent the Company's resources permit, the Company will be responsible for the employer's national insurance contributions.

(f) *Amendments*

The rules of the EMI Scheme may be amended by the board of the Company from time to time.

(B) *Unapproved Scheme*

The following is a summary of the rules of the Unapproved Scheme:

(a) *Purpose*

The purpose of the Unapproved Scheme is to attract and retain staff by providing rewards linked to the performance of the Company.

(b) *Eligibility*

Any employee may be granted an option under the Unapproved Scheme.

(c) *Terms of options*

The employee to whom options are to be granted, the number of shares to be granted to any individual employee, the price at which the option can be exercised, the conditions of exercise and all other terms subject to the rules are to be at the discretion of the board of the Company from time to time.

(d) *Tax and national insurance*

The terms on which an option will be granted will, to the extent permitted by law, require the grantee to indemnify the Company against any tax or national insurance which may be payable or accountable for by the Company. However to the extent the Company's resources permit, the Company will be responsible for the employer's national insurance contributions.

(e) *Amendments*

The board of the Company may from time to time amend the rules of the Unapproved Scheme.

(C) *EMI options*

The Company has entered into option agreements dated 6 September 2004 and 2 February 2005 pursuant to the rules of the EMI Scheme in respect of the grant of certain options.

The principal terms of the option agreements are:

- (a) the option will vest (i) as to one third on the date of the agreement; (ii) as to one third on the first anniversary of the agreement; and (iii) as to one third on the second anniversary of the agreement;
- (b) the grantee may exercise the option, as far as it has vested, *inter alia*, with effect from Admission;
- (c) no option may be exercised more than 10 years after the date of the agreement;
- (d) the number of option shares and/or the option price may be adjusted in such manner as the Company's auditors confirm in writing to be fair and reasonable upon the occurrence of any capitalisation issue insofar as no consideration is received by the Company or upon any sub-division, reduction or consolidation of the capital of the Company;
- (e) an option will automatically lapse insofar as not exercised by the earliest of (i) 12 months after the death of the grantee; (ii) 90 days after the grantee ceases to be an eligible employee; (iii) a sale whereby the purchaser will hold 66 per cent. or more of the Ordinary Shares; (iv) the date of commencement of winding up; or (v) the grantee purporting to assign whole or part of his or her interest in the option; or (vi) the grantee being adjudged bankrupt or entering into a voluntary arrangement with his or her creditors;
- (f) the grantee agrees that he or she shall pay any National Insurance Contributions payable by reason of the exercise of the option. However, the Company will pay such contributions if it has sufficient resources.

Paul Swinney's agreement is on the above terms save that he may exercise his options (i) as to one third after approval of the audited accounts of the Company for the year ended 30 June 2005, provided that the net profits are more than £492,000; (ii) as to one third after approval of the audited accounts of the Company for the year ending 30 June 2006, provided that the net profits are more than £720,000; and

(iii) as to third after approval of the audited accounts of the Company for the year ending 30 June 2007, provided that the net profits are more than £792,000.

If the condition in (i) above is not met then Mr Swinney is still entitled to that part of the option if the aggregate net profit in the 2005 accounts and 2006 accounts is £1,212,000 or more. If the condition in (ii) above is not met then Mr Swinney is still entitled to that part of the option if the aggregate net profits in each of the 2006 accounts and 2007 accounts is £1,512,000 or more.

If before the option has become fully exercisable there is an event as set out in (b) above then Mr Swinney shall be entitled to exercise the option in full. The options granted to Mr Swinney will therefore become exercisable in full in respect of all its tranches on Admission.

Mr Swinney's option agreement has the same terms re: lapsing as in (e) above. In addition Mr Swinney's option will lapse on the (1) expiry of 24 months from Admission; and (2) expiry of 5 years from the various dates on which the option becomes exercisable in (i), (ii) and (iii) above.

(D) Exit Options

The Company has entered into exit option agreements dated 6 September 2004 pursuant to the rules of the EMI Scheme in respect of the grant of Exit Options.

The principal terms of the exit option agreements are:

- (a) the grantee may exercise the option on, *inter alia*, Admission;
- (b) an option will automatically lapse in so far as not exercised by the earliest of: (i) 12 months after the death of the grantee; (ii) 90 days after the grantee ceases to be an eligible employee; (iii) 24 months after Admission; (iv) the date of commencement of winding up; (v) the grantee purporting to assign whole or part of his or her interest in the option; or (vi) the grantee being adjudged bankrupt or entering into a voluntary agreement with his or her creditors;
- (c) the grantee agrees that he or she shall pay any National Insurance Contributions payable by reasons of the exercise of the option. However, the Company will pay such contributions if it has sufficient resources.

