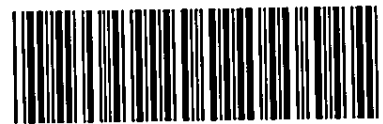


**Tristel Plc**

**Report and Financial Statements**

For the year ended 30 June 2009

MONDAY



\*PUX14FEV\*

PC1

30/11/2009

193

COMPANIES HOUSE

**Registered number 04728199**

	<b>Page</b>
<b>Company Information</b>	<b>2</b>
<b>Chairman's Statement</b>	<b>3</b>
<b>Chief Executive's Report</b>	<b>4</b>
<b>Directors' Biographies</b>	<b>8</b>
<b>Directors' Remuneration Report</b>	<b>9</b>
<b>Corporate Governance Report</b>	<b>12</b>
<b>Report of the Directors</b>	<b>14</b>
<b>Independent Auditor's Report</b>	<b>18</b>
<b>Consolidated Income Statement</b>	<b>19</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>20</b>
<b>Company Statement of Changes in Equity</b>	<b>21</b>
<b>Consolidated Balance Sheet</b>	<b>22</b>
<b>Company Balance Sheet</b>	<b>23</b>
<b>Consolidated Cash Flow Statement</b>	<b>24</b>
<b>Notes to the Consolidated Cash Flow Statement</b>	<b>25</b>
<b>Company Cash Flow Statement</b>	<b>26</b>
<b>Notes to the Company Cash Flow Statement</b>	<b>27</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>28</b>

<b>DIRECTORS:</b>	FA Soler PC Swinney PM Barnes PC Clarke BC Green AF Soler PFH Stephens
<b>SECRETARY:</b>	PM Barnes
<b>REGISTERED OFFICE:</b>	Unit 1B Lynx Business Park Fordham Road Snailwell Cambridgeshire CB8 7NY
<b>REGISTERED NUMBER:</b>	04728199 (England and Wales)
<b>AUDITORS:</b>	Grant Thornton UK LLP Chartered Accountants - Registered Auditors No 1, Whitehall Riverside Leeds LS1 4BN
<b>BROKER:</b>	Daniel Stewart & Company Plc Becket House Old Jewry London EC2R 8DD
<b>SOLICITORS:</b>	Maclay Murray & Spens LLP One London Wall London EC2Y 5AB
<b>PATENTS ATTORNEYS:</b>	Dummett Copp 25 The Square Martlesham Heath Ipswich Suffolk IP5 3SL
<b>REGISTRARS:</b>	Computershare Investor Services Plc PO Box 859 The Pavilions Bridgewater Road Bristol BS99 7NH

---

**Tristel Plc**  
**Chairman's Statement**  
For the year ended 30 June 2009

---

I am pleased to report that the year ended 30 June 2009 was another year of progress for your Company. Group turnover increased by 14.9% to £6,846,682 (2008: £5,961,252). Profit before tax, amortisation of intangibles and share based payments increased by 6.6% to £1,459,817 (2008: £1,369,902) and profit before tax increased by 5.6% to £1,284,777 (2008: £1,216,577). Throughout the year we have continued to focus on the hospital marketplace, both in our home market in the United Kingdom and overseas. We continue to pursue our objectives of:-

- i. developing products that are superior in terms of efficacy, safety and ease of use over existing products; and
- ii. developing new infection control 'solutions' if prevailing technologies and techniques do not provide an effective, practical and affordable method for the control of hospital acquired infection.

During the year we also took into our portfolio a 'best of breed' technology developed by another company. We became the United Kingdom distributor for the French company AirinSpace, whose air hygiene technology complements our offer to the infection control community - our primary audience.

This initiative enables us to tackle another important route of transmission of infection in hospitals, that of airborne organisms, which is of enormous relevance to certain departments within hospitals, such as haematology. It also affirms our development as an infection control business. Although we are known for our lead technology - our proprietary chlorine dioxide chemistry - we recognise that effective infection control requires multiple interventions and a cohesive approach if it is to be successful, and this is what Tristel offers a hospital's infection control team.

**EPS and dividend**

Basic earnings per share were 3.42 pence (2008: 4.17 pence), a decrease of 18%. A deferred tax adjustment in 2007-08 lowered the overall tax charge to 13.8% which increased in 2008-09 to 28.5%, accounting for the decrease in EPS. Based upon the year's positive trading performance, the Board is recommending that the final dividend be increased to 1.295 pence (2008: 1.165 pence), increasing the total annual dividend by 9.7% to 1.7 pence per share (2008: 1.55 pence per share).

**Employees**

Our people are the mainstay of our business. The workforce has continued to grow from 40 at last year end to 47 at 30<sup>th</sup> June 2009. Furthermore, we now not only have employees in the United Kingdom but also in Italy, Germany, China and New Zealand. The Tristel team is truly in development. The Board recognises the professionalism and commitment of this team and I would like to thank them for their efforts this year.

**Outlook**

2008-09 was another important year in the development of Tristel into a recognisable force in the high-tech, critical end of infection control; a cornerstone objective of the Company. Since the year end, further important strides have been taken to realise this objective through three significant transactions. First, the acquisition of the intellectual property and manufacturing rights to a portfolio of disinfectant products sold largely into the animal healthcare market. Second, the establishment of a subsidiary company in China and the launch of our products into the fastest growing medical device market in the world; and, finally, the licensing of our proprietary technology for the Americas' market to The Clorox Company of the United States.

Having established our activities in most of world's largest infection control markets - Russia, China and North and South America - whilst continuing to expand the Group's business in our domestic and existing export markets, we have laid the foundations for continuing growth. We can look forward to the future with confidence.

**Francisco A. Soler**  
Chairman  
9<sup>th</sup> October 2009

#### **Chief Executive's review of activities**

Tristel designs, develops, manufactures and sells products that control and eliminate the risks of cross infection and contamination. They are most relevant to, and are mostly used in, the healthcare setting.

#### **We have a clear direction**

Continuity and consistency have been the guiding themes of our business and product development strategy from the time of our flotation in June 2005. All of the products that we market address one or more of the routes of transmission of infection and causes of contamination in a hospital. As our product portfolio develops, these products increasingly complement each other in the fight against hospital acquired infection (HAI). An HAI is an infection that a patient did not have or was not incubating on entering hospital.

Working day in and day out with infection control professionals in our hospitals confirms to us that only well coordinated multiple interventions can make a difference to HAI rates. This means good hand hygiene practice and effective disinfection of hospital surfaces – not only of large surface areas walked by patients, staff and visitors all day, everyday, but also of next-to-patient surfaces such as patient trolleys and bedside tables, and patient contact surfaces such as mattresses and commodes, especially commodes. It means an effective strategy against legionella in the hospital's water supply. It means that instruments used in diagnostic or therapeutic procedures must be thoroughly decontaminated.

During the year we built further upon this strategy by securing the distributorship for the United Kingdom of the air hygiene products of the French company AirinSpace. This enables us to tackle another important route of transmission of infection in hospitals, that of airborne organisms, which is of enormous relevance to certain departments within hospitals, such as haematology.

#### **We innovate to improve infection control practice**

Effective infection control in critical areas of the hospital requires the use of the highest performing chemistries. A key characteristic of our chlorine dioxide chemistry is that it is rapidly effective against bacterial spores, which are considered to be the most resistant of micro-organisms. As a consequence, Tristel products are described as 'sporicidal'. The much publicised pathogen *clostridium difficile* is a sporing organism.

However, the ability of a disinfectant chemistry to kill organisms in a laboratory test has to translate into products that can achieve the task 'on the job'. There is a growing realisation amongst infection control practitioners that some of the technologies and products that have been employed for years to control infection are either inadequate to do the job or inappropriate for the job to be done properly. For example, a disinfectant chemistry that is widely used on floors may be very effective according to its test data in killing bacteria, viruses and spores, but when the healthcare professional using the product prepares it and is overwhelmed by its odour, the product will not be used properly and the infection control strategy fails.

Tristel continues to invest its energy and financial resources in innovation to improve infection control practice. This means the development of products that will be superior in terms of efficacy – which we achieve because chlorine dioxide is such an effective biocide – but, as importantly, can be used safely, be deployed by operatives easily, and are affordable.

An example of how we have added to the armoury of infection control teams in their fight against the sporing organism *clostridium difficile* is our introduction during the year of Tristel Jet.

In most hospitals housekeeping staff typically clean the floors of a ward and nursing staff clean the near patient areas. On surfaces such as bedside tables the use of trigger sprays as used in the home would be most helpful for the staff. However, because of the toxicity of many disinfectant chemistries and the fact that trigger sprays create aerosols, their use is not allowed in many hospitals. In response, Tristel has created Jet, a unique packaging format that delivers our chlorine dioxide chemistry to a surface in the form of a gel, avoiding potentially harmful aerosols. Jet complements Fuse, our burstable sachet, and Duo, which applies chlorine dioxide as a foam – the complete armoury to disinfect all surfaces in a hospital.

**We understand infection control**

The United Kingdom is one of the most sophisticated infection control markets in the world. It is also one of the least regulated and has enjoyed more innovation than most others as a consequence.

With fifteen years' experience in the United Kingdom we have observed and often participated in some of the seismic shifts in infection control practice that have emerged in our home market. We benefit from two insights of this experience:-

- In all markets we observe the widely held view that automated infection control practice is somehow better than manual methods
- There are many markets in the world that have yet to follow the changes that have occurred in the United Kingdom.

Our understanding of these dynamics informs our product development strategy, enabling us to dominate niche areas of the hospital. This typically occurs first in our home market and can then be repeated overseas.

An example is the Ear, Nose and Throat (ENT) department. In infection control terms, ENT has been a neglected area worldwide. Identifying ENT as a significant business opportunity, we developed our patented wipes system for the small endoscopes used in this clinical area in 2004. These instruments are called nasendoscopes. The Trio Wipes System has become the dominant decontamination method for nasendoscopes in the United Kingdom ENT market.

Having raised decontamination standards with a simple manual system which has been easy to implement by hospitals because it requires no capital investment, we are now working with NHS and private hospitals to automate nasendoscope decontamination with our Shine washer-disinfector. Whilst this transition from manual to automated is now underway in the United Kingdom, it has not begun in ENT hospitals overseas.

