Tristel Plc

Annual Report and Financial Statements

For the year ended 30 June 2016

Registered number 04728199

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The Company

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

- The Human Healthcare Market - Hospital infection prevention via the Tristel brand
- The Contamination Control Market - Control of contamination in critical environments via the Crystel brand
- The Animal Healthcare Market - Veterinary practice infection prevention via the Anistel brand

Chairman's Statement

We made very solid progress during the year to 30 June 2016, delivering sales of £17.1m (2015: £15.3m) which were ahead of market expectations. Whilst the pace of overall top-line growth slowed slightly to 12% from 14% achieved in 2015, overseas sales once again made excellent progress, increasing by 22% in the year. This increase would have been 25% in constant currency terms. Overseas sales represented 39% of total sales in 2016. As the contribution of overseas sales to total sales continues to increase, we can anticipate global sales growth to remain in the range of 10% to 15% over the medium term. There is still significant growth to come from existing markets as well as the new markets we are preparing to enter.

The operational gearing which exists within the business drove adjusted pre-tax profit up by 27% to £3.3m (2015: £2.6m). Basic earnings per share (EPS), was 5.01 pence, down 8% from the previous year (2015: 5.44 pence). During the year there was an unusually large share-based payment charge of £0.67m (2015: £0.04m) which will not repeat in future years. In this Strategic Report pre-tax profit is adjusted for this share based payment charge. Adjusted Basic EPS is 6.62 pence, up 20% from the previous year's comparable figure (2015: 5.53 pence).

Shortly after the year end we announced a special dividend of 3 pence for the second consecutive year. This was paid in August 2016. In line with the Company's dividend policy, the Board is recommending that the final dividend is 2.19 pence (2015: 2.14 pence), an increase of 3%. Including the interim dividend of 1.14 pence (2015: 0.585 pence), the special dividend of 3 pence (2015: 3 pence), and the proposed final dividend, the total dividend for the year will be 6.33 pence (2015: 5.72 pence), an increase of 11%. If approved, the final dividend will be paid on 16 December 2016 to shareholders on the register at 18 November 2016. The corresponding ex-dividend date is 17 November 2016. For the past two years the Company has generated cash that is surplus to its operational and investment requirements.

We have continued to invest in the business during the year, spending £0.17m on product development and testing and £0.12m on patenting in order to protect our intellectual property, both of which are held in intangible assets. £0.34m was invested in regulatory approval programmes in 22 countries, recognised as an expense in the year. Included in our expenditure on regulatory approvals is an amount of £0.13m, also recognised as an expense in the year, which relates to our initiative to enter the United States market which commenced in 2014. The initiative is progressing satisfactorily and in accordance with our project plan.

During the year David Orr joined our Board as a non-executive director and has made an excellent contribution in his first year.

The strength of Tristel is built upon the hard work and expertise of all the people who work for the Company. I would like to thank them all for their contribution throughout the year.

Our core strategic objective is to achieve consistent and sustainable growth in total shareholder returns (TSR). We consider TSR to be the combination of growth in EPS and the yield from ordinary and special dividends. We have established our second strategic three-year plan, taking us to 30 June 2019, in which we have set a target of growing revenue within a range of 10% to 15% as an annual average over the three-year period, and maintaining a minimum pre-tax profit margin of 17.5%. If we achieve these two key objectives, we will have created the conditions for consistent and sustainable EPS and dividend growth.

Chairman's Statement - continued

The current year promises a number of exciting developments for Tristel. We will pursue them with a disciplined focus, adhering to our core strategy, which is:

1. To deliver long term sustainable growth in shareholder returns;
2. to distribute surplus cash to our shareholders;
3. to invest in gaining regulatory approvals to enable us to enter new geographical markets, and
4. to invest in the design and development of new products, and the improvement of existing ones.

We have long stated that it is our ambition to make Tristel a recognisable force in the world of infection prevention. I have no doubt that we have achieved this. My Board colleagues and I believe we can look forward to Tristel's future with continued confidence.

Francisco Soler
Chairman
14 October 2016

Chief Executive's Report

Current year - Overview

Group revenue was up 12%, adjusted pre-tax profit was up 27%, and adjusted EPS was up 20%. We ended the year with cash of £5.7m, of which £1.3m was distributed as a special dividend in August 2016. The Company is debt-free.

In our 2014 financial year, when revenue was £13.5m, we set a revenue target of £20m to be achieved in the 2017 financial year – an increase of almost 50% in sales over a three-year period. We are now in the final year of that financial plan.

Whilst setting very explicit and precise goals may be helpful for stakeholders, it can also be a double-edged sword when performance veers slightly off track in any given short term period. We experienced this at the time of our interim results in February 2016 when the share price reacted strongly to a relatively subdued performance in top-line growth during the first half.

We have listened to our shareholders and other observers of the Company and are now setting out our plans for the next three years. We believe that we can grow sales in the range of 10% to 15% per annum as an annual average over the next three years ending 30 June 2019. This is laid down in our strategic plan as a key performance indicator (KPI) of the Company. In our 2014 plan we also set an objective of achieving a pre-tax profit margin of at least 15% even whilst investing in the United States regulatory project which we were about to commence. The pre-tax profit margin in 2014 was 14%, in 2015 17%, and in 2016 19% (adjusted for share based payments). The profitability of our business is increasing due to operational gearing. The plan which will take us to 2019 is going to involve increasing expenditures in regulatory approvals in the United States and other key markets and we have decided that it will be prudent to set a minimum 17.5% pre-tax profit margin as our target. This becomes our second KPI.

We are proposing a final dividend of 2.19 pence per share, making 3.33 pence in total for the year, up 22%. After the year end we also paid a further 3 pence as a special dividend.

Post year end - Acquisition

Shortly after the year end we acquired the business and a number of assets of the distributor that has served the Australian healthcare market with Tristel's Wipe System since 2011. The acquisition was made for a total consideration of £1.1m and was completed on 15 August 2016. We expect the acquisition to increase both the sales and gross margins achieved from our Australian business, in addition to being earnings enhancing.

Our business

What our marketplace looks like

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

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

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

Chief Executive's Report - continued

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

How We Service Our Market

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

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

Our revenues - by sales channel

£000's			2015-16	2014-15	Year on year change	Percentage change
Human Healthcare	Direct sales	UK	8,547	8,232	315	4%
		EU	1,927	1,390	537	39%
		ROW	2,025	1,638	387	24%
	Sales to distributors	EU	1,102	1,214	(112)	(9%)
		ROW	998	615	383	62%
Contamination Control	Direct sales	UK	1,140	987	153	16%
	Sales to distributors	EU	332	387	(55)	(14%)
		ROW	18	0	18	100%
Animal Healthcare	Direct sales	UK	222	78	144	185%
		EU	4	4	0	0%
		ROW	156	140	16	11%
	Sales to distributors	UK	457	536	(79)	(15%)
		EU	176	113	63	56%
	Group sales		**17,104**	**15,334**	**1,770**	**12%**

Chief Executive's Report - continued

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

£000's			**2015-16**	**2014-15**	**Year on year change**	**Percentage change**
Human Healthcare	Direct sales	ClO2	11,847	10,710	1,137	11%
		Other	652	550	102	19%
	Sales to distributors	ClO2	1,432	1,188	244	21%
		Other	668	641	27	4%
Contamination Control	Direct sales	ClO2	38	27	11	41%
		Other	1,102	960	142	15%
	Sales to distributors	ClO2	43	78	(35)	(45%)
		Other	307	309	(2)	1%
Animal Healthcare	Direct sales	ClO2	7	1	6	600%
		Other	375	221	154	70%
	Sales to distributors	ClO2	3	3	0	0%
		Other	630	646	(16)	2%
	Group sales		**17,104**	**15,334**	**1,770**	**12%**

Our revenues - by portfolio and geographical split
Revenue increased by 12% in the year. UK sales grew by 5% and overseas sales grew by 22%. Overseas sales are made via two channels: through the Company's wholly owned subsidiaries and branches in Germany, Hong Kong, China, New Zealand and Russia; and via third party distributors. Overseas subsidiary and branch sales increased by 30% to £4.1m in the year and overseas sales via distributors grew by 11% to £2.6m. The post year-end acquisition of our Australian distributor will result in a higher ratio of subsidiary sales to distributor sales in 2017.