(E) Unapproved Scheme

The Company has entered into an agreement dated 6 September 2004, as varied by an agreement dated 27 May 2005, for the grant of options over A Ordinary Shares under the rules of the Unapproved Scheme to Paul Swinney. That agreement is on the same terms as the Exit Option agreements in sub-paragraph (D) above.

7. Directors' and Others' Interests

- (a) As at 26 May 2005 (the latest practicable date prior to the publication of this document) and immediately following the Placing, the interests of the Directors in the issued share capital of the Company which have been notified to the Company pursuant to sections 324 or 328 of the Act or are required to be entered in the Company's statutory register maintained in accordance with section 325 of the Act and the interests of all persons connected with the Directors (within the meaning of section 346 of the Act) which would, if the connected person were a Director, be required to be disclosed in accordance with the foregoing sections and the existence of which is known to, or could with reasonable diligence be ascertained by, the Directors concerned, (all of which are beneficial unless otherwise stated) are and will be as follows:

Director	Present		Immediately following Admission		Immediately following Admission and Placing	
	Number of A Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of the Enlarged Issued Share Capital	Number of Ordinary Shares	Percentage of the Enlarged Issued Share Capital
Francisco Angel Soler	11,394,795 ⁽¹⁾	68.58%	11,394,795 ⁽¹⁾	47.80%	10,827,227 ⁽²⁾	45.42%
Paul Christopher Swinney	962,025	5.79%	3,227,500	13.54%	2,713,986	11.39%
Paul Martin Barnes	150,000	0.90%	632,341	2.64%	551,260	2.31%
Peter Francis Howard Stephens	486,505	2.93%	486,505	2.04%	543,937	2.28%
Peter Charles Anderson Clarke	371,000	2.23%	371,000	1.56%	181,811	0.76%

Note

- (1) Comprising 4,558,220 A Ordinary Shares registered in the name of Windsor International Corporation, 4,557,720 A Ordinary Shares registered in the name of The World Financial Trading Corp. and 2,278,855 A Ordinary Shares registered in the name of Atlas World Carriers S.A. Mr Soler is both the president and a director of each of those companies. Mr Soler has a beneficial interest in the 4,558,220 A Ordinary Shares registered in the name of Windsor International Corporation as he owns and controls that company. His interest in the shareholdings of the other two companies is non-beneficial. Mr Soler does not have any A Ordinary Shares registered in his own name.
- (2) Comprising 4,558,220 Ordinary Shares registered in the name of Windsor International Corporation, 4,179,342 Ordinary Shares registered in the name of The World Financial Trading Corp and 2,089,666 Ordinary Shares registered in the name of Atlas World Carriers S.A. See note (1) above in relation to the nature of Mr Soler's interests in those companies.

- (b) The Directors and persons connected with them (within the meaning of section 346 of the Act) have been granted options to subscribe for Ordinary Shares as follows:

	<i>Number of A Ordinary Shares subject to options</i>	<i>Immediately following Admission</i>
Francisco Angel Soler	Nil	Nil
Paul Christopher Swinney	2,265,475	Nil
Paul Martin Barnes	482,341	Nil
Peter Francis Howard Stephens	Nil	Nil
Peter Charles Anderson Clarke	Nil	Nil

- (c) Save as disclosed in sub-paragraphs (a) and (b) above, none of the Directors or any persons connected with them (within the meaning of Section 346 of the Act) has any interest, beneficial or non-beneficial, in the share capital of the Company or its Subsidiary.
- (d) The aggregate remuneration payable and benefits in kind to be granted to the Directors and any proposed directors, for the current financial year ending 30 June 2005 is estimated to be £160,000.
- (e) Save for the loan of £367,500 due from the Company to Windsor International Corporation, a company owned and controlled by Mr Soler, referred to in paragraph 9(x) of this Part IV, there are no outstanding loans or guarantees provided by the Group to or for the benefit of any of the Directors.
- (f) In addition to the persons referred to in sub-paragraph (a) above, the following persons, in so far as the Company is aware, are as at 26 May 2005 (the latest practicable date prior to the publication of this document) and will be immediately following the Placing interested, directly or indirectly, in 3 per cent. or more of issued share capital of the Company:

	<i>Present</i>		<i>Immediately following Admission and Placing Percentage of Enlarged</i>	
<i>Shareholder</i>	<i>Number of A Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Issued Share Capital</i>
Windsor International Corporation	4,558,220 ⁽¹⁾	27.43%	4,558,220 ⁽²⁾	19.12%
The World Financial Trading Corp.	4,557,720 ⁽¹⁾	27.43%	4,179,342 ⁽²⁾	17.53%
Atlas World Carriers S.A.	2,278,855 ⁽¹⁾	13.72%	2,089,666 ⁽²⁾	8.77%
Bruce Green	899,016	5.41%	899,016	3.77%
Invesco UK	—	—	1,266,891	5.31%
Montanaro Investment Management	—	—	861,486	3.61%
Fidelity Investments	—	—	748,918	3.14%

Note:

- (1) See note (1) to the table in sub-paragraph (a) above.
- (2) See note (2) to the table in sub-paragraph (a) above.

- (g) Save as disclosed in this paragraph 7, the Directors are not aware of any persons who, directly, indirectly, jointly or severally, exercise or could exercise control over the Company.

- (h) The Directors and their current directorships (in addition to their directorships of the Company) and directorships held during the five years preceding the date of this document are as follows:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Francisco Angel Soler	Affair Associates Ltd. Alsol Investments Inc. Alpha World Holdings Corp. Ancla Holdings Ltd. Atlas World Carriers S.A. Bigwood Business Ltd. Brunswick Advisors Ltd. CABCo Inc Chancery Advisors Ltd. Chelsea International Ltd. Compañía Mercantil Salvadoreña S.A. de C.V. Data-Computer Services S.A. Emergent Technology Group, Inc. Finanzas y Valores Pansal S.A. Golden Tower Investments, Inc. Granvalor Holding Ltd. Grundy Shipping Ltd. Grupo Avesta S.A. Harbour Club Milano Spa Interamerican Electric Holdings S.A. The International Bank of Miami, N.A. International Bancorp of Miami, Inc. Inversiones Generales S.A. de C.V. Inversiones Industriales y Mercantiles S.A. de C. V. J-PEG Limited La Fabril de Aceites S.A. de C.V. Lancelot Capital Inc. Mas Global Ltd. Nesol S.A. de C.V. Orientation Ltd. Salpan S.A. de C.V. Scarsdale Company N.V. Inc. Sebal S.A. Sutherland World Holdings Tarrington Services Corp. The Tristel Company Limited The World Financial Trading Corp. Triton Securities Inc. Triton Securities SARL United States Can Company Windsor International Corporation	Club 1 Limited Compañía Técnico Industrial Emergent Technology Limited Excel Financial Corp. Keenwald Inc. Northern Star Properties Northern Star Management Corporation N.S. Entertainment Inc. N.S. Vermont, Inc.
Paul Christopher Swinney	The Tristel Company Limited	Emergent Technology Group Inc Emergent Technology Limited
Paul Martin Barnes	8 Properties Limited Alphashow Limited Beach Street Limited Huntley Pharmaceuticals Limited Pharmaccord Products Limited QFDJG Limited The Tristel Company Limited	Arma Partners Limited Beach Capital Limited Beach Street Advisors Limited Beach Venture Partners Limited Concept Shop Limited Copacabana Capital Limited Lucrum Management Services Limited RGEKH Limited Room 5 Limited Scapemarket Limited Sportzone Limited Tigerex Group Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Peter Francis Howard Stephens	Boisdale of Bishopsgate Limited Seymours Limited Ski Scott Dunn Limited The Tristel Company Limited	Goldcrown Capital Plc Goldcrown Group Limited
Peter Charles Anderson Clarke	Carolon Limited J-PEG Limited The Tristel Company Limited	Carolon Europe Limited Emergent Technology Group Inc. Emergent Technology Limited