**We will continue to expand geographically**

Tristel has a clear strategy to expand its business internationally. In all of the countries where we sold products during the year, the business model employed has been to use a national distribution partner, with the exception of Italy and New Zealand. In Italy we hold a 20% shareholding in Tristel Italia Srl. In New Zealand we have a wholly-owned subsidiary, Stella Performance Ltd.

Export sales during the year increased by 53% to £471,794 (2008: £308,495), representing 6.9% of Group total revenue (2008: 5.2%).

**Our prospects in a future that will be marked by cutbacks in healthcare spending**

Given the economic and financial turmoil of the past twelve months, and the burden of public sector debt that it has left, we must assume that healthcare spending will be squeezed in the United Kingdom. This prognosis holds true for much of Continental Europe.

However, there are well publicised performance targets for the control of hospital acquired infections and we cannot imagine a scenario in which they will be abandoned. As pathogenic organisms show no respect for public finance or politics, only a relentless hygiene programme will contain the issue.

We anticipate, therefore, that expenditure in our area will be reasonably well insulated from spending constraints that are imposed elsewhere within healthcare. We can also expect (and hope) that the NHS will spend its rationed budgets more effectively. Given that our products have unsurpassed performance characteristics and safety profiles, are easy to procure through NHS Logistics, and enjoy a fine pedigree, we may benefit from a more austere environment.

In other geographical markets in which we already have a presence or are targeting, improvement in infection control practice is an essential element of improving healthcare standards. The fast growing markets of the Middle, Near and Far East represent enormous opportunities for Tristel.

## **Results and finance**

### **Revenue**

Tristel has enjoyed another year of solid growth, increasing Group revenues by 14.9% to £6,846,682.

### **Margins and operating profit**

The gross margin declined during the year to 64.9% from 67.3%. This was in part due to the sale of Shine washer-disinfectors into the ENT departments of hospitals. During the year 22 units were sold (2008: 2), of which 19 were sold in the second half of the financial year. These capital equipment sales are at a lower margin than our consumable product sales. As the equipment is installed and becomes fully operational it generates the sale of the disinfectant used within the equipment which will be at a normalised margin.

Excluding amortisation of intangibles and share based payments, operating profits increased by 2.6% to £1,458,034 (2008: £1,421,412) and the operating margin declined from 23.8% to 21.3%. The pre-tax margin also declined in the year to 18.8% (2008: 20.4%) slightly below our established target of 20%.

### **Earnings**

The basic earnings per share were 3.42 pence (2008: 4.17 pence), a decrease of 18%. A deferred tax adjustment in 2007-08 lowered the overall tax charge to 13.8%. The overall tax charge increased to 28.5% in 2008-09, accounting for the decrease in EPS.

### **Capital expenditure and investments**

The Group has continued to invest in its manufacturing and warehousing capability and new product development.

Capital expenditure and investment during the year totalled £672,000 (2008: £1,003,000). The main elements of this investment were:-

- Expansion of the manufacturing and warehouse facility, £100,000 (2008: £233,000)
- Product development projects, £394,000 (2008: £532,000)

### **Treasury and deployment of capital**

The Group's working capital and capital expenditures have been financed from operating cash flow and utilisation of its overdraft facility.

The Group has adequate debt facilities to fund its foreseeable working capital and capital expenditure needs.

### **The year ahead and post Balance Sheet events**

As our Chairman has reported, three important strategic initiatives have been concluded since the year end. Whilst negotiations to enter the Americas and Chinese markets in two separate transactions were worked on throughout much of the year, the acquisition of the Medichem portfolio of disinfectants was opportunistic, being conceived in May and executed on July 3<sup>rd</sup> 2009.

All three transactions build upon the foundations that we have established over the past decade, developing our capabilities as a manufacturer and marketer of high performance disinfectant products and expanding our footprint geographically.

In the Americas' we have licensed our proprietary chlorine dioxide chemistry to The Clorox Company, a leading manufacturer and marketer of consumer and professional products, including its namesake bleach. Clorox is based in Oakland, California, is an S&P500 company (stock symbol CLX) with annual sales in excess of \$5 billion and 8,300 employees worldwide.

Like all small, developing companies in a global industry we have long held an ambition to enter the United States market. In fact, our first ever investment in the embryonic Tristel chemistry was for the commercial rights for North and South America. We soon abandoned our efforts on the other side of the Atlantic when we realised the costs and risks of navigating our way through the regulatory hurdles set up by the Environmental Protection Agency and the Food and Drug Administration.

**The year ahead and post Balance Sheet events - continued**

So, to find a partner of the stature and capability of Clorox to enable our technology to enter the Americas' market is an enormous achievement. Furthermore, it is the finest endorsement of our chlorine dioxide chemistry.

In China, we have established a subsidiary company, Shanghai Stella Medical Equipment Co. Ltd. ('SSM'), 85% owned by the Group. Our shareholder partners are a Chinese and a New Zealand national. SSM is launching the Stella endoscope decontamination system into the Chinese market and is also in the process of obtaining regulatory approval for Tristel's disinfectant products.

China is the third largest and fastest growing medical device market in the world. As previously stated in reference to world trends in infection control, improvement in infection control practice is an essential element of improving a nation's healthcare standards. We believe that our Group's products, which combine efficacy with safety and ease of use while avoiding the capital costs associated with automated infection control techniques, and the difficulties that are always associated with commissioning and maintaining such equipment, are well positioned for the Chinese market.

On 3<sup>rd</sup> July, we acquired the intellectual property and manufacturing rights for the portfolio of infection control products manufactured by Medichem International (Manufacturing) Limited ('Medichem'). Up to 2007, Medichem had been the contract manufacturer for the Tristel products. In that year we established our own manufacturing facility and commenced the production of our products.

The portfolio includes the surface disinfectant 'Trigene Advance', which is a market leader in the animal healthcare market. The portfolio utilises a number of antimicrobial chemistries. It will continue to be distributed by Medichem International (Marketing) Limited and is sold into over 30 countries.

The total consideration for the acquisition is not less than £2.15 million and no more than £2.4 million. The purchase price was settled by a cash payment of £1 million with the balance being payable over the next five years. We financed the acquisition via a placing of 2,688,287 ordinary shares at 41 pence per share in a successful fund raising exercise which was three times oversubscribed.

The acquisition is not only a significant expansion of our presence in the global infection control market, bringing to Tristel a portfolio of new biocidal chemistries and well-established, market leading brands, but it also enables us to gear up our manufacturing facility which has been under-utilised, dedicated as it has been since 2007 to the sole manufacture of the Tristel products.

These building block initiatives, combined with the solid progress that we continue to make in our existing domestic and international markets, pave the way for continued top line growth in 2010. We will maintain our discipline in focusing upon the healthcare marketplace and look forward to a successful year ahead.

**Paul Swinney**  
Chief Executive  
9<sup>th</sup> October 2009



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

**Francisco A Soler (aged 63), Non-Executive Chairman**  
*(Member of Remuneration & Audit Committees)*

Francisco Soler is a founding shareholder of the Group and is an active investor in a number of companies around the world. Among them, he was a member of the Board of United States Can Company (US Can), a company that was listed on the New York Stock Exchange before being taken private by a private equity Group. He is Chairman of The Bank of Miami N.A., and of Harbour Club Milano, a multi-sports club in Italy. He was Chairman of Leisure Tennis Limited, the owner of the Harbour Club leisure facility in Central London, which was sold to Cannons Group Plc in August 1998. He is a Knight of the Order of Malta and is the Ambassador from El Salvador to the Holy See.

**Paul C Swinney (aged 51), Chief Executive**

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

**Paul Barnes (aged 55), Finance Director**

Paul Barnes is a Chartered Certified Accountant with extensive experience of developing SME businesses from concept to listing and sale. He was a founder and Finance director of Tradeport Financial Networks plc, which was admitted to trading on AIM and achieved formal recognition as a Recognised Investment Exchange during his time at the company. He was formerly Finance director of Oxford Catalysts Plc. He was appointed to the Board of Tristel in June 2004.

**Peter Stephens (aged 53) Non-Executive Director**  
*(Chairman of Remuneration Committee)*

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

**Peter Clarke (aged 45), Non-Executive Director**

Peter Clarke 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.

**Antonio Soler (aged 33), Non-Executive Director**  
*(Chairman of Audit Committee)*

With degrees from Harvard College and INSEAD, Antonio Soler has worked in finance as an M&A specialist at Merrill Lynch & Co; in technology as a co-founder of Skillvest Ltd; and as a Global Strategist in the office of the Chairman of Samsung in South Korea. Antonio Soler currently works as a private equity investor and serves as a non-executive on six Company Boards.

**Bruce Green (aged 64) Non-Executive Director**

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

## **Introduction**

It is not a requirement for Companies that have securities listed on AIM to comply with the disclosure requirements of Directors' Remuneration Report Regulations 2002 or to comply with the UKLA Listing Rules and the disclosure provisions under schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. The Remuneration Committee, however, is committed to maintaining high standards of corporate governance and has taken steps to comply with the principles of best practice in so far as it can be applied practically given the size of the Company and the nature of its operations.

## **Remuneration Report**

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

## **Remuneration Committee**

The Remuneration Committee comprises certain of the non-executive directors under the chairmanship of Mr Peter Stephens. The Committee's constitution and operation is compliant with the provisions of the Combined Code on Corporate Governance published by the Financial Reporting Council. When setting its remuneration policy for executive directors, the Committee gives consideration to the provisions and principles of the Combined Code.

## **Remuneration Policy for Executive Directors**

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

The Company's remuneration policy for executive directors is to:

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

## **Remuneration Package for Executive Directors**

Executive directors' remuneration packages are considered annually and comprise a number of elements as follows:

### **a) Base Salary**

The base salary is reviewed annually in June each year. The review process undertaken by the Remuneration Committee has regard to the profitability and ongoing development of the Group and the contribution that individuals will continue to make. Consideration is also given to the need to retain and motivate individuals and available information on the salary levels in comparable organisations. To assist in this process the Remuneration Committee draws on the findings of external salary surveys and undertakes its own research.