Chief Executive's Report - continued

Our Strategic Assets

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

- Our chlorine dioxide chemistry, about which there are three critically important elements:
  1. The formulation is proprietary;
  2. We remain the only company using chlorine dioxide for the decontamination of medical instruments in the world, which gives us a genuine point of difference from all other infection prevention companies;
  3. The length of time that we have enjoyed this position has allowed us to collate a significant body of knowledge, including published scientific data, the testimony of almost two decades of safe use, a significant global footprint of regulatory approvals and a library of proven compatibility with hundreds of medical instruments, all of which would take a newcomer a significant period of time and cost to match.
- Intellectual property protection – as at 30 June 2016, we held 156 patents granted in 34 countries providing legal protection for our products;
- Our people – who hold an unrivalled body of knowledge relating both to infection prevention and to chlorine dioxide.

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

Our proprietary chlorine dioxide chemistry

During the year we launched, or continued the early stage roll-out, of the following products all based on our chlorine dioxide chemistry:

- Tristel Rinse Assure, which is a system for dosing low levels of our chlorine dioxide chemistry into the water used during an endoscopy washer disinfector's decontamination process, ensuring that the rinse water is of the highest quality;
- Tristel Protect, which is a short-term storage and transportation system for clean and contaminated semi-critical medical devices;
- Tristel Pop Wipes, which are wipes that high-level disinfect hard contact surfaces and are also effective against bacterial spores. Tristel Pop Wipes can be packaged for clean room use;
- Tristel Tank, which is a mixing station and distribution point for Tristel's high-level disinfectant for surfaces in human and animal healthcare environments.

In addition to the above, the Company has an exciting product development pipeline.

Our regulatory programme succeeded in attaining approvals for 25 products in seven countries during the year.

Our intellectual property protection

We have 156 patents granted in 34 countries. The progress that the Company has made during the course of the past three years in building its patent portfolio is demonstrated below:

Year to 30 June	ClO2 foam	ClO2 hand disinfectant	Trigger spray technology	ClO2 decontamination device	ClO2 wipes system	Total Granted Cases
2014	10	22	1	21	25	79
2015	11	35	2	23	26	97
2016	12	37	52	29	26	156

Chief Executive's Report - continued

Our people

At 30 June 2016 our senior management team, excluding the 2 executive directors, numbered ten individuals, with an average age of forty years and an average length of service of over seven years. Sixty percent of the team are female and the team is drawn from six nationalities. Our technical people perform microbiology, chemistry, regulatory and quality roles, with their key skills centred upon infection prevention and our proprietary chlorine dioxide chemistry. All staff participate in the Company's personal development programme which is designed to stimulate creative thinking and develop good management skills. Additionally, the Company encourages and financially supports the advancement of employees' knowledge through study and further qualification. A diverse, well-educated and international workforce is a hallmark of the Company.

Delivering on our key strategic financial goal

Our key strategic financial goal is to deliver long term sustainable growth in total shareholder returns (TSR). We focus on TSR as a measure and not simply growth in EPS because to do so would not take account of the value created by paying out surplus cash to shareholders. This goal will be achieved by:

1. Consistently growing revenue - *during the past four years, revenue has grown from £10.6m to £17.1m – an increase of* 62%. The compound annual growth rate in revenue since the Company went public in 2005 has been 17%. **We believe that we can grow sales in the range of 10% to 15% per annum as an annual average over the three years ending 30 June 2019.**

2. Maintaining the profitability of the Company – **we believe that we can operate above a minimum pre-tax margin of 17.5%**

3. Distributing cash that is not required for the operational and investment needs of the business to shareholders in the form of dividends.

We define TSR as growth in EPS added to the total dividend yield. Taking dividends as a percentage of our average share price during the financial year, our TSR is set out in the table below:

Total Shareholder Returns	*2016*	*2015*
Growth in adjusted EPS during year	19.7%	68.6%
Special Dividend Yield	2.6%	3.8%
Ordinary Dividend Yield	2.8%	3.4%
Total Shareholder Returns	**25.1%**	**75.8%**

The inclusion of growth in EPS (adjusted for share based payments) in TSR is grounded in the belief that, over time, share price growth will follow growth in EPS. The table below shows how our share price has tracked EPS over the past three years.

	2014	*2015*	*2016*
Adjusted EPS (pence)	3.28	5.53	6.62
Average share price in year (£)	0.43	0.8	1.17

Chief Executive's Report - continued

Progress in North America

One year ago we reported that we had embarked upon a United States regulatory approvals programme.

We are currently pursuing a United States FDA approval for two high-level disinfectant products which are both classified as medical devices and require a 510(K) submission. We label the products as Duo for Ophthalmology and Duo for Ultrasound. Both products are liquid chlorine dioxide formulations dispensed in a foam format by specialised packaging.

In our interims statement in February we reported that a pre-submission dossier had been presented to the FDA seeking their guidance on our approach to data generation for the 510(K) submission, and requesting a meeting in Washington. The meeting took place in late April 2016. By mid-June the guidance notes were agreed and we anticipate submitting various scientific protocols for review and comment by the FDA by end October 2016. Whilst it may take until early 2017 for all these protocols to be finalised, we are proceeding to generate much of the data that we anticipate will be required.

As we have explained since we first revealed that we were planning to enter the North American market, our plans are not restricted to FDA regulated medical device products, but will also include United States EPA regulated surface and water disinfection products. In September we made a pre-submission meeting request to the EPA and we will meet the EPA in Washington in the Autumn of 2016. We have presented a pre-submission dossier to the EPA for the products which we label as Fuse for Surfaces, Duo for Surfaces, Jet Gel and Jet Liquid for Surfaces; and Rinse Assure and Filter Shot for endoscope washer-disinfector rinse water management.

We are taking a similar approach for all the products referred to above with Canada's regulatory authority, the Health Protection Board.

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

Through on-the-ground research, discussion with prospective commercial partners, analysis of the very few competitor peer companies that are in the ophthalmology and ultrasound markets in North America, collaboration with the professional bodies that preside over the clinical areas we are targeting, and from our experiences in markets such as the United Kingdom, France, Germany and Australia where we are successfully penetrating these markets, we have developed an assessment of the potential value of the North American ophthalmology and ultrasound markets.

This assessment has been arrived at using the same methodology that we have employed in all the geographical markets where we have entered the ophthalmic and ultrasound imaging sector: the driver for the consumption of our products is the number of clinical procedures that are undertaken in hospital departments where ophthalmic and ultrasound medical devices are used. The devices must be re-usable (not disposable after single-use), be heat sensitive, and require high-level disinfection. They are likely to be used in clinical settings in which the principal alternative disinfection method to Tristel – automated disinfection requiring investment in capital equipment and maintenance – is not easy to implement, economically justifiable, or affordable by healthcare systems which globally are under extreme financial stress.

Our estimate of the potential value of the North American ophthalmology market is approximately £8m and the North American ultrasound market approximately £10m. We have made no assessment of how much of this potential market we can penetrate, or of the timeframe. We have not yet attempted to value the potential market opportunity in surface disinfection and rinse water management.

Chief Executive's Report - continued

Focus

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

We have set objectives which are visible to everyone inside the Company, and we make them equally visible to all other stakeholders. The measures against which our progress will be judged are simple and clear, and I believe that the Company is capable of delivering upon them – and our ambition will always be to over achieve them. We will do this by being focussed and disciplined. We have a mantra within the Company *"The most important thing is to keep the most important thing the most important thing"*

The most important thing for Tristel is to deliver sustainable growth to its shareholders.

Paul Swinney
Chief Executive Officer
14 October 2016

Financial Review

Revenue

The 12% increase in revenue represents growth in all three of the markets we address, both in the UK and overseas, bar a small decline in overseas Contamination control sales.

Gross margin

The gross margin for 2016 has increased to 73% from 70% last year, predominantly as a result of improvements to purchase prices as opposed to increases in sales prices. The improvements reflect better buying, manufacturing efficiencies and one-off benefits which principally relate to the appreciation of sterling against other currencies during the year. Given that a sharp reversal of this trend was seen at the end of the year, these benefits may reverse. Although the improvement in margin is welcome, cost is not the only consideration for our purchasing decision makers who must also ensure that we maintain the quality of our products.