- (i) Save for Mr Barnes who is a partner of Waller-Bridge, Barnes, none of the Directors are currently partners in any partnerships nor have they held any partnerships during the five years preceding the date of this document.
- (j) (i) Mr Barnes was a director of Park Place Investments Limited and Brattle Connelly Carrick Hurst Limited which were put into receivership in 1992 and 1991 respectively.
- (ii) On 2 February 1999 Mr Barnes resigned as a director of Crystal Palace (1984) FC Limited which went into administration on 31 March 1999.
- (iii) Mr Swinney was party to an individual voluntary arrangement which commenced in May 1992 and the amount incorporated was £108,344.94. In 1995 the individual voluntary arrangement was terminated and discharged.
- (iv) Mr Swinney was a director of Leisure Resources Group Limited which was put into receivership in 1992 owing approximately £3 million.
- (v) Mr Swinney was a director of Emergent Technology Limited when it was placed in compulsory liquidation on 12 March 2003 following a petition presented by HM Customs & Excise. There was a deficiency in the winding up of £72,182.
- (k) Save as disclosed in sub-paragraph (j) above, none of the Directors has:
- (i) any unspent convictions relating to indictable offences;
- (ii) had a bankruptcy order made against him or entered into any individual voluntary arrangements;
- (iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
- (iv) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
- (v) had any asset belonging to him made the subject of a receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; and
- (vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (l) Save as disclosed in paragraphs 9(v) and (x) of this Part IV and otherwise in this document, no Director has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during an earlier financial year and remains in any respect outstanding or unperformed.
- (m) None of the Directors owns or holds any financial products whose value is determined in whole or in part directly or indirectly by reference to the price of the Placing Shares.

8. Directors' Service Agreements, Letters of Appointment and Emoluments

- (a) The following contracts of service have been entered into between the Company and the Directors:
- (i) a service agreement dated 27 May 2005 pursuant to which Mr Swinney is employed as Chief Executive. The agreement is conditional on Admission and is terminable by either party on 12 months' written notice. The initial salary is £117,000 per annum and will be reviewed annually by the Board. Mr Swinney is entitled to a bonus, payments equal to 10 per cent. of his salary (excluding bonus) to a pension scheme, permanent health insurance, private healthcare (for himself, his wife and any children under 21) and death-in-service benefit; and
 - (ii) a service agreement dated 27 May 2005 under which Mr Barnes is employed as Finance Director of the Company on terms similar to those of Mr Swinney's service agreement, save that he is not required to work more than 2 days per week and his salary is £55,000 per annum.

Save as disclosed above, there are no existing or proposed contracts of service between the Company and any Director.

- (b) (i) Mr Soler signed a letter of appointment on 27 May 2005 which is conditional on Admission and which records the terms of his appointment as non-executive Chairman for a fee of £12,000 per annum. The fee is reviewed annually by the Board. His appointment is for a period of three years, subject to his re-election at the next annual general meeting of the Company at which he is required to retire or either party serving not less than three months' notice of termination or his being removed as a director pursuant to the Articles.
- (ii) Mr Stephens signed a letter of appointment on 27 May 2005 which is conditional on Admission and which records the terms of his appointment as a non-executive Director for a fee of £12,000 per annum on similar terms to Mr Soler's letter of appointment.
- (iii) Mr Clarke signed a letter of appointment on 27 May 2005 which is conditional on Admission and which records the terms of his appointment as a non-executive Director for a fee of £12,000 per annum on similar terms to Mr Soler's letter of appointment.

9. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years immediately preceding the date of this document and are or may be material in the context of the Company:

- (i) the Placing Agreement, a summary of which is set out in paragraph 17(a) of this Part IV;
- (ii) the Lock-in Agreement, a summary of which is set out in paragraph 17(b) of this Part IV;
- (iii) an engagement letter dated 27 May 2005 whereby the Company engaged Teather & Greenwood to act as the nominated adviser and broker to the Company as required by the AIM rules for an annual fee of £25,000 plus VAT. The agreement is for a minimum period of 12 months and shall continue thereafter unless and until terminated by either party on one month's notice in writing. The agreement may be terminated immediately at any time by either party in the event that the other party commits a material breach of the agreement which is not remedied within five business days;
- (iv) Pursuant to the provisions of a Technology Licence dated 14 February 2005 Bruce Green has by virtue of an assignment dated 27 May 2005 assigned in favour of the Company various patents, patent applications and know-how owned wholly or partly by Bruce Philip Green. In consideration for the assignment of the relevant intellectual property, Mr Green received 760,876 A Ordinary Shares and a royalty of 5 per cent. (exclusive of VAT) of the net sales value of products of the Group resulting from or based on such intellectual property ("Products"). The Technology Licence provides for the exclusive licence to the Company by Bruce Green of remaining rights, namely Information, Improvements and all trademarks and names relating to the Technology and any other Intellectual Property Rights. If the Company receives a royalty from any third party from the sale by such third party of any Products under licence from the Company, the Company will pay Mr Green 22.5 per cent. of any royalty so received by it;
- (v) an agreement dated 28 February 2005 between the Company and Windsor International Corporation (a company owned and controlled by Mr Soler) whereby the Company sold the

entire share capital of Emergent Technology Group, Inc. ("Emergent") to Windsor International Corporation for a consideration of £27,628.