### **b) Annual Performance Incentive**

The executive directors are eligible, at the discretion of the Remuneration Committee, for an annual bonus. The Remuneration Committee considers bonus awards, which are capped, at the beginning of each year and any such awards are determined by both the performance of the individual and the Group as a whole for the previous year.

### **c) Pensions and Other Benefits**

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

Other benefits provided are life assurance and private medical insurance. Currently no company cars are provided, but directors are paid an allowance for business miles travelled in accordance with HMRC guidelines.

**Tristel Plc**  
**Directors' Remuneration Report - continued**  
For the year ended 30 June 2009

**d) Share Options**

Executive directors may, at the discretion of the Remuneration Committee, be awarded share options. Where share options are to be granted, they will be granted at the closing mid market value of the Company's ordinary shares on the day prior to grant or higher and vest over a period of up to three years.

**Remuneration Policy for Non-Executive Directors**

The remuneration of the non-executive directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The non-executive directors do not receive any pension payments towards private arrangements, nor do they participate in any of the bonus schemes.

The non-executive directors each have service agreements that are reviewed annually by the Board. They are included in the one third of directors subject to retirement by rotation at each Annual General Meeting.

**Directors' Remuneration**

The directors received the following remuneration during the period to 30 June 2009.

Name of director	Salary and fees £'000	Bonus £'000	Taxable Benefits £'000	Share Based Pmts IFRS-2 £'000	2009 Total (Excl. pension) £'000	2008 Total (Excl. pension) £'000	2009 Pension £'000	2008 Pension £'000
<b>Executive</b>								
Mr Paul Swinney	141	44	2	(1)	186	137	19	12
Mr Paul Barnes	41	-	3	-	44	64	3	6
<b>Non-executive</b>								
Mr Francisco Soler	-	-	-	-	-	-	-	-
Mr Peter Stephens	20	-	-	-	20	20	-	-
Mr Peter Clarke	12	-	-	-	12	12	-	-
Mr Antonio Soler	40	-	-	-	40	42	-	-
Mr Bruce Green	12	-	-	-	12	3	-	-
<b>Aggregate Emoluments</b>	<b>266</b>	<b>44</b>	<b>5</b>	<b>(1)</b>	<b>314</b>	<b>278</b>	<b>22</b>	<b>18</b>

In the previous period to 30 June 2008 the Remuneration Committee amended the terms of Mr Paul Swinney's service contract, so that in the event of a change in control of the Group, he would receive a payment equivalent to 150% of his then prevailing annual salary.

**Directors' Share Options**

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

Name of director	Total shares granted	Total shares vested at 1 July 2008	Shares vesting in the year to 30 June 2009	Total shares vested at 30 June 2009	Exercise price	Earliest date of exercise	Date of expiry
<b>Executive</b>							
Mr Paul Swinney	250,000	250,000	-	250,000	59.5p	23/12/05	22/12/15

Options held by the directors are subject to vesting arrangements over the life of the options. An initial tranche of options became exercisable on the grant of the options. Further tranches become exercisable over periods ranging from twelve months to thirty-six months following the grant of the options.

---

**Tristel Plc**  
**Directors' Remuneration Report - continued**  
For the year ended 30 June 2009

---

**Directors' Shareholdings**

The interests of the directors in the shares of the Company at 30 June 2009 and 30 June 2008 were:

Ordinary 1p shares	30 June 2009	30 June 2008
<b>Executive</b>		
Mr Paul Swinney	1,485,742	1,565,742
Mr Paul Barnes	556,260	556,260
<b>Non-executive</b>		
Mr Francisco Soler	6,857,277	7,627,228
Mr Peter Stephens	1,095,681	1,095,681
Mr Peter Clarke	21,811	21,811
Mr Antonio Soler	-	-
Mr Bruce Green	924,016	924,016

The market price of the Company's shares as at 30 June 2009 was 44p. The range during the year was 36.5p to 50p (source - London Stock Exchange).

### **Corporate Governance**

Companies who have their securities traded on the Alternative Investment Market (AIM) are not required to comply with the disclosure requirements of the Combined Code published by the Financial Reporting Council. The Board has determined that the Company should maintain high standards of corporate governance, and has adopted procedures and has taken steps to adopt the underlying principles required for good governance, in so far as appropriate given the size of the Company and the nature of its operations.

### **Board of Directors**

The Company is controlled by the Board of directors, which comprises two executives, one of whom is the Chief executive officer, and five non-executive directors. The role of the Chief executive officer and Chairman are separate.

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

The Board is responsible to shareholders for the proper management of the Group and meets formally at least eight times a year to set the overall direction and strategy of the Group, to review operating and financial performance and to consider and advise on senior management appointments. The Board also monitors and approves financial policy and budgets, including capital expenditure. All key operational decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and that any and all applicable rules and regulations are complied with.

Directors are subject to election by shareholders at the first opportunity after their appointment. In addition, one third of the directors are subject to retirement by rotation at each Annual General Meeting.

### **Committees of the Board**

#### **Remuneration Committee**

The Remuneration Committee comprises certain of the non-executive directors under the chairmanship of Mr Peter Stephens. It reviews, inter-alia, the performance of the executive directors and sets the scale and structure of their remuneration and basis of their service agreements, having due regard to the interests of the shareholders. The Remuneration Committee also determines the allocation of share options to executive directors. No director has a service agreement exceeding one year.

One of the policies of the Remuneration Committee is that no individual participates on discussions or decisions concerning his own remuneration.

The Directors' Remuneration Report is set out on pages 9 to 11.

#### **Audit Committee**

The Audit Committee comprises certain of the non-executive directors under the Chairmanship of Mr Antonio Soler. Under its terms of reference it meets at least three times a year and amongst other duties, overviews the monitoring of the Group's internal controls, accounting policies and financial reporting, and provides a forum through which the external auditors report. It meets at least once a year with the external auditors without executive management present.

#### **Relations with Shareholders**

The Board considers effective communication with shareholders to be very important and encourages regular dialogue with both institutional and private investors. The Board responds promptly to questions received verbally or in writing. Directors regularly attend meetings with institutional shareholders and analysts throughout the year. Shareholders will be given at least 21 days notice of the Annual General Meeting at which they will be given the opportunity to discuss the Group's developments and performance.

The Company's web site [www.tristel.com](http://www.tristel.com) contains full details of the Group's activities, press releases and other details, as well as a link to the relevant web page of the London Stock Exchange web site for share price details, share trading activities and graphs, and Regulatory News Service ('RNS') announcements.

#### **Maintenance of a Sound System of Internal Control**

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

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

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

#### **Control Environment**

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

#### **Risk Management**

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

#### **Financial Information**

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

#### **Management of Liquid Resources**

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

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

The directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2009.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Group in the year under review was that of the design, manufacture and sale of infection control and water treatment products. Tristel Plc is a Public Limited Company and is incorporated and domiciled in the United Kingdom.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The Chairman's statement on page 3 and the Chief Executive's Report on pages 4 to 7 report on activities during the year, post Balance Sheet events and likely future developments. They also report on the main trends and factors likely to affect the future development, performance and position of the Group's business.

Management consider the primary KPI's for the Group to be revenues and gross margin %. These are both measured and monitored closely. Current period revenue is £6,846,682 (2008: £5,961,252); Gross margin % for the year is 64.9% (2008: 67.3%)

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

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

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

#### **Operating Risks**

These include the Group's ability to continue to supply in a timely manner the Group's existing product portfolio; the timing of developing new products to meet the requirements of customer demands; the successful implementation of new contracts; the achievement of the demanding service levels included in existing customer contracts; prolonged disruption to the Group's manufacturing base; the Group's ability to attract and retain the right quality and quantity of personnel; the failure of a product supplied by the Group and the ability to continue to develop and commercialise new products in such a way to produce a satisfactory level of profitability.

The Group keeps each of these risks under review working pro-actively in this regard. Each of the risks listed above, to a greater or lesser degree would have an impact on the financial performance of the Group.

#### **External Risks**

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

Operations in emerging or new markets may have a higher than average risk of political or economic instability, and may carry increased credit and financial risk. As a result, careful consideration is given to operations in emerging or new markets before the Group enters that market.

#### **Financial Risks**

The Group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk, interest rate risk, liquidity risk and exchange rate risk. The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives to manage these risks. At present the Group does not use financial derivatives.

**Financial Risks - continued**

The Group's financial instruments comprise cash, liquid resources, trade receivables and payables. The main purpose of these financial instruments is the funding of the Group's activities. It has been the Group's policy throughout the period under review that no trading in financial instruments shall be undertaken.

**Credit Risk**

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, which are concentrated in a large number of low value customer accounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

**Cash Flow Risk**

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

**Liquidity Risk**

Group policy is to build and retain sufficient cash balances to meet its anticipated requirements over a two to three year period. Surplus funds are placed on time deposits, with cash balances available for immediate withdrawal if required.

**RESULTS AND DIVIDENDS**

There was a profit for the year after taxation amounting to £918,941 (2008: £1,049,353).

A final dividend of £313,186 (1.165p per share) was paid during the year in respect of the year ended 30 June 2008. (2007: £244,429 (1p per share)).

An interim dividend of £108,876 (0.405p per share) was paid during the year in respect of the year ended 30 June 2009 (2008: £94,105 (0.385p per share)) and the directors recommend a final dividend of 1.295p per share (2008: 1.165p per share). The total distribution of dividends for the year ended 30 June 2009 will be £491,822 (2008: £407,291).

A review of the Group's performance for the year ended 30 June 2009 is contained in the Chairman's Statement on page 3 and the Chief Executive's Report on page 4.

**SHARE ISSUE**

Following the year end on 3 July 2009, the Company issued 2,688,287 new ordinary shares of 1p each for an aggregate consideration of £1,102,198. The shares were issued to assist the Group with the acquisition of the intellectual property and manufacturing rights for the portfolio of infection control products manufactured by Medichem International (Manufacturing) Limited.

**RESEARCH AND DEVELOPMENT**

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

**GOING CONCERN**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report above. Current economic conditions create a degree of uncertainty over the level of demand for the Group's products and services and the availability of finance through banking facilities.

The Group has considerable financial resources with strong net assets and current assets as noted in the principal activity and review of business. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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



## **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2008 to the date of this report.

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

One third of the directors retire by rotation and will be proposed for re-election at the Annual General Meeting.