Expenses

This year we have seen an increase of 14% in other administrative expenses. 87% of this increase relates to personnel costs, despite the number of employees remaining restively static at 99 (2015: 101 employees). Performance related bonus payments were triggered during the year throughout all tiers of the organisation and account for £0.55m of the £5.8m total salary cost. This is not a permanent increase in payroll expense as it relates specifically to the 2016 financial year. The baseline salary increase in 2016 was 2%, with higher discretionary increases for certain employees. The baseline salary increase for the 2017 financial year will be 1% for staff, with no increase for executive and non-executive directors.

Share based payments

The share based payment charge in 2016 is higher than in previous years. 1,198,017 share options were granted during the year at a strike price of 1 pence, resulting in a one-off non-cash IFRS2 charge of £0.67m. We have valued these options using the Monte Carlo valuation model which assesses the possible outcome of market and non-market based vesting conditions. The vesting conditions of these share options were two fold, relating to the Company's level of profit and its share price. This valuation method is considered more appropriate than the Black Scholes model which is used to value the Company's market priced options. At the time of the interim results in February we had not determined with our auditors the most suitable valuation method for these specific share options. The outcome of employing the Monte Carlo valuation within these accounts is a lower share based payment charge than we anticipated at the interim stage. In addition, a further 220,000 options were granted under the general scheme, vesting immediately, details of which can be found on page 74.

Earnings before interest, tax, depreciation and amortisation

Reported EBITDA increased by 9% in the year to £3.6m (2015: £ 3.4m). EBITDA adjusted for the significant share based payment in the year was £4.3m, an increase of 26% on the comparable number (2015: £3.4m).

Profit before tax and share based payments

Profit before tax and share based payments of £3.3m increased by 27% (2015: £2.6m) and the adjusted pre-tax profit margin improved from 17% to 19%, reflecting the increase in gross margin and operational gearing.

Earnings and Dividends

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

Financial Review – continued

Over the last three years, the Group's total dividends and adjusted EPS have grown at a compound average growth rate of 58% and 27% respectively.

Relating to year ended 30 June	Adjusted EPS (pence)	Interim dividend (pence)	Final dividend (pence)	Special dividend (pence)	Total dividend (pence)	Ordinary Dividend cover ratio
2016	6.62	1.14	2.19	3.00	6.33	2x
2015	5.53	0.585	2.14	3.00	5.725	2x
2014	3.28	0.36	1.26	None	1.62	2x

The relationship between ordinary dividends and adjusted EPS can also be expressed as a cover ratio which the Board has set at 2 times, and it expects the current policy to continue for the medium term. However, subject to any adverse movement in earnings, financial strength, cash resources and the assessment of future trading, the Board retains the option to allow a temporary fall in the cover ratio in order to maintain the dividend.

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

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

Cash flow

During the year, net cash flow from operating activities increased by £1.9m from £2.6m to £4.5m. The components of the movement are:

£000's	Year ended 30 June 2016	Year ended 30 June 2015	Movement
Operating profit before share based payments	3,242	2,576	666
Depreciation and amortisation	966	844	122
Impairment charges and loss on disposal of intangible assets	133	125	8
Income from associate	13	-	13
Profit on disposal of plant, property and equipment.	(2)	(3)	1
Working capital movements	467	(606)	1,073
Taxation	(269)	(324)	55
New cash flow from operating activities	**4,550**	**2,612**	**1,938**

The key contributors to the year on year cash-flow movement were the increase in operating profit before share-based payments of £0.7m and the net working capital movement of £1.2m, driven by a substantial increase in payables. The achievement of profit targets triggered a full pay-out of the staff bonus scheme which took place after the year end, which a proportion of this increase relates to.

Financial Review – continued

Key performance indicators

The Board considers the primary key performance indicators to be:

	Total Revenue Growth	Non UK Revenue as a Percentage of Total Revenue	Gross Profit Margin	Adjusted Pre-tax Profit Growth	Adjusted PBT Margin	Adjusted Earnings per Share (EPS)	Total Shareholder Return (TSR)
Measurement	Change in current year revenue compared with the previous year. The measure excludes the effect of movements in currency.	The ratio of non-UK revenue to total revenue.	The ratio of gross profit to revenue.	The year on year increase in profit before tax, adjusted for share based payments.	The ratio of pre-tax profit, adjusted for share based payments, to revenue.	Profit after tax, adjusted for share based payments, divided by the weighted average number of shares in issue during the period.	Growth in Adjusted EPS, added to the total dividend yield (taking dividends as a percentage of the average share price during the financial year).
Why this is important	In order to meet the strategic objective of delivering long term sustainable growth in EPS, consistent revenue growth must be achieved.	Within the UK, as a result of high market penetration, revenue growth rates are slowing. In order to achieve consistent overall revenue growth, sales from overseas will need to become a higher percentage of total revenue.	Gross margin is a primary indicator of business performance and market competitiveness. A movement in gross margin generally reflects a change in the product mix, market pricing, or both.	The Company's primary financial objective is to deliver long term sustainable growth in the total return to its shareholders. The primary driver of this is sustainable profits growth.	A movement in PBT margin indicates changes in profitability.	EPS and EPS growth are widely used measures of Company performance. EPS forms the basis of the Groups current dividend policy and EPS growth will translate directly into dividend growth.	The Company's primary financial objective is to deliver long term sustainable growth in the total return to its shareholders. The inclusion of growth in EPS in Total shareholder return is grounded in the belief that, over time, share price growth will follow growth in EPS.
Key performance indicator for 2015-16	12% (2014-15: 14%)	39% (2014-15: 36%)	73% (2014-15: 70%)	26% (2014-15: 41%)	19% (2014-15: 17%)	6.62 pence (2014-15: 5.53 pence)	26% (2014-15: 75%)

In addition to financial KPIs, the Board measures and monitors various non-financial KPIs, including the maintenance of the Group's quality system and certification required for the design, manufacture and sale of medical devices. The Company is frequently audited by its Notified Body, BSI. The level of success of these audits is measured by the number of major non-conformances. The Notified Body tests all areas of the Group's quality system including customer service, customer satisfaction and product quality assurance. During the year the Company underwent two audits and a number of desktop reviews. In one of the audits five major non-conformances were registered, the number of which is unprecedented in the Company's history. This reflects some failings within the quality management team's capabilities which have been addressed via the recruitment of appropriately qualified and experienced personnel.

Financial Review - continued

Going concern

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

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

Principal risks and uncertainties

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

Operations

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

Regulatory and legal approval

The ability to continue to market the Company's products is inextricably linked to the Company's ability to achieve and maintain regulatory and legal approvals in those countries where the Company has a presence.

The challenges in maintaining worldwide legal and regulatory compliance in respect of financial, environmental, quality and health and safety requirements are significant. In particular within the UK, legislation with regard to bribery and corporate manslaughter poses a risk to the Company and its officers. Senior members of the Board, supported by specialist advisors, take responsibility for maintaining legal compliance. Through a risk management process the implications of new regulations and legislation are assessed and the necessary changes and mitigation are implemented.

External risks

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

Financial risks

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

Financial Review - continued

Credit and liquidity risks

The Group's principal financial assets are cash and receivables. Credit risk is primarily attributable to its trade receivables, which are diversified across a large number of low value customer accounts. In addition, operations in new markets may have a higher than average risk of political or economic instability, and may carry increased credit risk. In each case the risk to the Group is its ability to collect its debts.

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

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

Cash flow risk

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

Exchange rate risk

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

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

Elizabeth Dixon
Finance Director
14 October 2016

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

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

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

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

David Orr, Non-Executive Director - appointed to the board on 01.10.15 (Chairman of Remuneration Committee and member of Audit and Nomination Committee)
David Orr has extensive experience of operational management at Board level in a manufacturing environment. David has been the Group Managing Director of Fencor Packaging Group, a privately owned manufacturer of corrugated packaging, since 1999. He previously served as Non-Executive Director and Chairman of Pendragon Presentation Packaging. His early commercial career included working in the Corporate Finance Department of Robert Fleming & Co. David read modern languages at Trinity College, Dublin and subsequently spent five years as an Army Officer. David holds a MBA from INSEAD.

Introduction

It is not a requirement for Companies that have securities listed on AIM to comply with the UKLA Listing Rules and the disclosure provisions under Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, or the disclosure requirements of UK Corporate Governance code. The Remuneration Committee, however, is committed to maintaining high standards of corporate governance and has taken steps to comply with the principles of best practice in so far as it can be applied practically given the size of the Company and the nature of its operations.