The consideration is payable on the earlier of (i) the fifth anniversary of the agreement or (ii) five days after the final repayment is made by Paul Swinney under a promissory note dated 19 May 2003 (the "Note") whereby Paul Swinney promised to pay Emergent the sum of £60,000 together with interest. The Note is payable on 28 February 2010 but may be fully or partly prepaid during the term without penalty or premium. No interest is payable by the Company to Windsor International Corporation on the outstanding consideration.

The Company gave basic warranties in relation to title and its ability to execute, deliver and perform its obligations under the agreement. Those warranties are assignable by Windsor International Corporation;

- (vi) a deed of novation dated 28 February 2005 between Emergent, the Company and the Subsidiary whereby Emergent's liability to pay the sum of £83,654 to the Subsidiary was assumed by the Company and Emergent was released from that obligation;
- (vii) a release and waiver agreement between Emergent and the Company dated 28 February 2005 whereby Emergent waived any and all rights in respect of the intellectual property the subject of the assignment referred to at sub-paragraph (iv) above. The release was given in consideration for the sum of £166,910 which was left outstanding under the terms of the intra-group loan agreement referred to in sub-paragraph (x) below;
- (viii) a share exchange agreement dated 15 June 2004 between the then shareholders of Emergent and the Company whereby the former exchanged their shares in Emergent for 2,762,716 A Ordinary Shares;
- (ix) a share purchase agreement dated 16 June 2004 between Emergent and the Company whereby Emergent sold TCL to the Company for £465,000, such consideration being left outstanding as a loan pursuant to the intra group loan agreement referred to in sub-paragraph (x) below;
- (x) an intra group loan agreement dated 16 June 2004 between Emergent and the Company, as varied by a deed of variation dated 28 February 2005 and as subsequently assigned by Emergent to Windsor International Corporation (a company owned and controlled by Mr Soler) pursuant to an assignment dated 17 May 2005 which records the repayment terms of the loan referred to in sub-paragraph (ix) above.

The loan is payable in 14 equal instalments of £26,250 payable on 30 June, 30 September, 31 December and 31 March in each year. The first instalment shall be payable on 30 June 2005. Interest is payable at the rate of 8 per cent. per annum on the amount outstanding;

The amount of the loan as at 28 February 2005 was £367,500;

- (xi) a manufacturing agreement dated 14 February 2005 with Medichem International (Manufacturing) Limited and TD Alsworth whereby Medichem manufactures and sells certain products listed in the agreement, comprising the Company's core chemistry;

The Company is prohibited from manufacturing or engaging any other person to manufacture such products anywhere in the world (excluding Canada, USA, Mexico, the Caribbean, Central and South America) during the term of the agreement. The prices of each product are fixed until 1 January 2006. The premium payable by the Company for each product will cease on a listing. Medichem warrants to the Company that the products are free from defects in materials and/or workmanship, are manufactured by Medichem strictly in accordance with the specifications (as defined in the agreement) and any special instructions of the Company, are of satisfactory quality, are fit for the purpose for which they are required and that they comply with all statutory requirements and regulations relating to the manufacture and sale of such products. Medichem will indemnify the Company against all liability, loss, damage, costs and expenses incurred in connection with a breach of any warranty given by Medichem, any liability under the Consumer Protection Act 1987 (or equivalent overseas laws) or any act or omission of Medichem or its employees agents or sub-contractors in the supply and delivery of the products. The warranties will continue in effect for a period after delivery of the products which is equal to the shelf-life as set out in the retail label for the product;

- (xii) an assignment dated 15 December 2003 by Michael John Hawker, Timothy Derek Allen, Paul Swinney, Design Technology International plc and DC Allen Limited in favour of TCL in relation to the invention and UK Patent Application Number 0317155.0, including all patents deriving priority from the same (including PCT/GB2004/003203) concerning the Tristel Generator.