The Group provides directors and officers indemnity insurance for the benefit of the directors of the Group. For the year to 30 June 2009, the policy cost £4,385 (2008: £4,195).

Details of directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 9 to 11.

## **GROUP'S POLICY ON PAYMENT OF CREDITORS**

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 30 June 2009 were equivalent to 27 days purchases (2008: 49 days).

Trade creditors of the Group at 30 June 2009 were equivalent to 34 days purchases (2008: 48 days), based on the average daily amount invoiced by suppliers during the year.

## **CORPORATE GOVERNANCE**

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

## **SUBSTANTIAL SHAREHOLDINGS**

Except for the directors' interests noted above, the directors are aware of the following who are interested in 3% or more of the Company's equity at 30 June 2009:

	No. of shares	% of issued share capital
Brewin Dolphin Securities	2,013,913	5.30%
M D Barnard & Co	1,681,324	4.21%
Rathbone Investment Management	1,625,609	4.05%

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

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

In so far as each of the directors is aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

**AUDITORS**

The auditors, Grant Thornton UK LLP, will be proposed for re-appointment in accordance with the Companies Act 2006.

**BY ORDER OF THE BOARD:**



**Paul Barnes**  
Secretary  
9<sup>th</sup> October 2009

We have audited the financial statements of Tristel plc for the year ended 30 June 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity, and notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Respective responsibilities of directors and auditors***

As explained more fully in the Directors' Responsibilities Statement set out on pages 16 and 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

***Scope of the audit of the financial statements***

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

***Opinion on financial statements***

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

***Opinion on other matter prescribed by the Companies Act 2006***

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

***Matters on which we are required to report by exception***

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

**Timothy Lincoln**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
**Leeds**  
**9<sup>th</sup> October 2009**

**Tristel Plc**  
**Consolidated Income Statement**  
For the year ended 30 June 2009

		Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
	Note		
<b>Revenue</b>		<b>6,847</b>	<b>5,961</b>
Cost of sales		(2,402)	(1,950)
<b>Gross Profit</b>		<b>4,445</b>	<b>4,011</b>
Other operating income		20	20
Administrative expenses – share based payments (IFRS2)		(14)	(37)
Administrative expenses – depreciation and amortisation		(402)	(309)
Administrative expenses – other		(2,766)	(2,417)
<b>Total administrative expenses</b>		<b>(3,182)</b>	<b>(2,763)</b>
<b>Operating profit</b>		<b>1,283</b>	<b>1,268</b>
Finance income	4	9	8
Finance costs	4	(7)	(59)
<b>Profit before tax</b>		<b>1,285</b>	<b>1,217</b>
Taxation	6	(366)	(168)
<b>Profit for the year</b>		<b>919</b>	<b>1,049</b>
<b>Attributable to:</b>			
Equity holders of parent		<b>919</b>	<b>1,049</b>
<b>Earnings per share from total and continuing operations</b>			
Basic – pence	9	<b>3.42</b>	<b>4.17</b>
Diluted – pence	9	<b>3.31</b>	<b>4.06</b>

All amounts relate to continuing operations.

The notes form part of these financial statements

**Tristel Plc**  
**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2009

	Share capital	Share premium account	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
1 July 2007	244	1,750	478	158	2,630
Profit and total income and expense for the year ended 30 June 2008	-	-	-	1,049	1,049
Dividends paid	-	-	-	(339)	(339)
Shares issued	25	913	-	-	938
Share based payments – IFRS 2	-	-	-	37	37
30 June 2008	269	2,663	478	905	4,315
Profit and total income and expense for the year ended 30 June 2009	-	-	-	919	919
Dividends paid	-	-	-	(422)	(422)
Share based payments – IFRS 2	-	-	-	14	14
30 June 2009	269	2,663	478	1,416	4,826

The notes form part of these financial statements

**Tristel Plc**  
**Company Statement of Changes in Equity**  
For the year ended 30 June 2009

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
1 July 2007	244	1,750	371	2,365
Profit and total income and expense for the year ended 30 June 2008	-	-	296	296
Dividends paid	-	-	(339)	(339)
Issue of shares	25	913	-	938
Share based payments – IFRS 2	-	-	37	37
30 June 2008	269	2,663	365	3,297
Profit and total income and expense for the year ended 30 June 2009	-	-	716	716
Dividends paid	-	-	(422)	(422)
Share based payments – IFRS 2	-	-	14	14
30 June 2009	269	2,663	673	3,605

The notes form part of these financial statements

**Tristel Plc**  
**Consolidated Balance Sheet**  
For the year ended 30 June 2009

	Note	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Goodwill	10	779	779
Intangible assets	11	2,317	1,996
Property, plant and equipment	12	980	844
Investments	13	37	17
Deferred tax	21	31	33
		<u>4,144</u>	<u>3,669</u>
<b>Current assets</b>			
Inventories	14	801	638
Trade and other receivables	15	1,611	1,367
Cash and cash equivalents	16	18	81
		<u>2,430</u>	<u>2,086</u>
<b>Total assets</b>		<u>6,574</u>	<u>5,755</u>
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	22	269	269
Share premium account		2,663	2,663
Merger reserve		478	478
Retained earnings		1,416	905
<b>Equity attributable to equity holders of parent</b>		<u>4,826</u>	<u>4,315</u>
<b>Current liabilities</b>			
Trade and other payables	17	963	958
Bank overdrafts	18	356	5
Interest bearing loans and borrowings	18	51	46
Current tax		375	376
		<u>1,745</u>	<u>1,385</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	18	3	55
<b>Total liabilities</b>		<u>1,748</u>	<u>1,440</u>
<b>Total equity and liabilities</b>		<u>6,574</u>	<u>5,755</u>

The financial statements were approved and authorised for issue by the Board of directors on 9<sup>th</sup> October 2009, and were signed on its behalf by:



**Paul Barnes**  
Finance director

The notes form part of these financial statements

**Tristel Plc**  
**Company Balance Sheet**  
For the year ended 30 June 2009

	Note	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Intangible assets	11	1,033	1,019
Investments	13	1,640	1,606
Deferred tax	21	21	30
		<u>2,694</u>	<u>2,655</u>
<b>Current assets</b>			
Trade and other receivables	15	1,785	1,086
Cash and cash equivalents	16	-	64
		<u>1,785</u>	<u>1,150</u>
<b>Total assets</b>		<u>4,479</u>	<u>3,805</u>
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	22	269	269
Share premium account		2,663	2,663
Retained earnings		673	365
<b>Equity attributable to equity holders of parent</b>		<u>3,605</u>	<u>3,297</u>
<b>Current liabilities</b>			
Trade and other payables	17	328	415
Bank overdrafts	18	270	-
Current tax liabilities		276	93
<b>Total liabilities</b>		<u>874</u>	<u>508</u>
<b>Total equity and liabilities</b>		<u>4,479</u>	<u>3,805</u>

The financial statements were approved and authorised for issue by the Board of directors on 9<sup>th</sup> October 2009, and were signed on its behalf by:



**Paul Barnes**  
Finance director

The notes form part of these financial statements



**Tristel Plc**  
**Consolidated Cash Flow Statement**  
For the year ended 30 June 2009

	Note	2009 £'000	2008 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operating activities	i	1,236	831
Interest paid		(7)	(59)
Corporation tax paid		(281)	(237)
		<u>948</u>	<u>535</u>
<b>Cash flows from investing activities</b>			
Interest received		9	8
Purchase of intangible assets		(482)	(616)
Acquisition of investments		(20)	(17)
Purchases of property, plant and equipment		(404)	(365)
Proceeds from sale of property, plant and equipment		4	58
Net cash used in investing activities		<u>(893)</u>	<u>(932)</u>
<b>Cash flows from financing activities</b>			
Loans received		-	140
Loans repaid		(47)	(139)
Share issues		-	1,000
Cost of share issues		-	(62)
Dividends paid		(422)	(339)
Net cash used in financing activities		<u>(469)</u>	<u>600</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period	ii	76	(127)
Cash and cash equivalents at the end of the period	ii	<u>(338)</u>	<u>76</u>

The notes form part of these financial statements

**Tristel Plc**  
**Notes to the Consolidated Cash Flow Statement**  
For the year ended 30 June 2009

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

	2009 £'000	2008 £'000
Profit before tax	1,285	1,217
Adjustments for:		
Depreciation	241	193
Amortisation of intangible assets	161	115
Share based payments – IFRS2	14	37
(Profit) / loss on disposal of property, plant and equipment	23	(4)
Government grants	(20)	(20)
Finance costs	7	59
Loan charges	-	1
Finance income	(9)	(8)
	<u>1,702</u>	<u>1,590</u>
Increase in inventories	(163)	(150)
Increase in trade and other receivables	(244)	(220)
Decrease in trade and other payables	(59)	(389)
	<u>1,236</u>	<u>831</u>
<b>Cash generated from operations</b>	<u>1,236</u>	<u>831</u>

**ii. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts

	30 June 2009 £'000	30 June 2008 £'000
<b>Year ended 30 June 2009</b>		
Cash and cash equivalents	18	81
Bank overdrafts	(356)	(5)
	<u>(338)</u>	<u>76</u>
	<u>30 June 2008 £'000</u>	<u>30 June 2007 £'000</u>
<b>Year ended 30 June 2008</b>		
Cash and cash equivalents	81	38
Bank overdrafts	(5)	(165)
	<u>76</u>	<u>(127)</u>

**Tristel Plc**  
**Company Cash Flow Statement**  
For the year ended 30 June 2009

	Not c	2009 £'000	2008 £'000
<b>Cash flows from operating activities</b>			
Cash generated from / (used in) operating activities	a	207	(186)
Interest paid		(2)	(1)
Corporation tax paid		(13)	(233)
		<u>192</u>	<u>(420)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(88)	(83)
Addition to goodwill		-	(5)
Acquisition of investment		(20)	(17)
Interest received		4	5
<b>Net cash used in investing activities</b>		<u>(104)</u>	<u>(100)</u>
<b>Cash flows from financing activities</b>			
Shares issued		-	1,000
Cost of share issue		-	(62)
Dividends paid		(422)	(339)
<b>Net cash (used in) / from financing activities</b>		<u>(422)</u>	<u>599</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(334)</b>	<b>79</b>
Cash and cash equivalents at the beginning of the period	b	<u>64</u>	<u>(15)</u>
<b>Cash and cash equivalents at the end of the period</b>	b	<u>(270)</u>	<u>64</u>