The Remuneration Committee comprises all Non-Executive Directors under the chairmanship of David Orr. The Committee's constitution and operation does not fully comply with the UK Corporate Governance code but has reported upon the Corporate Governance arrangements, drawing upon best practice available, including those aspects of the UK Corporate Governance code which the Committee considers to be relevant to the Group. When setting its remuneration policy for Executive Directors, the Committee gives consideration to the provisions and principles of the UK Corporate Governance Code.

Remuneration Policy

All Directors have service agreements that are reviewed annually by the Board. All Board members retire at each Annual General Meeting, and at their own request alongside the recommendation of the Nominations Committee, are put forward for re-election.

Executive Directors

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

The Company's remuneration policy for Executive Directors is:

- To consider the individual's experience and the nature and complexity of their work in order to set a competitive base salary that attracts and retains individuals of the highest quality, whilst avoiding remunerating more than is necessary;
- To align base salary to the median level for AIM companies of a similar size and profile.
- To link remuneration packages to the Group's long-term performance through both bonus schemes and share option plans;
- To set performance measures which are simple to understand, easy to measure and unambiguous.
- To set an appropriate balance between fixed and variable pay;
- To provide post-retirement benefits through payment into defined contribution pension schemes; and
- To provide employment related benefits including provision of life assurance, car allowance and medical insurances.

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

Base salary

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

Annual performance incentive

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

The Executive Directors are eligible to receive, at the discretion of the Remuneration Committee, an annual bonus. The Remuneration Committee considers the implementation of bonus awards based upon corporate performance targets and measures which align to the long term interests of shareholders. Stretching and transparent performance targets are put in place with a view to clearly linking the motivation of individuals to the value drivers of the business. The existing Executive Directors' bonus scheme pays out upon the achievement of pre-tax profit in excess of the Company's budget on an annual basis. The maximum annual bonus is capped at 50% of base salary in order to attain an appropriate balance between fixed and variable pay.

Pensions and other benefits
The Group does not operate a Group pension scheme; instead individuals receive contributions to their private pension arrangements. Other benefits provided are life assurance and private medical insurance. Currently no company cars are provided, but Executive Directors are paid a car allowance.

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

Non-Executive Directors
The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The Non-Executive Directors do not receive any pension payments, nor do they participate in any of the bonus schemes. Non-Executive Director's expenses incurred travelling to Board and Committee meetings are reimbursed by the Company.

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

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

The Remuneration Committee is not proposing any changes to the Remuneration Policy in the next 12 months.

Annual Remuneration Statement

On behalf of the Board, I am pleased to present our Remuneration Report for 2016, having taken over the Remuneration Committee Chairmanship from Francisco Soler.

During the year the Company achieved strong profits growth. Revenue increased by 12%. Profit before tax and share based payments increased by 25%, cash increased by £1.671m notwithstanding a Special Dividend payment of 3 pence per share in August 2015. Ordinary dividends increased, by 22%, and the Company's share price grew from 1.01 pence per share at 30 June 2015 to 1.075 pence per share at 30 June 2016.

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

The Remuneration Committee addressed the following matters during the course of the year:

- A review of Executive Directors' base salaries in order to align them to the median for AIM companies with comparable features such as size, complexity, market sector and market capitalisation. This review revealed that base salaries had fallen behind median peer group levels in recent years, and the Committee therefore approved an increase to the CEO's salary of 6% and the Finance Director's salary of 15% for the year ending 2016. The adjustments took effect from 1 July 2015.

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

- The implementation of a bonus scheme for Executive Directors and Senior Managers, with a maximum pay out equal to 50% of base salary, upon achievement of financial targets.

The targets were achieved and the full 2016 bonus opportunity was earned.

- The grant of share options with vesting conditions linked to the Company's profit (before tax and share based payments) over the three financial years to 2017-18, with an override condition which triggered the vesting of all shares should the Company's share price reach 134p for a period of 30 consecutive dealing days.

The share price vesting criteria were met ahead of expectations, vesting all options in the scheme on 7 January 2016. Although this was an unexpected event, the Committee is pleased that Executive Directors have benefited from the same value that has been created for Shareholders. The Directors have not exercised the share options specific to this scheme.

- The Remuneration Committee authorised a one off discretionary payment to the CEO to make good the impact of a historical HMRC Enterprise Management Incentive scheme application error.

The Committee agreed to protect the CEO from the financial impact of an error made in the Company's registration of share options under the EMI tax scheme in 2009. A corrective one off payment was made at the time of the exercise of the relevant share options, amounting to £73k.

- The Board carried out a review of Non-Executive Directors' salaries in order to align them to the median for AIM companies with comparable features such as size, complexity and market capitalisation. The resulting change was an increase to Non–Executive Directors' pay to £30,000 per annum.

Directors' remuneration

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

The Directors received the following remuneration during the year to 30 June 2016:

Name of director	**Salary and fees**	**Bonus**	**Taxable Benefits and one off adjustment**	**Gain on exercise of share options**	**2016 Total (excl. pension)**	2015 Total (excl. pension)	**2016 Pension**	2015 Pension
	£'000	**£'000**	**£'000**		**£'000**	£'000	**£'000**	£'000
Executive								
Paul Swinney	**185**	**93**	**96**	**122**	**496**	270	**28**	24
Elizabeth Dixon	**150**	**75**	**14**	**-**	**239**	206	**23**	19
Non-Executive								
Christopher Samler (retired 15.10.15)	**-**	**-**	**-**	**-**	**-**	14	**-**	-
Francisco Soler	**-**	**-**	**-**	**-**	**-**	-	**-**	-
Paul Barnes	**30**	**-**	**-**	**-**	**30**	21	**-**	-
David Orr (appointed 1.10.15)	**23**	**-**	**-**	**-**	**23**	-	**-**	-
Aggregate emoluments	**388**	**168**	**110**	**122**	**788**	511	**51**	43

The one off adjustment amounting to £73k relates to a discretionary payment to the CEO to make good the impact of a historical HMRC Enterprise Management Incentive scheme application error.

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

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

Directors' share options

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

		Total options vested at 1 July 2015	Options vesting in year	Total options vested at 30 Jun 2016	Total options exercised at 01 Jul 2015	Options exercised in the year	Options exercised at 30 June 2016	Total options unexercised at 30 June 2016	Exercise price	Earliest date of exercise	Date of expiry
Executive											
Paul Swinney	250,000	250,000	-	250,000	-	250,000	250,000	-	59.50p	23/12/2005	22/12/2015
	250,000	250,000	-	250,000	15,000	-	15,000	235,000	53.75p	12/10/2009	12/10/2019
	250,000	250,000	-	250,000	-	-	-	250,000	53.75p	30/06/2010	12/10/2019
	500,000	-	-	-	-	-	-	500,000	65.00p	On change of control	12/10/2019
	414,179	-	414,179	414,179	-	-	-	414,179	1.00p	07/01/2016	07/01/2021
Elizabeth Dixon	60,000	60,000	-	60,000	-	-	-	60,000	53.75p	23/07/2008	23/07/2018
	60,000	60,000	-	60,000	-	-	-	60,000	53.75p	04/08/2009	04/08/2019
	10,000	10,000	-	10,000	-	-	-	10,000	53.75p	21/12/2011	21/12/2021
	87,500	-	-	-	-	-	-	87,500	65.00p	On change of control	03/03/2024
	10,000	10,000	-	10,000	-	-	-	10,000	79.00p	24/12/2014	24/12/2024
	222,388	-	222,388	222,388	-	-	-	222,388	1.00p	07/01/2016	07/01/2021
Non-Executive											
Paul Barnes	87,500	-	-	-		-	-	87,500	65.00p	On change of control	12/10/2019
Total number of Board share options	**2,201,567**	**875,000**	**636,567**	**1,511,567**	**15,000**	**250,000**	**265,000**	**1,936,567**			

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

Paul Barnes' share options were granted when he was an Executive Director.

Directors' shareholdings

The interests of the Directors in the shares of the Company at 30 June 2016 and 30 June 2015 were:

Ordinary 1p shares	**30 June 2016**	30 June 2015
Executive		
Paul Swinney	**925,000**	915,000
Elizabeth Dixon	**55,000**	45,067
Non-Executive		
Francisco Soler	**10,913,834**	10,624,988
Paul Barnes	**730,180**	700,180

The market price of the Company's shares as at 30 June 2016 was 107.0p. The range during the year was 91.5p to 147p (source - London Stock Exchange).