10. Premises

The following are the only premises owned or leased by the Group:

<i>Group Company</i>	<i>Location</i>	<i>Lease start date</i>	<i>Lease expiry date</i>	<i>Current rent</i>
The Tristel Company Limited	Unit 4C, Lynx Business Park, Fordham Road, Snailwell, Cambridgeshire CB8 7NY	31.02.04	03.01.09	£15,000 per annum

11. Subsidiary

The Company is the holding company of a group, the other member of which is the following company, which is a wholly owned subsidiary of the Company:

<i>Name</i>	<i>Date of incorporation</i>	<i>Authorised share capital</i>	<i>Issued and fully paid share capital</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Tristel Technologies Limited	27.02.98	£100	£1	England	Healthcare

The above subsidiary operates in its country of incorporation.

12. Litigation

Neither the Company nor any other member of the Group is involved in any legal or arbitration proceedings and, so far as the Directors are aware, there are no legal or arbitration proceedings, pending or threatened against them or being brought by the Company or any other member of the Group which may have a significant effect on the financial position of the Company.

13. Working Capital

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing receivable by the Company and the banking and other facilities presently available to it, the working capital available to the Company and the members of its Group will from Admission be sufficient for their present requirements, that is for at least the next twelve months.

14. Significant Change in Financial Position

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 28 February 2005, the date to which the latest audited non-statutory consolidated financial statements of the Company were prepared.

15. Nominated Adviser and Broker

Teather & Greenwood Limited of Beaufort House, 15 St Botolph Street, London EC3A 7QR is the nominated adviser and broker to the Company.

16. UK Taxation

The following paragraphs are intended as a general guide only and are based on current UK tax legislation and HM Revenue and Customs practice as at the date of this document. Except where the position of non-UK resident shareholders is expressly referred to, they deal only with the position of shareholders who are resident or ordinarily resident and domiciled in the UK for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of shareholders, such as dealers in securities.

(a) *Dividends*

Under current UK tax legislation, the Company will not be required to withhold tax at source from dividend payments it makes.

Individual shareholders resident in the UK will generally be entitled to a tax credit in respect of any dividend paid by the Company which they can offset against their total income tax liability. The amount of the tax credit is one-ninth of the amount of the cash dividend. The amount of the cash dividend received by such an individual shareholder and the associated tax credit are both included in calculating the shareholder's income for UK tax purposes.

The rate of income tax on dividends is 10 per cent. for starting and basic rate taxpayers. The tax credit will discharge the entire income tax liability of an individual shareholder who is not liable to income tax at a rate greater than the basic rate. Higher rate taxpayers will be liable to tax on such dividends at the rate of 32.5 per cent., so that an individual shareholder who is a higher rate taxpayer will have a liability, after taking account of the tax credit, equal to 25 per cent. of the cash dividend. Non taxpayers are unable to reclaim the tax credit.

Subject to certain exceptions, a holder of shares in the company who is a trustee of a discretionary or accumulation trust which is resident (for tax purposes) in the UK and who receives a dividend paid by the company will be taxable on the total of the dividend and the related tax credit at the 'schedule F trust rate' which is 32.5 per cent. of the aggregate of the dividend and the related tax credit.

Subject to certain exceptions for some insurance companies with overseas business, a corporate holder of shares in the Company that is resident in the UK for tax purposes and that receives a dividend paid by the company will not be taxable on the receipt of the dividend, but will not be entitled to a repayment of any tax credit in respect of the dividend.

Shareholders who are not resident in the UK for tax purposes may not be liable to UK tax in respect of dividends received from the Company. These shareholders should consult their own tax advisers concerning their tax liabilities on dividends received and whether they are entitled to claim any part of the tax credit and the procedure for doing so.

(b) *Stamp duty and stamp duty reserve tax*

Stamp duty and stamp duty reserve tax ("SDRT") treatment under the Placing will be as follows:

- (i) in relation to the shares being issued by the Company, no liability to stamp duty or SDRT will arise on their issue or on the issue of definitive share certificates by the Company (provided that the Placing Shares are not issued to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or issuing depository receipts);
- (ii) in relation to the Existing Shares a liability to stamp duty and/or SDRT will arise in relation to their sale by the Selling Shareholders under the Placing. The Selling Shareholders have agreed to meet such liability subject to a limit of 0.5 per cent. of the Offer Price in respect of such Existing Shares;
- (iii) the transfer of shares will generally be liable to stamp duty at the rate of 0.5 per cent. rounded up if necessary to the nearest multiple of £5 of the value of the consideration given. A charge to SDRT at the rate of 0.5 per cent. of the consideration will arise in the case of an unconditional agreement to transfer shares on the date of the agreement, and in the case of a conditional agreement on the date the agreement becomes unconditional. However, if within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which it becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee;
- (iv) no stamp duty or SDRT will arise on a deposit of shares in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale), unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out in sub-paragraph (iii) above;
- (v) a transfer of shares effected within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the actual consideration.