The notes form part of these financial statements

**Tristel Plc**  
**Notes to the Company Cash Flow Statement**  
**For the year ended 30 June 2009**

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	1,003	327
Amortisation of intangibles	74	59
Finance costs	2	1
Finance income	(4)	(5)
	<u>1,075</u>	<u>382</u>
Increase in trade and other receivables	(699)	(728)
Increase / (decrease) in trade and other payables	(169)	160
<b>Cash generated from operations</b>	<u><b>207</b></u>	<u><b>(186)</b></u>

**b CASH AND CASH EQUIVALENTS**

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts

	<b>30 June</b>	<b>30 June</b>
	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Year ended 30 June 2009</b>		
Cash and cash equivalents	-	64
Bank overdrafts	(270)	-
	<u>(270)</u>	<u>64</u>
	<b>30 June</b>	<b>30 June</b>
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Year ended 30 June 2008</b>		
Cash and cash equivalents	64	-
Bank overdrafts	-	(15)
	<u>64</u>	<u>(15)</u>

**1. ACCOUNTING POLICIES**

**Basis of accounting**

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

**Basis of consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated Balance Sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

**Business combinations completed prior to date of transition to IFRS**

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

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

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

**Significant judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**1. ACCOUNTING POLICIES - continued**

**Significant judgments and estimates – continued**

The directors consider that the key judgments and sources of estimation made in preparation of the financial statements relate to intangible assets, goodwill and research and development, where judgments are made to determine when a development project meets the Group's capitalisation criteria.

Tests have been undertaken using commercial judgments and a number of assumptions and estimates have been made to support their carrying amounts, assessed against expected financial returns. The details of these assumptions are set out in note 10.

**Revenue recognition**

Revenue is the amount receivable by the Group in the ordinary course of business with outside customers for the Group's proprietary chlorine dioxide based products, shipped as a principal and for ancillary goods provided, excluding value added tax and trade discounts. Product revenue is recognised upon shipment of product.

**Goodwill**

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

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

**Intangible assets - patents, trademarks and licences**

Patents, trademarks and licences that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the Income Statement on a straight line basis over estimated useful lives of intangible assets.

Intangible assets are tested for impairment if there is indication of impairment. Intangible assets are amortised from the date they are brought into use. The estimated useful life of the identified intangible assets is ten years.

**Intangible assets - research and development**

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

Generator development costs	- Straight line over useful economic life of seven years from 1 July 2007
Other development costs	- Straight line over useful economic life of seven years or units sold

**1. ACCOUNTING POLICIES - continued**

**Intangible assets - research and development - continued**

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

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

The amortisation of Intangible assets is charged to Administrative Expenses in the Income Statement.

**Property, plant and equipment**

Property, plant and equipment are held at cost less accumulated depreciation and impairment losses.

Depreciation is provided at the following annual rates in order to write off each asset less the estimated residual value of property, plant and equipment over their estimated useful economic lives as follows:

Short leasehold and improvements to property	- Straight line over the lease term
Plant and machinery	- 33% on cost and 20% on cost
Fixtures and fittings	- 25% on cost and 20% on cost
Motor vehicles	- 25% on cost

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

**Impairment of tangible and intangible assets excluding goodwill**

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount,

the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

**Inventories**

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

**Cash and cash equivalents**

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

of these assets approximates to their fair value.

## **1. ACCOUNTING POLICIES - continued**

### **Leased assets**

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

All leases are regarded as operating leases and the payments made under them are charged to the Income Statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

### **Financial liabilities and equity**

A financial liability is an obligation to pay cash or other financial asset, an equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities and equity instruments are classified according to the substance of the contracted arrangements entered into.

### **Financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value, plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

### **Trade and other receivables**

Trade receivables are initially recognised at fair value, plus transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method.

### **Trade and other payables**

Trade payables are initially recognised at fair value, net of direct issue costs. Subsequently they are measured at amortised cost using the effective interest rate method.

### **Dividends**

Final dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

### **Equity**

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- 'Merger reserve' represents merger relief taken in respect of the premium paid on the issue of shares to finance the acquisition of a subsidiary undertaking prior to the Group's IFRS transition date.
- 'Retained earnings' represents the retained income and expenditure reserve.



**1. ACCOUNTING POLICIES - continued**

**Taxation**

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated according to local tax rules, using tax rates enacted or substantively enacted by the Balance sheet date.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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

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

**Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. At the Balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. These translation differences are dealt with in the Income Statement.

**Government grants**

Government grants relating to capital expenditure are treated as deferred income and released to the Income Statement over the expected useful lives of the assets concerned. Grants of a revenue nature are credited to the Income Statement so as to match them with the expenditure to which they relate.

**Share based payments**

In accordance with IFRS 2 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period on the Group's estimate of shares or options that will eventually vest. In the case of options granted, the fair value is measured by a Black-Scholes pricing model. Further details are set out in note 22.

Where options are granted over the parent Company shares to employees of subsidiary undertakings, the cost of investment in the subsidiary is increased by the fair value of the options granted and assessed for impairment in accordance with IAS 36.

**Borrowing costs**

Costs are charged to the Income Statement as incurred.

**Pension costs**

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

**1. ACCOUNTING POLICIES - continued**

**Adoption of IFRS 8 *Operating Segments***

The group has decided to adopt early IFRS 8 *Operating Segments*, which replaces IAS 14 *Segment Reporting*. However, the adoption of this Standard has not affected the way the Group identifies separate operating segments relevant for segment reporting. The Group presents segment results in accordance with internal management reporting information. The main changes are that:

- Segment results are based on operating results of each segment. Finance costs and income, including gains and losses resulting from accounting for investments at equity and taxes or the results of any discontinued operations, are excluded from segment results.
- In addition, the Group's management does not consider share based payment expenses when making decisions about allocating resources to each segment and assessing its performance.

Refer to note 2 on page 34 for further information about the Group's updated segment reporting accounting policies.

**Adopted IFRSs not yet applied**

The following Standards and Interpretations have been issued but are not yet effective. They have not been adopted early by the Group.

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

The adoption of these Standards and Interpretations is not expected to impact the Group significantly, except for additional disclosures and amendments to presentation as required by IAS 1

**1. ACCOUNTING POLICIES - continued**

**Associates**

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

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

Items that have been recognised directly in the associate's equity are recognised in the consolidated equity of the Group. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

**2. SEGMENTAL ANALYSIS**

In identifying its operating segments, management follows the Group's revenue line, which is derived from the principal activity of the manufacture, development and sale of infection control products using the Group's chlorine dioxide chemistry and its associated applications.

The accounting segments the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, with the exception of:

- expenses relating to share-based payments, and
- research costs relating to new business activities are not included in arriving at the operating result of the entity's operating segments.

The Group currently identifies its revenue line as one operating segment, as described above. The operation is monitored and measured on the basis of the key performance indicators and strategic decisions are made on the basis of the segment's adjusted operating result. This is considered as the measure of the individual segment's profit or loss.

**Tristel Plc**  
**Notes to the Consolidated Financial Statements - continued**  
For the year ended 30 June 2009

**2. SEGMENTAL ANALYSIS - continued**

<b>Sale of Infection control products</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>		
From external customers	<u>6,847</u>	<u>5,961</u>
<b>Segment revenues</b>	<u>6,847</u>	<u>5,961</u>
<b>Cost of material</b>	<b>2,402</b>	<b>1,950</b>
<b>Employee benefit expense</b>	<b>1,553</b>	<b>1,375</b>
<b>Depreciation, amortisation and impairment of non financial assets</b>	<b>402</b>	<b>309</b>
<b>Other expenses</b>	<u><b>1,193</b></u>	<u><b>1,073</b></u>
<b>Segment operating results</b>	<u><b>1,297</b></u>	<u><b>1,254</b></u>
<b>Segment assets</b>	<u><b>6,574</b></u>	<u><b>5,755</b></u>

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Segment assets</b>		
Total segment assets all held in UK	<u>6,574</u>	<u>5,755</u>
<b>Group assets</b>	<u><b>6,574</b></u>	<u><b>5,755</b></u>

The Group's revenues from external customers have been identified from internal reporting systems, and may be summarised as follows.

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>United Kingdom</b>	<b>6,375</b>	<b>5,653</b>
<b>Rest of the world</b>	<u><b>472</b></u>	<u><b>308</b></u>
<b>Group revenues</b>	<u><b>6,847</b></u>	<u><b>5,961</b></u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Segment results</b>		
Total segment results reported	<b>1,297</b>	<b>1,254</b>
Unallocated operating income and expenses	<u><b>(12)</b></u>	<u><b>(37)</b></u>
<b>Group profit before tax</b>	<u><b>1,285</b></u>	<u><b>1,217</b></u>

During the year ended 30 June 2009, 8.8% of the Group's revenues were earned from a single customer (30 June 2008 3.1%).

**Tristel Plc**  
**Notes to the Consolidated Financial Statements - continued**  
For the year ended 30 June 2009

**3. EMPLOYEES AND DIRECTORS**

<b>Group</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Wages and salaries	1,360	1,206
Social security costs	141	128
Other pension costs	52	41
	<u>1,553</u>	<u>1,375</u>

The charge to share based payments in accordance with IFRS 2 arises from transactions accounted for as equity-settled share based payments. No remuneration is paid through the company.