David Orr
Remuneration Committee Chairman
14 October 2016

Corporate governance

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

Board of Directors

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

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

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

Directors are subject to election by shareholders at the first opportunity after their appointment. In addition, all Board members retire at each Annual General Meeting, and at their own request alongside the recommendation of the Nominations Committee, are put forward for re-election.

Board and Committee attendance

The Board and its Committees met 12 times during the year; the attendance of the Directors at these meetings is detailed below. On the occasions when a director was unable to attend a meeting, any comments he had arising from the information pack circulated prior to the meeting were provided to the Chairman.

	Eligible to attend	**Attended**
Paul Swinney	8	8
Elizabeth Dixon	8	8
Francisco Soler	12	12
Paul Barnes	12	12
David Orr	8	8

Committees of the Board

Remuneration Committee

The Remuneration Committee comprises all Non-Executive Directors, which was under the Chairmanship of Francisco Soler until 19 April 2016 and David Orr from this date. 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 18 to 19.

Audit Committee

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

Nominations Committee

The Nominations Committee comprises three Non-Executive and one Executive Director, under the Chairmanship of Francisco Soler. The Committee meets twice a year to consider whether or not Directors retiring by rotation should be put forward for re-election at the annual general meeting; to give full consideration to succession planning for Directors and other senior Executives; and to identify and nominate for the approval of the Board candidates to fill Board vacancies as and when they arise.

Relations with shareholders

The Board considers effective communication with shareholders to be very important and encourages regular dialogue with both institutional and private investors. The Board responds promptly to communications received verbally or in writing. Directors regularly attend meetings with both private and institutional shareholders and analysts throughout the year. Shareholders will be given at least 21 days' notice of the Annual General Meeting at which they will be given the opportunity to discuss the Group's developments and performance. The Company's website, www.tristel.com, contains full details of the Group's activities, press releases and other details, as well as share price details, share trading activities and Regulatory News Service (RNS) announcements.

Maintenance of a sound system of internal control

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

The Board has considered its policies with regard to internal controls, as set out in the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, and undertook an assessment of the major areas of the business and methods used to monitor and control them. In addition to financial risk, the review covered operational, commercial, regulatory and health and safety. The risk review is an on-going process with reviews being undertaken on a regular basis.

The Board has concluded that in internal audit function is not justified at this juncture. However, this decision will be reviewed as the operations of the Group develop.

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

Control environment

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

Risk management

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

Financial information

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

Management of liquid resources

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

The Directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2016.

RESULTS AND DIVIDENDS
There was a profit for the year after taxation amounting to £2.102m (2015: £2.215m).

A final dividend of £0.899m (2.14p per share) was paid during the year in respect of the year ended 30 June 2015. (2015: £0.513m (1.26p per share)).

An interim dividend of £0.480m (1.14p per share) was paid during the year in respect of the year ended 30 June 2016 (2015: £0.239m, 0.585p per share); a special dividend of £1.265m (3p per share) was paid on 8 August 2016 also in respect of the year ended 30 June 2016 (2015: £1.242m, 3p per share); and the Directors recommend a final dividend of 2.19p per share (2015: 2.14p per share). If approved, the total distribution of dividends for the year ended 30 June 2016 will be £2.668m (2015: £2.380m).

A review of the Group's performance for the year ended 30 June 2016 is contained in the Chairman's Statement on pages 3 to 4 and the Chief Executive's Report on pages 5 to 11.

DIRECTORS
The Directors shown below have held office during the year.
FA Soler
PC Swinney
EA Dixon
PM Barnes
DWE Orr (appointed 1 October 2015)

The Group provides Directors and Officers indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2016 the policy cost £7,120 (2015: £6,570).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 22 to 23.

CORPORATE GOVERNANCE
Tristel plc is committed to maintaining high standards of corporate governance and has applied strong and appropriate policies, given the size of the Group, its current stage of development and the constitution of the Board. Further details are provided in the Corporate Governance Report.

SUBSTANTIAL SHAREHOLDINGS

Except for the Directors' interests noted above, the Directors are aware of the following who were interested in 3% or more of the Company's equity at 30 September 2016:

	No. of shares	% of issued share capital
Hargreaves Lansdown	2,583,269	6.11%
Barclays Stockbrokers	2,162,695	5.11%
Amati Global Investors Ltd	1,844,046	4.36%
Charles Stanley Stockbrokers	1,824,197	4.31%
Unicorn Asset Management	1,635,829	3.87%
Investec Wealth & Investment	1,315,638	3.11%
TD Waterhouse Stockbrokers	1,314,776	3.11%

PRINCIPAL RISKS AND UNCERTAINTIES

Reference to this topic can be found within the Strategic report on pages 15 to 16.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Directors confirm that:

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

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

AUDITORS

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

ON BEHALF OF THE BOARD:

Elizabeth Dixon
Director
14 October 2016

Independent auditor's report to the members of Tristel plc

We have audited the financial statements of Tristel plc for the year ended 30 June 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company balance sheets, the consolidated and company cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website www.frc.org.uk/auditscopeukprivate

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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance within the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
14 October 2016

Consolidated Income Statement

For the year ended 30 June 2016

	Note	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Revenue	2	**17,104**	15,334
Cost of sales	2	**(4,549)**	(4,673)
Gross profit		**12,555**	10,661
Administrative expenses:	2		
Share-based payments		**(674)**	(35)
Depreciation, amortisation and impairments	2	**(1,071)**	(844)
Other	2	**(8,242)**	(7,241)
Total administrative expenses		**(9,987)**	(8,120)
Operating profit		**2,568**	2,541
Finance income	4	**12**	12
Finance costs	4	**-**	(9)
Results from equity accounted associate	13	**13**	8
Profit before tax		**2,593**	2,552
Taxation	6	**(491)**	(337)
Profit after tax		**2,102**	2,215
Attributable to:			
Equity holders of parent	9	**2,102**	2,215
		2,102	2,215
Earnings per share from total and continuing operations attributable to equity holders of the parent			
Basic – pence	9	**5.01**	5.44
Diluted – pence	9	**4.81**	5.23

All amounts relate to continuing operations.

The notes form part of these financial statements

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Profit for the period	**2,102**	2,215
Items that will be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	**146**	(57)
Other comprehensive income for the period	**146**	(57)
Total comprehensive income for the period	**2,248**	2,158
Attributable to:		
Equity holders of the parent	**2,248**	2,158
	2,248	2,158

Tristel plc
Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

	Share Capital	Share premium account	Merger reserve	Foreign exchange reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
30 June 2014	402	9,284	478	(93)	2,167	12,238	(162)	12,076
Transactions with owners								
Dividends paid	-	-	-	-	(752)	(752)	-	(752)
Shares Issued	12	636	-	-	-	648	-	648
Adjustment for change of controlling interest	-	-	-	3	(172)	(169)	169	-
Share-based payments – IFRS 2	-	-	-	-	35	35	-	35
Total transactions with owners	12	636	-	3	(889)	(238)	169	(69)
Profit for the year ended 30 June 2015	-	-	-	-	2,215	2,215	-	2,215
Other comprehensive income: - Exchange differences on translation of foreign operations	-	-	-	(57)	-	(57)	-	(57)
Total comprehensive income	-	-	-	(57)	2,215	2,158	-	2,158
30 June 2015	414	9,920	478	(147)	3,493	14,158	7	14,165
Transactions with owners								
Dividends paid	**-**	**-**	**-**	**-**	**(2,621)**	**(2,621)**	**-**	**(2,621)**
Shares Issued	**7**	**491**	**-**	**-**	**-**	**498**	**-**	**498**
Share-based payments – IFRS 2	**-**	**-**	**-**	**-**	**674**	**674**	**-**	**674**
Total transactions with owners	**7**	**491**	**-**	**-**	**(1,947)**	**(1,449)**	**-**	**(1,449)**
Profit for the year ended 30 June 2016	**-**	**-**	**-**	**-**	**2,102**	**2,102**	**-**	**2,102**
Other comprehensive income: - Exchange differences on translation of foreign operations	**-**	**-**	**-**	**146**	**-**	**146**	**-**	**146**
Total comprehensive income	**-**	**-**	**-**	**146**	**2,102**	**2,248**	**-**	**2,248**
30 June 2016	**421**	**10,411**	**478**	**(1)**	**3,648**	**14,957**	**7**	**14,964**