Special rules apply to certain categories of person including intermediaries and persons connected with depository arrangements and clearance services.

(c) *Capital gains*

A disposal of shares by a shareholder who is either resident or, in the case of an individual, ordinarily resident for tax purposes in the UK or who is not UK resident but carries on a trade, profession or vocation in the UK through a branch or agency to which the shares are attributable, may, depending on the shareholder's circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of the shares during that period may also be liable on his return to UK taxation of chargeable gains (subject to any available exemptions or reliefs).

For a shareholder not within the charge to corporation tax, such as an individual, trustee or personal representative, taper relief (which reduces a chargeable gain depending on the length of time for which an asset is held) may be available to reduce the amount of chargeable gain realised on a subsequent disposal.

For a shareholder within the charge to corporation tax, indexation allowance on the cost apportioned to the shares should be available to reduce the amount of chargeable gain realised on a subsequent disposal.

(d) *Enterprise Investment Scheme and Venture Capital Trusts*

The Directors have received provisional assurance from HM Revenue and Customs that the Company should rank as a "qualifying investment" for the purposes of the EIS and a "qualifying company" for the purposes of investment by VCTs.

The actual and continuing availability of EIS relief and the status of the Placing Shares as a qualifying holding for VCT purposes will be conditional, among other things, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making his investment (under EIS) and, for VCT purposes, throughout the period the Ordinary Shares are held as a "qualifying holding". Qualifying company status requires, *inter alia*, the Company to conduct its trading mainly in the UK. There are other conditions the Company has to satisfy, and in such cases the Company's status is usually closely monitored.

Investors considering taking advantage of any of the reliefs available under the EIS and VCT regimes should seek individual advice in order that they may fully understand how the rules apply in their individual circumstances.

In addition, an investor must be a qualifying investor in order to be entitled to EIS relief and it is again recommended that investors seek their own professional advice in this regard.

A claim for CGT deferral relief is made by the individual investors and/or trustees claiming the relief.

The Directors and the Company give no undertaking or guarantee whatsoever to investors that the business of the Company will be conducted in a manner which is consistent with the provisions of the EIS or VCT regimes.

The above paragraphs are intended as a general guide to current United Kingdom tax law and practice. If you are in any doubt as to your taxation position or if you require more detailed information than that outlined above you should consult an appropriate professional adviser without delay.

17. Placing Arrangements

(a) *Placing Agreement*

A placing agreement dated 27 May 2005 between the Company (1) Teather & Greenwood (2) and the Directors (3) pursuant to which conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 1 June 2005 (or such later time and or date as the Company and Teather & Greenwood may agree) Teather & Greenwood has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price.

The placing agreement contains indemnities and warranties from the Company and the Directors in favour of Teather & Greenwood together with provisions which enable Teather & Greenwood to

terminate the agreement in certain circumstances prior to Admission including circumstances where any of the warranties are found to be untrue or inaccurate in any material respect. Under the agreement the Company has agreed to pay to Teather & Greenwood a fee of £75,000 and a commission of 4 per cent. of the value of the New Ordinary Shares at the Placing Price. Furthermore, the Selling Shareholders have agreed to pay to Teather & Greenwood a commission of 4 per cent. of the value of the Placing Shares being sold by them at the Placing Price.

The Directors have undertaken that they will not dispose of any Ordinary Shares (save in limited circumstances) for a period of 12 months from the date of Admission and for a further period of 12 months shall only dispose of Ordinary Shares through Teather & Greenwood (or the Company's broker for the time being) in accordance with orderly market principles.

(b) *Lock-in Agreement*

A lock-in agreement dated 27 May 2005 between Teather & Greenwood (1), Windsor International Corporation (2), The World Financial Trading Corp. (3) and Atlas World Carriers S.A. (4) (together the "Lock-in Shareholders") pursuant to which each of the Lock-in Shareholders agrees that it will not dispose of any Ordinary Shares (save in limited circumstances) for a period of 12 months from the date of Admission and for a further period of 12 months shall only dispose of Ordinary Shares through Teather & Greenwood (or the Company's broker for the time being) in accordance with orderly market principles.