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

	<b>2009 Group</b>	<b>2009 Company</b>	<b>2008 Group</b>	<b>2008 Company</b>
Executive directors	2	-	2	-
Non-executive directors	4	-	3	-
Sales and marketing	15	-	13	-
Administration	11	-	11	-
Production	12	-	10	-
	<u>44</u>	<u>-</u>	<u>39</u>	<u>-</u>

	<b>2009 Group £'000</b>	<b>2009 Company £'000</b>	<b>2008 Group £'000</b>	<b>2008 Company £'000</b>
Directors' emoluments	324	-	272	-
Aggregate pension contributions to money purchase schemes	22	-	18	-
	<u>346</u>	<u>-</u>	<u>290</u>	<u>-</u>

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

	<b>2009 Group</b>	<b>2009 Company</b>	<b>2008 Group</b>	<b>2008 Company</b>
Money purchase schemes	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

Information regarding the highest paid director is as follows:

	<b>2009 Group £'000</b>	<b>2009 Company £'000</b>	<b>2008 Group £'000</b>	<b>2008 Company £'000</b>
Emoluments	188	-	131	-
Aggregate contributions to money purchase schemes	20	-	12	-
	<u>208</u>	<u>-</u>	<u>143</u>	<u>-</u>

**Tristel Plc**  
**Notes to the Consolidated Financial Statements - continued**  
For the year ended 30 June 2009

**3. EMPLOYEES AND DIRECTORS – continued**

<b>Key management compensation</b>	<b>2009 Group £'000</b>	<b>2009 Company £'000</b>	<b>2008 Group £'000</b>	<b>2008 Company £'000</b>
Salaries and short-term employee benefits	327	-	353	-
Post-employment benefits	29	-	23	-
Share based payments IFRS 2	9	-	9	-
	<u>365</u>	<u>-</u>	<u>385</u>	<u>-</u>

The key management figures given above include directors.

**Company**

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

**4. FINANCE INCOME AND COSTS**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Finance income:		
Deposit account interest	4	4
Staff loan interest	2	2
Other interest	3	2
	<u>9</u>	<u>8</u>
Finance costs:		
Bank interest	(7)	(59)

**5. PROFIT BEFORE TAX**

The profit before tax is stated after charging/(crediting):	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Cost of inventories recognised as expense	1,182	1,950
Depreciation - owned assets	241	193
Loss / (Profit) on disposal of property, plant & equipment	23	(4)
Patents and licences amortisation	75	60
Development costs amortisation	86	55
Auditor's remuneration	56	61
Foreign exchange differences	1	(1)
Operating lease rentals - land and buildings	121	102
- vehicles and equipment	23	17
Research costs expensed	<u>44</u>	<u>38</u>

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

	<b>2008</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Audit services		
- audit of these financial statements	20	20
- audit of financial statements of subsidiaries	<u>31</u>	<u>29</u>
	<u>51</u>	<u>49</u>
Non-audit services		
- taxation services		
Parent Company	1	3
Subsidiaries	2	6
- other services	<u>2</u>	<u>3</u>
	<u>5</u>	<u>12</u>
	<u>56</u>	<u>61</u>

6. TAX

The taxation charge represents:

	2009 £'000	2008 £'000
Current taxation:-		
Corporation tax	375	376
Adjustment in respect of earlier years	(11)	7
Total current tax	<u>364</u>	<u>383</u>
Deferred tax:-		
Origination and reversal of temporary differences	2	(215)
Total deferred tax	<u>2</u>	<u>(215)</u>
Total tax charge in Income Statement	<u>366</u>	<u>168</u>

Factors affecting the tax charge

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

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	<u>1,285</u>	<u>1,217</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28%)	360	341
Effects of:		
Expenses not deductible for tax purposes	4	2
Temporary differences in capital allowances and depreciation	32	(194)
Different rate tax bands and change in tax rates	(13)	18
Enhanced relief on qualifying scientific research expenditure	(6)	(6)
Adjustment in respect of prior years	(11)	7
Total tax charge for year	<u>366</u>	<u>168</u>



7. **PARENT COMPANY INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £716,483 (2008: £295,476).

8. **DIVIDENDS**

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the year:		
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2008 of 1.165p (2007: 1p) per share	313	245
Interim dividend for the year ended 30 June 2009 of 0.405p (2008: 0.385p) per share	109	94
	<u>422</u>	<u>339</u>
Proposed final dividend for the year ended 30 June 2009 of 1.295p (2008: 1.165p) per share	<u>383</u>	<u>313</u>

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

9. **EARNINGS PER SHARE**

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

	2009 £'000	2008 £'000
Retained profit for the financial year attributable to equity holders of the parent	<u>919</u>	<u>1,049</u>
	<b>Shares '000 Number</b>	<b>Shares '000 Number</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	26,883	25,138
Effect of dilutive potential ordinary shares		
Share options	<u>898</u>	<u>682</u>
	<u>27,781</u>	<u>25,820</u>
Earnings per ordinary share		
Basic	3.42p	4.17p
Diluted	<u>3.31p</u>	<u>4.06p</u>

The calculation of the weighted average number of shares is based on the year ended 30 June 2009 and 2008. The calculation of diluted earnings per share includes outstanding options on 1,160,000 ordinary shares at 30 June 2009 (773,750– 30 June 2008).

10. **GOODWILL**

Group	Total £'000
<b>Cost</b>	
At 1 July 2007	774
Additions	5
<b>At 30 June 2008</b>	<b>779</b>
Additions	-
<b>At 30 June 2009</b>	<b>779</b>
<b>Net book value</b>	
At 30 June 2009	779
At 30 June 2008	779

The acquired goodwill in respect of Tristel Technologies Limited was tested for impairment in accordance with IAS 36 and for this purpose the acquisition was identified as a single cash-generating unit. The value of goodwill as at 30 June 2009 was evaluated by reference to actual performance against forecasted profit and cash flow projections prepared for the CGU in June 2008 for the year to 30 June 2009 and in respect of future profit and cash flow forecasts prepared in June 2009 for the two years ending 30 June 2011. In evaluating the forecast performance in respect of the present value of the forecast cash flows, management adopted a discount rate of 10%. The growth rate used after the specifically budgeted period was 2%. In the opinion of the directors no goodwill impairment was considered necessary as the current value of future cash flows, based on value in use calculations exceed the carrying value of the asset. The carrying amount of goodwill at 30 June 2009 totalling £779,000 (2008: £779,000) is allocated to the cash-generating unit - Tristel Technologies Limited.

**Company**

The Company has no goodwill to account for.

11. **INTANGIBLE ASSETS**

Group	Patents and licences £'000	Development costs – Marketable products £'000	Development costs – Products in development £'000	Totals £'000
<b>Cost</b>				
At 1 July 2007	1,361	598	-	1,959
Additions	83	501	32	616
Reclassification	211	-	-	211
<b>At 30 June 2008</b>	<b>1,655</b>	<b>1,099</b>	<b>32</b>	<b>2,786</b>
Additions	88	327	67	482
<b>At 30 June 2009</b>	<b>1,743</b>	<b>1,426</b>	<b>99</b>	<b>3,268</b>
<b>Amortisation</b>				
At 1 July 2007	360	104	-	464
Amortisation for year	60	55	-	115
Reclassification	211	-	-	211
<b>At 30 June 2008</b>	<b>631</b>	<b>159</b>	<b>-</b>	<b>790</b>
Amortisation for year	75	86	-	161
<b>At 30 June 2009</b>	<b>706</b>	<b>245</b>	<b>-</b>	<b>951</b>
<b>Net book value</b>				
At 30 June 2009	1,037	1,181	99	2,317
At 30 June 2008	1,024	940	32	1,996

**11. INTANGIBLE ASSETS – continued**

In June 2008, Tristel Technologies Limited ('TTL'), a subsidiary undertaking, entered into a new 20 year supply and distribution agreement with Bio-Cide International, Inc. ('BCI'), a company incorporated in the United States of America. As part of the consideration for entering into this new supply and distribution agreement, TTL paid £75,473 to BCI. This payment which was towards the registration costs of the sodium chlorite/chlorine dioxide group of the European Union Biocide Products Directive enables TTL to participate and fashion the shape of the biocides industry in Europe. The cost will be amortised over a 10 year period.

The reclassification shown above relates to the reinstatement of assets previously netted off.

<b>Company</b>	<b>Patents and licences £'000</b>	<b>Totals £'000</b>
<b>Cost</b>		
At 1 July 2007	1,354	<b>1,354</b>
Additions	83	<b>83</b>
At 30 June 2008	1,437	<b>1,437</b>
Additions	88	<b>88</b>
<b>At 30 June 2009</b>	<b>1,525</b>	<b>1,525</b>
<b>Amortisation</b>		
At 1 July 2007	359	<b>359</b>
Amortisation for year	59	<b>59</b>
At 30 June 2008	418	<b>418</b>
Amortisation for year	74	<b>74</b>
<b>At 30 June 2009</b>	<b>492</b>	<b>492</b>
<b>Net book value</b>		
<b>At 30 June 2009</b>	<b>1,033</b>	<b>1,033</b>
At 30 June 2008	1,019	<b>1,019</b>

The Company acquired certain manufacturing rights in April 2007. This acquired intellectual property was tested for impairment in accordance with IAS 36, for this purposes the value of intellectual property has been evaluated by reference to increased gross margins that have arisen as a result of cost savings in the manufacturing process through the acquisition of these rights and the benefits of the positive future profit and cash flows arising there from. No amortisation was provided on this asset in the current financial year. In the opinion of the directors, no impairment was considered necessary as the cost savings expected through the acquisition of the manufacturing rights will continue to accrue to the Company.

**12. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Short leasehold £'000</b>	<b>Improvements to property £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Totals £'000</b>
<b>Cost</b>						
At 1 July 2007	47	175	488	186	143	<b>1,039</b>
Additions	1	151	68	14	131	<b>365</b>
Disposals	(5)	(16)	-	-	(102)	<b>(123)</b>
Reclassification	-	-	86	(86)	-	<b>-</b>
At 30 June 2008	43	310	642	114	172	<b>1,281</b>
Additions	-	69	262	8	65	<b>404</b>
Disposals	-	-	(135)	(8)	(12)	<b>(155)</b>
<b>At 30 June 2009</b>	<b>43</b>	<b>379</b>	<b>769</b>	<b>114</b>	<b>225</b>	<b>1,530</b>
<b>Depreciation</b>						
At 1 July 2007	1	16	180	64	44	<b>305</b>
Eliminated on disposal	-	(11)	-	-	(50)	<b>(61)</b>
Charge for year	4	22	100	20	47	<b>193</b>
Reclassification	-	-	37	(37)	-	<b>-</b>
At 30 June 2008	5	27	317	47	41	<b>437</b>
Eliminated on disposal	-	-	(112)	(4)	(12)	<b>(128)</b>
Charge for year	10	38	123	20	50	<b>241</b>
<b>At 30 June 2009</b>	<b>15</b>	<b>65</b>	<b>328</b>	<b>63</b>	<b>79</b>	<b>550</b>
<b>Net book value</b>						
<b>At 30 June 2009</b>	<b>28</b>	<b>314</b>	<b>441</b>	<b>51</b>	<b>146</b>	<b>980</b>
At 30 June 2008	38	283	325	67	131	<b>844</b>

The reclassification shown above relates to items previously shown as fixtures and fittings now classed as plant and machinery. Plant & machinery and Fixtures & fittings were scrapped during the year, resulting in a loss on disposal of £26,655.