The notes form part of these financial statements

	Share capital	Share premium *account*	Retained *earnings*	Total *equity*
	£'000	£'000	£'000	£'000
30 June 2014	402	9,284	2,018	11,704
Transactions with owners: -				
Dividends paid	-	-	(752)	(752)
Shares issued	12	636	-	648
Share-based payments – IFRS 2	-	-	35	35
Total transactions with owners	12	636	(717)	(69)
Profit and total comprehensive income for the year ended 30 June 2015	-	-	1,435	1,435
30 June 2015	414	9,920	2,736	13,070
Transactions with owners: -				
Dividends paid	-	-	**(2,621)**	**(2,621)**
Shares issued	**7**	**491**	-	**498**
Share-based payments – IFRS 2	-	-	**674**	**674**
Total transactions with owners	**7**	**491**	**(1,947)**	**(1,449)**
Profit and total comprehensive income for the year ended 30 June 2016	-	-	**2,307**	**2,307**
30 June 2016	**421**	**10,411**	**3,096**	**13,928**

The notes form part of these financial statements

	Note	2016 £'000	2015 £'000
Non-current assets			
Goodwill	10	**667**	667
Intangible assets	11	**5,380**	5,631
Property, plant and equipment	12	**1,416**	1,347
		7,463	7,645
Current assets			
Inventories	14	**1,875**	2,061
Trade and other receivables	15	**3,735**	3,194
Cash and cash equivalents	16	**5,715**	4,045
		11,325	9,300
Total assets		**18,788**	16,945
Capital and reserves			
Share capital	22	**421**	414
Share premium account		**10,411**	9,920
Merger reserve		**478**	478
Foreign exchange reserve		**(1)**	(147)
Retained earnings		**3,648**	3,493
Equity attributable to owners of the parent		**14,957**	14,158
Non-controlling interests		**7**	7
Total equity		**14,964**	14,165
Current liabilities			
Trade and other payables	17	**3,256**	2,434
Current tax	21	**432**	247
		3,688	2,681
Non-current liabilities			
Deferred tax	21	**136**	99
Total liabilities		**3,824**	2,780
Total equity and liabilities		**18,788**	16,945

The financial statements were approved and authorised for issue by the Board of Directors on 14 October 2016, and were signed on its behalf by:

Elizabeth Dixon
Director

The notes form part of these financial statements

Company Balance Sheet

As at 30 June 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	11	**3,394**	3,466
Investments	13	**2,439**	1,746
		5,833	5,212
Current assets			
Trade and other receivables	15	**4,774**	5,012
Cash and cash equivalents	16	**3,506**	3,042
Current tax	21	**6**	-
		8,286	8,054
Total assets		**14,119**	13,266
Capital and reserves			
Share capital	22	**421**	414
Share premium account		**10,411**	9,920
Retained earnings		**3,096**	2,736
		13,928	13,070
Current liabilities			
Trade and other payables	17	**182**	70
Current tax liabilities	21	**-**	117
		182	187
Non-current liabilities			
Deferred tax	21	**9**	9
Total liabilities		**191**	196
Total equity and liabilities		**14,119**	13,266

The financial statements were approved and authorised for issue by the Board of Directors on 14 October 2016, and were signed on its behalf by:

Elizabeth Dixon
Director

Registered number 04728199 (England & Wales)

The notes form part of these financial statements

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operating activities	i	**4,819**	2,936
Corporation tax paid		**(269)**	(324)
		4,550	2,612
Cash flows used in investing activities			
Interest received		**12**	12
Purchase of intangible assets		**(406)**	(567)
Purchases of property, plant and equipment		**(499)**	(496)
Proceeds from sale of property, plant and equipment		**16**	18
Net cash used in investing activities		**(877)**	(1,033)
Cash flows from financing activities			
Loans repaid		**-**	(52)
Interest paid		**-**	(9)
Share issues		**498**	648
Dividends paid		**(2,621)**	(752)
Net cash used in financing activities		**(2,123)**	(165)
Net increase in cash and cash equivalents		**1,550**	1,414
Cash and cash equivalents at the beginning of the period	ii	**4,045**	2,664
Exchange differences on cash and cash equivalents		**120**	(33)
Cash and cash equivalents at the end of the period	ii	**5,715**	4,045

The notes form part of these financial statements

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

	2016 £'000	2015 £'000
Profit before tax	**2,593**	2,552
Depreciation of plant, property & equipment	**442**	397
Amortisation of intangible assets	**524**	447
Impairment of intangible asset	**125**	-
Results from associates	-	(8)
Share-based payments – IFRS2	**674**	35
Profit- on disposal of property, plant and equipment	**(2)**	(3)
Loss on disposal of intangible asset	**8**	125
Finance costs	-	9
Finance income	**(12)**	(12)
	4,352	3,542
Decrease/(increase) in inventories	**186**	2
Increase in trade and other receivables	**(541)**	(504)
Increase/(decrease) in trade and other payables	**822**	(104)
Cash generated from operations	**4,819**	2,936

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.

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

Year ended 30 June 2015	**30 June 2015 £'000**	30 June 2014 £'000
Cash and cash equivalents	**4,045**	2,664
	4,045	2,664

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operating activities	a	**2,847**	865
Corporation tax paid		**(123)**	(159)
		2,724	706
Cash flows from investing activities			
Purchase of intangible assets		**(125)**	(98)
Investment in Subsidiary		**(19)**	-
Interest received		**7**	8
Net cash used in investing activities		**(137)**	(90)
Cash flows from financing activities			
Dividends paid		**(2,621)**	(752)
Share issues		**498**	648
Net cash used in financing activities		**(2,123)**	(104)
Net increase in cash and cash equivalents		**464**	512
Cash and cash equivalents at the beginning of the period	b	**3,042**	2,530
Cash and cash equivalents at the end of the period	b	**3,506**	3,042

The notes form part of these financial statements

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

	2016 £'000	2015 £'000
Profit before tax	**2,307**	1,593
Amortisation of intangibles	**197**	127
Finance income	**(7)**	(9)
	2,497	1,711
Decrease/(increase) in trade and other receivables	**238**	(831)
Increase/(decrease) in trade and other payables	**112**	(15)
Cash generated from operations	**2,847**	865

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.

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

Year ended 30 June 2015	**30 June 2015 £'000**	30 June 2014 £'000
Cash and cash equivalents	**3,042**	2,530
	3,042	2,530

1. ACCOUNTING POLICIES

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

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

Basis of consolidation
The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2016. Subsidiaries are entities over which the Group has rights or is exposed to variable returns from its involvement with the investee and has the power to affect those returns by controlling the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. These fair values are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

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

There was a change in the prior year in the controlling interest related to the Group's ownership of Tristel Asia and Tristel Medical Equipment Co Ltd, the step acquisition makes both entities wholly owned. There was an immaterial amount of consideration arising upon acquisition. The difference between the non-controlling interest and the fair value of the consideration paid was recognised directly in equity attributable to the parent.

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

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

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

1. **ACCOUNTING POLICIES - continued**

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

Associates

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

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

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

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

Significant judgments and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Directors consider that the key judgments and sources of estimation made in preparation of the financial statements relate to the following:

Intangible assets, goodwill and investments

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit, based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about determination of a suitable discount rate and assessment of useful life. An asset has been regarded by the Group as having an indefinite useful life, based on an analysis of relevant factors by management there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity.

Research and development

Judgements are based on the information available at each balance sheet date. Economic success of any product development is uncertain at the time of recognition as judgement is required when distinguishing the research and development phases of new product design projects, and determining whether the recognition requirements for capitalisation of the development costs are met. Where these conditions are met an impairment review by project is compiled at each balance sheet date.

1. **ACCOUNTING POLICIES - continued**

Significant judgments and estimates - continued

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax asset can be utilised. This specifically applies to outstanding vested share options at the balance sheet date. In estimating the amount of the deferred tax asset that should be recognised management make judgements based on current forecasts about future taxable profits and expectations of when options will be exercised.

Share-based payments

In accordance with IFRS 2 share options are measured at their fair value at the date of grant. The fair value is then expensed in the income statement on a straight-line basis over the vesting period. The fair value of share options is calculated using either the Black-Scholes or Monte Carlo pricing model, depending upon the vesting conditions of the options. The valuation of share-based payments requires judgements to be made in respect of the number of options that are expected to be exercised and the assumptions used in the model. Changes in these assumptions could result in changes to amounts expensed in the income statement on future periods.