18. General

- (a) Hedges Chandler of 14 Cornard Road, Sudbury, Suffolk CO10 2XA are the auditors of the Company as at the date of this document.
- (b) The Company's accounting reference date is 30 June.
- (c) Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this document and to the inclusion of its report contained in Part III of this document and the respective references thereto in the form and context in which they appear and has accepted responsibility for such report.
- (d) Teather & Greenwood Limited has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name in the form and context in which it appears.
- (e) The following sums have been paid or are payable by the Company in respect of professional services received by the Company from the following firms in the 12 months preceding the Company's application for Admission:

<i>Firm</i>	<i>Total⁽¹⁾</i>	<i>Description of services</i>
Dummett & Copp	£41,676.32	Patent agents services
Noon & Co	£10,500.00	Corporate advisory services
Bond Pearce	£47,796.85	Legal services

Note:

(1) All amounts exclude VAT.

Except as described in the above table or otherwise in this document, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (i) fees, totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- (f) The costs and expenses of, and incidental to, the Placing and Admission are payable by the Company and are estimated to amount to £386,000 (excluding Value Added Tax) and include corporate finance fees totalling in aggregate £100,000 (excluding Value Added Tax) and commissions payable by the Company to Teather & Greenwood of £80,000.

- (g) The maximum total proceeds which can be raised by the Placing are £2.0 million and the maximum net proceeds, after deduction of expenses, are £1,614,000.
- (h) The Ordinary Shares are in registered form and, following Admission, will be capable of being held in uncertificated form. Settlement of the Placing will, at the option of placees, be within CREST and Ordinary Shares will be delivered into the CREST accounts of placees immediately following the commencement of dealings at 8.00 a.m. on 1 June 2005. No temporary documents of title will be issued. Definitive share certificates for placees not settling through CREST will be despatched by 15 June 2005. Prior to the despatch of such certificates, transfers will be certified against the register of members of the Company.
- (i) Save as disclosed in this document, no exceptional factors have influenced the Company's activities.
- (j) Teather & Greenwood Limited is arranging for the Placing Shares to be placed with institutional and other investors. The arrangements for the payment for the Placing Shares to Teather & Greenwood Limited and during the period prior to completion of the Placing relating to monies received by Teather & Greenwood Limited from such investors are set out in the placing letters sent to such investors.
- (k) The minimum amount which, in the opinion of the Directors, must be raised for the purposes set out in paragraph 21 of Schedule 1 to the POS Regulations is £305,821, which will be applied as follows:
 - (i) £305,821 in respect of preliminary expenses;
 - (ii) approximately nil in respect of estimated commissions for procuring subscription for shares in the Company; and
 - (iii) nil for working capital purposes.

The Company has not borrowed any money in respect of the matters described in paragraph (i) and (ii) above and therefore none of the subscription monies will be applied to the repayment of any such money.

There are no further amounts which require to be provided in respect of the matters mentioned above otherwise than out of the proceeds of the Placing.

- (l) The Placing Price of 37p per Ordinary Share represents a premium of 36p over the nominal value of 1p per Ordinary Share.
- (m) The unaudited financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 240 of the Act.

19. Documents Available to the Public

Copies of the following documents will be available for inspection during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) at the offices of Teather & Greenwood Limited, Beaufort House, 15 St Botolph Street, London EC3A 7QR from the date of this document until the date which is 14 days after Admission:

- (a) the memorandum of association of the Company and the Articles;
- (b) the audited non-statutory consolidated financial statements for the three years ended 30 June 2004 and the audited non-statutory consolidated financial statements of the Company for the eight months ended 28 February 2005;
- (c) the report of Deloitte & Touche LLP set out in Part III of this document;
- (d) the statement of adjustments for the eight month period ended 28 February 2005;
- (e) the warrant agreement summarised in paragraph 5 of this Part IV;
- (f) the Share Option Schemes summarised in paragraph 6 of this Part IV;
- (g) the contracts of service and letters of appointment referred to in paragraph 8 of this Part IV;
- (h) the material contracts referred to in paragraph 9 of this Part IV;
- (i) the written consents of Deloitte & Touche LLP and Teather & Greenwood Limited referred to in paragraph 18 of this Part IV.

This document will be available free of charge to the public during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the offices of Teather & Greenwood Limited referred to above for the period referred to above.

Dated 27 May 2005