**Company**

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

**Tristel Plc**  
**Notes to the Consolidated Financial Statements - continued**  
For the year ended 30 June 2009

**13. INVESTMENTS**

<b>Group</b>	<b>Shares in associate £'000</b>			
<b>Cost</b>				
At 1 July 2007 and 30 June 2008				17
Additions				20
<b>At 30 June 2009</b>				<b>37</b>
<b>Net book value</b>				
<b>At 30 June 2009</b>				<b>37</b>
<b>At 30 June 2008</b>				<b>17</b>

<b>Company</b>	<b>Share based payments – IFRS2 £'000</b>	<b>Shares in associate £'000</b>	<b>Shares in Group undertakings £'000</b>	<b>Totals £'000</b>
<b>Cost</b>				
At 1 July 2007	-	-	1,547	1,547
Additions	37	17	5	59
<b>At 30 June 2008</b>	<b>37</b>	<b>17</b>	<b>1,552</b>	<b>1,606</b>
Additions	14	20	-	34
<b>At 30 June 2009</b>	<b>51</b>	<b>37</b>	<b>1,552</b>	<b>1,640</b>
<b>Net book value</b>				
<b>At 30 June 2009</b>	<b>51</b>	<b>37</b>	<b>1,552</b>	<b>1,640</b>
<b>At 30 June 2008</b>	<b>37</b>	<b>17</b>	<b>1,552</b>	<b>1,606</b>

Investments in the Company include amounts in relation to options granted over the parent Company shares to employees of subsidiaries.

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following:

<b>Subsidiaries</b>		
<b>Tristel Solutions Limited (Incorporated in England and Wales)</b>	<b>2009</b>	<b>2008</b>
Nature of business: Supply of infection control products		
Class of shares	<b>Ordinary</b>	<b>Ordinary</b>
Holding	<b>100%</b>	<b>100%</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate capital and reserves	<b>1,563</b>	<b>1,339</b>
Profit for the year	<b>210</b>	<b>565</b>

**Tristel Plc**  
**Notes to the Consolidated Financial Statements - continued**  
For the year ended 30 June 2009

**13. INVESTMENTS – continued**

**Tristel Technologies Limited (Incorporated in England and Wales)**

Nature of business: Supply of water purification products

Class of shares

Holding

2009 2008

Ordinary Ordinary

100% 100%

£'000 £'000

Aggregate capital and reserves

544 490

Profit for the year

54 189

**Stella Performance Limited (Incorporated in New Zealand)**

Nature of business: Supply of infection control products

Class of shares

Holding

2009 2008

Ordinary -

100% -

£'000 £'000

Aggregate capital and reserves

(67) -

Loss for the year

(67) -

**Associated Company**

**Tristel Italia Srl (Incorporated in Italy)**

Nature of business: Supply of infection control products

Class of shares

Holding

2009 2008

Ordinary Ordinary

20% 20%

2009 2008

£'000 £'000

Total assets

94 67

Total liabilities

(128) (80)

Aggregate capital and reserves

(34) (13)

Loss for the period

(43) (21)

The results of Tristel Italia Srl, which commenced trade during the prior year have not been equity accounted into the financial statements of the Group by virtue of their immateriality, and therefore Tristel Italia Srl has been accounted for as if it were an investment.

**14. INVENTORIES**

<b>Group</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	513	419
Finished goods	288	219
	<u>801</u>	<u>638</u>

**Company**

The Company has no inventories.

**15. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Current</b>				
Trade receivables	1,045	971	-	-
Amounts owed by Group undertakings	105	62	1,738	1,036
Other receivables	148	103	33	44
Prepayments and accrued income	313	231	14	6
	<u>1,611</u>	<u>1,367</u>	<u>1,785</u>	<u>1,086</u>

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

The directors consider that there are no irrecoverable amounts from the sale of goods. This position has been determined by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The credit risk on the Group is primarily attributable to its trade receivables. An allowance for impairment has been made where there was an identifiable loss event which, based on previous experience, was evidence of a reduction in recoverability of the cash flows.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Bank accounts	18	81	-	64
	<u>18</u>	<u>81</u>	<u>-</u>	<u>64</u>

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

The credit risk on the Group's principal financial assets, cash and bank balances and trade and other receivables has been assessed. Credit risk on liquid funds and financial instruments is limited because the holders are banks with high credit ratings assigned by international credit rating agencies.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<b>Current</b>				
Trade payables	403	516	14	24
Amounts owed to Group undertakings	-	-	270	350
Social security and other taxes	193	161	-	-
Accruals and deferred income	367	281	44	41
	<u>963</u>	<u>958</u>	<u>328</u>	<u>415</u>

Government grants of £23,095 are included in the accruals and deferred income figure above.



**18. FINANCIAL LIABILITIES – BORROWING**

Terms and loan repayment schedule	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Bank overdraft	356	5	270	-
Other loans	54	101	-	-
	<u>410</u>	<u>106</u>	<u>270</u>	<u>-</u>

	Group		Company	
	2009 1 year or less £'000	2008 1 year or less £'000	2009 1 year or less £'000	2008 1 year or less £'000
<b>Current</b>				
Bank overdraft	356	5	270	-
Other loans	51	46	-	-
	<u>407</u>	<u>51</u>	<u>270</u>	<u>-</u>

	Group		Company	
	2009 More than 1 year but less than 2 years £'000	2008 More than 1 year but less than 2 years £'000	2009 More than 1 year but less than 2 years £'000	2008 More than 1 year but less than 2 years £'000
<b>Non Current</b>				
Other loans	3	55	-	-
	<u>3</u>	<u>55</u>	<u>-</u>	<u>-</u>

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

Other loans comprise a loan from Lombard North Central Plc issued to the Company's subsidiary Tristel Solutions Ltd, which is repayable by fixed instalments over 36 months, ending 30 June 2010. Interest is payable at 2% above base rate. This loan is secured via a guarantee from the Company.

## 19. FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments

- credit risk
- market risk
- interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

### *Market risk*

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### *Interest rate risk*

Interest rate risk is the risk the Group faces that changes in short term deposit rates will adversely affect the coupon the Group earns on its short term deposits. The Group places surplus working capital funds with AA rated financial institutions and seeks to maximise the returns on short term deposits by using fixed rate deposits wherever possible.

### *Capital management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors both the demographic spread of shareholders, as well as the return on capital and the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### *Financial assets and liabilities*

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

19. FINANCIAL INSTRUMENTS – continued

*Credit risk*

*Exposure to credit*

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

	Group carrying amount		Company carrying amount	
	2009	2008	2009	2008
	£000	£000	£000	£000
Cash and cash equivalents	(338)	76	(270)	64
Trade and other receivables excluding prepayments	1,193	1,077	1,771	1,080
	<u>855</u>	<u>1,153</u>	<u>1,501</u>	<u>1,144</u>

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

	Group carrying amount		Company carrying amount	
	2009	2008	2009	2008
	£000	£000	£000	£000
United Kingdom	989	1,010	1,579	1,080
Europe	119	56	105	-
Rest of world	85	11	87	-
	<u>1,193</u>	<u>1,077</u>	<u>1,771</u>	<u>1,080</u>

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. A doubtful debt of £15,268 has been provided against but no other receivables were considered to be impaired.

*Liquidity risk*

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

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Not past due	927	754	1,771	1,080
Past due 0-30 days	188	189	-	-
Past due 31-120 days	73	87	-	-
Past due 120 days +	5	47	-	-
	<u>1,193</u>	<u>1,077</u>	<u>1,771</u>	<u>1,080</u>

Of the Group 31-120 days + balance, 96% of the £78,000 (2008: 69% of the £134,000) has been paid since year end. The remaining balances are considered fully recoverable.

**19. FINANCIAL INSTRUMENTS – continued**

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

**Group**

	Carrying amount £'000	Contractual cash flows £'000	6 month or less £'000	6 to 12 months £'000
<b>30 June 2009</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	963	963	963	-
Borrowings – Other loans	58	58	24	29
	<u>1,021</u>	<u>1,021</u>	<u>987</u>	<u>29</u>

**30 June 2008**

<b>Non-derivative financial liabilities</b>				
Trade and other payables	958	958	958	-
Borrowings – Other loans	101	101	22	79
	<u>1,059</u>	<u>1,059</u>	<u>980</u>	<u>79</u>

**Company**

	Carrying amount £'000	Contractual cash flows £'000	6 month or less £'000	6 to 12 months £'000
<b>30 June 2009</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	<u>59</u>	<u>59</u>	<u>59</u>	<u>-</u>
<b>30 June 2008</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	<u>255</u>	<u>255</u>	<u>255</u>	<u>-</u>

19. **FINANCIAL INSTRUMENTS – continued**

The carrying amounts of the Group's financial assets and liabilities as at 30 June 2009 may also be categorised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non current assets</b>				
Trade investments	<u>37</u>	<u>17</u>	<u>1,640</u>	<u>1,606</u>
<b>Current assets</b>				
Cash and cash equivalents	18	81	-	64
Trade and other receivables	1,506	1,305	47	50
	<u>1,524</u>	<u>1,386</u>	<u>47</u>	<u>114</u>
<b>Current liabilities</b>				
Interest bearing loans and borrowings	51	46	-	-
Trade and other payables	963	958	328	415
Bank overdrafts	356	5	270	-
	<u>1,370</u>	<u>1,009</u>	<u>598</u>	<u>415</u>
<b>Non Current liabilities</b>				
Interest bearing loans and borrowings	<u>3</u>	<u>55</u>	<u>-</u>	<u>-</u>

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

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

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

**Interest rate risk**

The Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

**Currency risk**

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

**Interest rate and currency profile**

The Group's financial assets comprise cash at bank and short-term investments. At 30 June 2009 the average interest rate earned on the temporary closing balances was 0.1% (2008: 3.04%).