Revenue

Revenue is the amount receivable by the Group in the ordinary course of business with outside customers for the Group's products and for ancillary goods provided, excluding value added tax and trade discounts. Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, which is generally when the customer has taken undisputed delivery of the goods. The Group acts as principal for all revenues and its terms throughout the different sectors are identical. The Group acts as the European distributor for Bio-Cide International and incurs all the significant risks and rewards of ownership, such as sole rights to the revenue and associated profits, whilst accepting the costs of buying, storing (including insurance) and distributing the relevant stock holding. Where the Group generates revenue from after sales service and maintenance contracts consideration is initially deferred, included in other liabilities and is recognised in revenue on a straight line basis over the term of the agreement.

Goodwill

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

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

Intangible assets

Patents, trademarks, licences and proprietary technology

Patents, trademarks and licences that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged over the useful life of the asset, on a straight line basis of between 7 and 20 years.

1. **ACCOUNTING POLICIES - continued**

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

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

Provision is made for any impairment. The amortisation of intangible assets is charged to administrative expenses in the income statement on a straight line basis of between 7 years and 25 years.

In determining the amortisation policy of an intangible asset, its estimated useful economic life in terms of years or the number of stock units likely to be sold, is considered. Where a finite useful economic life of the asset can be estimated, amortisation is calculated from the point at which the asset is brought into use, and charged to the income statement over its lifetime. Where it is considered that an intangible asset has an indefinite useful economic life no amortisation is charged. Instead, in accordance with IAS 36 the asset is tested annually for impairment, comparing the recoverable amount to the carrying amount. The recoverable amount is calculated by reference to future cash flows expected to be generated by the asset. Further details are set out in note 11.

Software
Software that is acquired from third parties by the Group is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged over the useful life of the asset, deemed to be 7 years based on historical trends of software utilisation.

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

Leasehold and improvements to property	- Straight line over the lease term of 10 years
Plant and machinery	- Straight line over 3 and 5 years
Fixtures and fittings	- Straight line over 4 and 5 years
Motor vehicles	- Straight line over 4 years

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

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

1. **ACCOUNTING POLICIES - continued**

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

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

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

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

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

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

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

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

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

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

1. **ACCOUNTING POLICIES - continued**

A financial liability is an obligation to pay cash or other financial asset, an equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities and equity instruments are classified according to the substance of the contracted arrangements entered into. All interest related charges arising from borrowings, and any changes in an instruments fair value that are reported in profit or loss are included within finance costs or finance income.

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

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

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

Equity
Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- 'Merger reserve' represents merger relief taken in respect of the premium paid on the issue of shares to finance the acquisition of a subsidiary undertaking prior to the Group's IFRS transition date.
- 'Retained earnings' represents all current and prior period profits, losses and share-based payments.
- 'Foreign exchange reserve' comprises foreign currency translation of the financial statements of the Group's foreign entities into GBP.

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

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

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

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

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

1. **ACCOUNTING POLICIES - continued**

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

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

Pension costs

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

EU adopted IFRSs not yet applied

As of 30 June 2016, the following Standards and Interpretations are in issue but not yet effective and have not been adopted early by the Group:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- IFRS 16 Leases (effective 1 January 2019)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- Amendments to IAS 7: Disclosure Initiative (effective 1 January 2017)

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the Group, except for IFRS 16. The impact of IFRS 16 has not yet been assessed.

2. SEGMENTAL ANALYSIS

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

The first segment concerns the manufacture, development and sale of infection control and hygiene products which includes products that incorporate the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Human Healthcare"). This segment generated approximately 85% (2015: 85%) of Group revenues.

The second segment, which constitutes 6% (2015: 6%) of the business activity, relates to manufacture and sale of disinfection and cleaning products, into veterinary and animal welfare sectors ("Animal healthcare").

The third segment addresses the pharmaceutical and personal care product manufacturing industries ("Contamination control") and has generated 9% (2015: 9%) of the Group's revenues this year.

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

2. **SEGMENTAL ANALYSIS – continued**

	Human Healthcare	Animal Healthcare	Contamination Control	Group 2016	Human Healthcare	Animal healthcare	Contamination Control	Group 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue from external customers	14,599	1,015	1,490	17,104	13,089	871	1,374	15,334
Segment revenues	14,599	1,015	1,490	17,104	13,089	871	1,374	15,334
Cost of material	3,574	333	642	4,549	3,663	314	696	4,673
Gross Profit	11,025	682	848	12,555	9,426	557	678	10,661
Gross Margin %	76%	67%	57%	73%	72%	64%	49%	70%

Centrally incurred income and expenses not attributable to individual segments:

	2016	2015
Other operating income:	-	-
Depreciation, amortisation and impairment of non-financial assets	(1,071)	(844)
Other administrative expenses	(8,242)	(7,241)
Share based payments	(674)	(35)
Operating profit	2,568	2,541

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

	2016	2015
Operating profit	2,568	2,541
Finance income	12	12
Results from equity accounted associate	13	8
Finance costs	-	(9)
Group profit before tax	2,593	2,552

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

	Human Healthcare	Animal Healthcare	Contamination Control	Group 2016	Human Healthcare	Animal healthcare	Contamination Control	Group 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	8,547	679	1,140	10,366	8,232	614	987	9,833
Germany	1,778	-	-	1,778	1,390	-	-	1,390
Rest of the World	4,274	336	350	4,960	3,467	257	387	4,111
Group revenues	14,599	1,015	1,490	17,104	13,089	871	1,374	15,334

2. SEGMENTAL ANALYSIS – continued

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

Human healthcare revenues were derived from a large number of customers, but include £4.828m from a single customer which makes up 33% of this segment's revenue (2015: £4.081m, being 31%). Animal healthcare revenues were derived from a number of customers, with the largest customer accountable for £0.225m, which represents 22% of revenue for that segment (2015: £0.309m, 35% from a single customer).

During the year 28.2% of the Group's total revenues were earned from a single customer (2015: 26.6%).

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

Geography	2016 £'000	2015 £'000	Segment	2016 £'000	2015 £'000
United Kingdom	**7,324**	7,544	Human Healthcare	**4,874**	**4,863**
Germany	**79**	89	Animal Healthcare	**2,410**	**2,510**
Rest of the World	**60**	12	Contamination Control	**179**	**272**
Non-current assets	**7,463**	7,645		**7,463**	**7,645**

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

	Human Healthcare	Animal Healthcare	Contamination Control	Group	Total
2016	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Segment assets	4,081	172	458	6,614	11,325
Segment Liabilities	1,219	22	9	2,438	3,688
2015	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Segment assets	3,212	209	598	5,281	9,300
Segment Liabilities	165	10	42	2,464	2,681

3. EMPLOYEES AND DIRECTORS

Group	**2016 £'000**	2015 £'000
Wages and salaries	**5,241**	3,737
Social security costs	**405**	404
Other pension costs	**120**	117
	5,766	4,258

A charge of £674,000 (2015: £35,000) to share-based payments in accordance with IFRS 2 arises from transactions accounted for as equity-settled share-based payments. This is included within the wages and salaries figure above. No remuneration is paid through the company.

3. **EMPLOYEES AND DIRECTORS – continued**

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

	2016 Number	2015 Number
Executive Directors	**2**	2
Non-Executive Directors	**3**	2
Sales and marketing	**32**	33
Administration	**24**	28
Production	**38**	36
	99	101

	2016 £'000	2015 £'000
Directors' emoluments	**666**	505
Aggregate pension contributions to money purchase schemes	**51**	43
Share based payments	**358**	6
	1,075	554

	2016 Number	2015 Number
The number of Directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	**2**	2

Remuneration of the highest paid Director during the year was:	2016 £'000	2015 £'000
Emoluments	**374**	269
Aggregate contributions to money purchase schemes	**28**	24
	402	293

Remuneration by director is detailed in the Annual Remuneration Statement on pages 20 to 23.

Key management compensation	2016 Group £'000	2015 Group £'000
Short-term employee benefits	**1,196**	988
Post-employment benefits	**65**	61
Share-based payments IFRS 2	**534**	6
	1,795	1,055

The key management figures given above includes Directors.