**Sensitivity analysis**

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

**Fair values versus carrying amounts**

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

**20. LEASING AGREEMENTS**

<b>Group</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Amounts repayable under non-cancellable operating leases fall due:		
Within one year	138	130
Between one and five years	202	331
In more than five years	-	1
	<b>340</b>	<b>462</b>

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

**Company**  
The Company has no lease agreements.

**21. DEFERRED TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Balance at 1 July	33	(182)	30	(37)
Charged / (credited) to Income Statement for the year	(2)	215	(9)	67
Balance at 30 June	<b>31</b>	<b>33</b>	<b>21</b>	<b>30</b>

**Recognised deferred tax liabilities**

Deferred tax liabilities are attributable to the following:

	<b>Group</b>			<b>Company</b>	
	<b>Acc'd tax depr'n £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>	<b>Acc'd tax depr'n £'000</b>	<b>Total £'000</b>
Balance at 1 July 2007	182	19	201	37	37
Charged to Income Statement for the year	(194)	(7)	(201)	(37)	(37)
Balance at 30 June 2008	(12)	12	-	-	-
Charged / (credited) to Income Statement for the year	12	(12)	-	-	-
Balance at 30 June 2009	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

21. DEFERRED TAX - continued

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Tax losses £'000	Group Acc'd tax depr'n £'000	Total £'000	Company Acc'd tax depr'n £'000
Balance at 1 July 2007	-	19	19	-
Charged to Income Statement for the year	-	14	14	30
Balance at 30 June 2008	-	33	33	30
Charged to Income Statement for the year	(24)	22	(2)	(11)
<b>Balance at 30 June 2009</b>	<b>(24)</b>	<b>55</b>	<b>31</b>	<b>19</b>

Net deferred tax asset

	Group £'000	Company £'000
<b>Balance at 30 June 2009</b>	<b>31</b>	<b>21</b>
Balance at 30 June 2008	33	30

The Group deferred tax liability at 30 June 2009 has been recognised at 28% as it expected that this will be the rate applicable on reversal of the temporary differences.

22. CALLED UP SHARE CAPITAL

Authorised:	Number:	Class	Nominal Value	£
30 June 2008 and 30 June 2009	<u>60,000,000</u>	Ordinary	1p	<u>600,000</u>
Allotted, issued and fully paid	Number:	Class	Nominal Value	£
1 July 2007	24,442,880			244,429
Issued during the year	2,440,000	Ordinary	1p	24,440
30 June 2008	<u>26,882,880</u>			<u>268,869</u>
Issued during the year	-			-
<b>30 June 2009</b>	<b><u>26,882,880</u></b>			<b><u>268,869</u></b>

No shares were issued during the year. (2008: 2,440,000 1p ordinary shares were issued at £0.41 per share, the market price at the date of allotment. The proceeds, after deduction of associated costs, amounted to £937,866, resulting in a credit to the Share premium account of £913,426. The shares were issued to assist the Group with its continuing product development programme and for working capital purposes.)

**22. CALLED UP SHARE CAPITAL - continued**

**Share based payments**

During the year ended 30 June 2009 the Group and the Company had seven share based payment arrangements, which are described below:

Type of arrangement	Senior Management Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan
Date of grant	23/12/05	23/12/05	09/02/06	25/05/07	30/11/07	23/7/08	17/04/09
Share price at grant date	45p	45p	45p	62.5p	53p	42p	37.5p
Exercise price	59.5p	53.75p	53.75p	53.75p	53.75p	53.75p	53.75p
Number of employees	1	8	2	2	3	1	15
Number of shares under option	250,000	610,000	45,000	120,000	140,000	60,000	170,000
Vesting period (from date of grant)	Between 23/12/05 and 23/12/08	Between 23/12/05 and 23/12/08	Between 09/02/06 and 09/02/09	Between 25/05/07 and 25/05/10	Between 30/11/07 and 30/11/10	Between 23/07/08 and 23/07/110	On 19/04/09
Contractual life of option	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	20%	20%	20%	27%	27%	27%	27%
Expected average life from vesting	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Risk free rate	4.6%	4.6%	4.6%	5%	5%	1.5%	1.5%
Expected dividend yield	2.2%	2.2%	2.2%	2.4%	2.5%	4%	4%
Possibility of ceasing employment before vesting	-	25%	50%	50%	33%	25%	25%
Fair value per option:							
25% on Vesting	0.027p	0.040p	0.040p	0.166p	0.096p	0.029p	-
25% in 12 months	0.037p	0.051p	0.051p	0.181p	0.110p	0.035p	-
25% in 24 months	0.047p	0.061p	0.061p	0.194p	0.121p	0.040p	-
25% in 36 months	0.054p	0.070p	0.070p	0.204p	0.130p	0.044p	-
100% on vesting	-	-	-	-	-	-	0.018p

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



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

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

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

A reconciliation of option movements over the year to 30 June 2009 is shown below:-

	Number	2009 Weighted average exercise price	Number	2008 Weighted average exercise price
Outstanding at 1 July	1,165,000	54.96p	1,165,000	54.98p
Granted	230,000	53.75p	140,000	53.75p
Forfeited	(120,000)	53.75p	(140,000)	53.75p
Outstanding at 30 June	<u>1,275,000</u>	<u>54.84p</u>	<u>1,165,000</u>	54.96p
Exercisable at 30 June	<u>1,160,000</u>	<u>54.95p</u>	<u>773,750</u>	55.15p

In the opinion of the directors the total charge at 30 June 2009 relating to employee share based payment plans, in accordance with IFRS-2, was £51,408 (2008: £37,440) all of which related to equity-settled share based payment transactions.

**23. RELATED PARTY DISCLOSURES**

**Transactions between the Group and Bruce Green**

Under the terms of a technology licence agreement between the Group and Bruce Green, a director and shareholder in the Company, royalties of £258,856 (2008: £227,061) were payable during the year to Bruce Green Limited, a company owned by Mr Green. At 30 June 2009 the Group owed Mr Green £57,596 (2008: £47,211)

**Transactions between the Group and Tom Allsworth**

Under the terms of supply agreements between the Group and Medichem (International) Manufacturing Limited, a private company incorporated in England and Wales, in which Mr Tom Allsworth, a shareholder in the Company, is a director and shareholder, monies totalling £13,985 (2008: £62,954) were payable and monies totalling £112,000 (2008: £nil) were receivable during the year. At 30 June 2009 the Company owed Medichem (International) Manufacturing Limited £4,630 (2008: £58) and was owed £124,120 (2008: £nil).

**Transactions between the Group and Peter Clarke**

Under the terms of a supply agreement between the Group and Carolon Europe Limited, a private company incorporated in England and Wales, in which Mr Peter Clarke, a director and shareholder in the Company, is a director and shareholder, monies totalling £19,167 (2008: £11,667) were payable during the year. At 30 June 2009 the Company was owed £nil (2008: £nil)

**Transactions between the Group and Mark Fraundorfer**

Under the terms of supply agreements between the Group and Astromed Limited, Hangover Limited, IVC Limited, Urotech Limited, Fraundorfer Urology Limited, Aspiring Holdings Limited, and Promed Urology Limited, all companies in which Mr Mark Fraundorfer, a director of subsidiary Stella Performance Limited, is a shareholder and director, £22,864 was payable during the year (2008: £nil)

**23. RELATED PARTY DISCLOSURES - continued**

**Transactions between the parent and subsidiary companies**

During the year the Company charged its subsidiary companies, Tristel Solutions Limited and Tristel Technologies Limited £900,000 and £300,000 respectively, in respect of management fees. (2008: £450,000 and £50,000 respectively).

As at the year end the Company was owed £1,545,547 (2008: £774,107) by its subsidiary Company Tristel Solutions Limited, in respect of intra-Group transactions, consisting of management fees receivable and recharged costs. The Company owed £269,650 (2008: £349,609) to its subsidiary Company Tristel Technologies Limited, in respect of intra-Group transactions, consisting of management fees receivable and recharged costs. The Company was also owed £87,372 (2008: £nil) by its subsidiary Company Stella Performance Limited in respect of intra-Group transactions and recharged costs.

**Transactions between the parent and associate companies**

During the year the Group charged its associate Company Tristel Italia Srl £26,901 (2008: £3,488) in respect of finished goods.

At the year end the Company was owed £104,754 (2008: £61,867) by its associate Tristel Italia Srl in respect of intra-Group transactions, consisting of cash advances and recharged costs.

**Transactions with directors**

No share options were granted to directors during the year. (2008: Paul Swinney, a director of the Company, was granted options over 250,000 of the Company's 1p ordinary shares; this option was granted at a price of 59.5p. Following an initial release of 25% of the total option grant, these options are released evenly over a three-year period from the date of grant (22/12/2005) and once exercisable are exercisable at any time up to 22 December 2015.)

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

**24. CONTINGENT LIABILITIES**

A contingent liability exists in respect of unlimited multilateral guarantees given by the Company to its bankers for borrowing facilities granted to other Group undertakings. At 30 June 2009 the net Group borrowings amounted to £249,921 (2008: £36,886)

**25. POST BALANCE SHEET EVENT**

On 3 July 2009, the Company entered into an agreement to purchase the intellectual property and manufacturing rights to the portfolio of disinfectant products previously manufactured by Medichem International (Manufacturing) Limited ('Medichem'). The importance of this transaction being that it enables the Company to further gear up manufacturing capacity at the Newmarket facility.

The consideration for the purchase will amount to not less than £2.15m subject to a maximum of £2.4m of which £1m was paid in cash out of the net proceeds of a placing of 2,688,287 1p ordinary shares at a placing price of 41p per share. The new shares, which were admitted to trading on 6 July 2009, rank pari passu with the existing share capital.

The balance of consideration is payable in cash over five years depending on the annual sales generated by the Company from the Medichem product portfolio.