Company

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

4. FINANCE INCOME AND COSTS

	2016 £'000	2015 £'000
Finance income:		
Deposit account interest	12	12
Other interest	-	-
	12	12
Finance costs:		
Bank interest	-	(9)

5. PROFIT BEFORE TAX

The profit before tax is stated after charging:	2016 £'000	2015 £'000
Cost of inventories recognised as expense	4,369	4,476
Depreciation - owned assets	442	397
Profit on disposal of property, plant & equipment	(2)	(3)
Loss on disposal of intangible assets	-	125
Patents, licences and proprietary technology amortisation	197	129
Development costs amortisation	308	318
Computer software and website amortisation	19	-
Impairment of intangible assets	125	-
Auditor's remuneration	55	55
Foreign exchange (gain)/loss	(151)	81
Operating lease rentals - land and buildings	336	272
- vehicles and equipment	40	55
Research costs expensed	251	159

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

	2016 £'000	2015 £'000
Audit of these financial statements	29	18
Audit of financial statements of subsidiaries	19	21
Taxation services (parent and subsidiaries)	-	10
Other services	7	6
	55	55

6. TAXATION

The taxation charge represents:

	2016 £'000	2015 £'000
Current taxation-		
Corporation tax	**444**	363
Adjustment in respect of earlier years	**10**	(10)
Double taxation relief	**-**	(113)
Foreign taxation	**-**	119
Total current tax	**454**	359
Deferred tax-		
Origination and reversal of temporary differences	**14**	(22)
Over/(under) provided in respect of prior periods	**23**	-
Total deferred tax	**37**	(22)
Total tax charge in Income Statement	**491**	337

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:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	**2,593**	2,552
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.75%)	**519**	530
Effects of:		
Expenses not deductible for tax purposes	**31**	52
Tax rate differences	**(11)**	11
Enhanced relief on qualifying scientific research expenditure	**(136)**	(82)
Foreign tax credits	**-**	6
Adjustment in respect of prior years	**33**	-
Tax losses not utilised and other temporary differences	**55**	(180)
Total tax charge for year	**491**	337

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 £2.307m (2015: £1.435m) which includes a dividend of £2.781m received from its subsidiary company Tristel Solutions Limited.

8. DIVIDENDS

	2016	2015
Amounts recognised as distributions to equity holders in the year:	£'000	£'000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2015 of 2.14p (2014: 1.26p) per share	899	513
Interim dividend for the year ended 30 June 2016 of 1.14p (2015: 0.585p) per share	480	239
Special dividend of 3p per share paid on the 8 August 2015	1,242	-
	2,621	752
Special dividend of 3p per share paid on the 8 August 2016 (2015: 3 August 2015)	1,265	1,242
Proposed final dividend for the year ended 30 June 2016 of 2.19p (2015: 2.14p) per share	923	899
Company		
Dividend received from subsidiary	(2,781)	(800)

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:

	2016 £'000	2015 £'000
Retained profit for the financial year attributable to equity holders of the parent	2,102	2,215
	Shares '000 Number	Shares '000 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	41,945	40,705
Share options	1,747	1,614
	43,692	42,319
Earnings per ordinary share		
Basic	5.01p	5.44p
Diluted	4.81p	5.23p

9. **EARNINGS PER SHARE – continued**

A total of 70,000 options of ordinary shares were anti-dilutive at 30 June 2016. All remaining share options are dilutive at 30 June 2016 and were dilutive at 30 June 2015.

10. **GOODWILL**

Group	**Total £'000**
Cost	
at 30 June 2014	**779**
Additions	-
At 30 June 2015	**779**
Additions	-
At 30 June 2016	**779**
Impairment	
At 30 June 2014	**112**
Impairment	-
At 30 June 2015	**112**
Impairment	-
At 30 June 2016	**112**
Net book value	
At 30 June 2016	**667**
At 30 June 2015	667

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

On 30 April 2010 the activities of NTL were hived over to Tristel Solutions Limited. The relevant revenue lines are now separately identifiable within Human Healthcare and form a single cash-generating unit within the Group's management reporting. The goodwill has been allocated to this cash generating unit (CGU) and forms the basis of this review.

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

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

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

10. **GOODWILL – continued**

The rate used to discount the forecast cash flows for goodwill is 17%, and management has assumed a zero sales growth rate. The net present value of profits expected over the next 5 years exceeds the carrying value of £0.667m, with headroom of £0.976m. A sensitivity analysis has been carried out where growth has been forecast to decline at a rate of 10% year on year, at this level the headroom is £0.577m, as such no impairment has been recorded.

Company
The Company has no goodwill.

11. **INTANGIBLE ASSETS**

The Group's approach to reviewing the carrying value of its intangible assets is consistent with the method applied to goodwill held by the Group (set out within note 10 of these financial statements).

The rate used to discount the forecast cash flows for all CGU's is 17%. Where sensitivity analysis has been carried out, it has been via the removal of growth expectations within a CGU.

Patents, licences and proprietary technology
Included within patents, licences and proprietary technology are the costs of acquired intellectual property and technological know-how related to the production of a range of products that serves each segment of the Group's activities. In each segment the products have an established footprint, which they have held for some time. The relevant IP and know how allows the group to further develop its customer base, by industry, geographical areas and by the development of new methods of application. The carrying amount of this asset is £2.410m, which includes amortisation for the period of £0.100m. Through management reporting the relevant products are identifiable to form a single cash generating unit (CGU) used for the purpose of an impairment review, tested in accordance with IAS 36. In this review cash flows beyond a five-year period are then calculated into perpetuity using a growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets of the CGU. The result of the review shows the value in use exceeds the carrying value of the asset, with headroom of £10.177m. However, a sensitivity review has also been applied by assuming revenue will decline by 10% year on year over a five-year period. The result of this approach shows that the value in use would still exceed the carrying value of the asset, with headroom of £5.654m, as such no impairment has been recorded. In addition, management have set an amortisation policy of 20 years for the remaining balance of the asset, with remaining amortisation life of 19 years. This period has been set based on management's knowledge of the markets that these products serve, and that the IP and technological know-how is expected to remain relevant for this period.

Also included within this category are patents and manufacturing rights to the range of products which address the Human healthcare market, and that are related to the Group's propriety technology. These assets are amortised over their expected useful life of between 7 and 25 years. The Human Healthcare market accounts for approximately 85% of group revenues, notwithstanding this, an impairment review has been conducted and the recoverable amount exceeds the carrying value of the asset of £1.286m by £24.306m.

Development – Marketable products & products in development
Included within marketable products is the cost of development of the Stella disinfectant equipment. An impairment review has been carried out which took into account an extrapolated revenue forecast for the next five years. The recoverable amount based upon the value in use at the balance sheet date is £2.171m, this leaves headroom of £1.516m, as such the carrying value of the asset of £656k is supported, and no impairment was recorded.

Also included is the cost of development for a new chemistry delivery device, Puffin. The carrying value of this is £232k. During the year the asset was impaired by £125k, this amount relates to first phase development which has now been superseded. Revenue from this item is expected to commence in the financial year 2016-17. An impairment review has been carried out looking at revenue forecasts for a five-year period. The estimated recoverable amount exceeds the carrying value of the asset by £178k, however as the device is still in development a sensitivity analysis has been carried out adopting a deduction in total revenues of 10%, at this level headroom of £137k remains, as such no impairment is considered necessary.

11. **INTANGIBLE ASSETS - continued**

The balance of this asset category holds a carrying value of £593k and relates to a royalty settlement fee and the cost for the ongoing research and development of new and existing products, primarily for the Human Healthcare market. Also included is the cost of development of a range of disinfectants for the contamination control market. All items have been tested for impairment using the discount rate of 17%, at this level the minimal headroom attributable to any of the assets held is £1.271m, as such no impairment would be required to be recorded.

Computer Software and Website
During the financial year the Group continued its investments in its new operating system (SAP Business One – HANA). At the year end the system was utilised by all but two of the Group's entities, with further rollouts planned. Management took the view that the asset will have a useful life of seven years based on historical trends for software utilisation, new additions in the period are amortised in line with the balance brought forward from the prior year. There are no indicators of impairment of the carrying value of £0.166m. The other element of this category is the Group's new website. In line with IAS 38 management have capitalised the additions in the year of £0.037m on the basis of the potential to generate revenue for the Group. The Website went live on the last day of the financial year, and includes or will include the following functions:

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

11. **INTANGIBLE ASSETS – continued**

Group	**Patents, licences and proprietary technology**	**Development – Marketable products**	**Development – Products in development**	**Computer Software & Website**	**Totals**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 30 June 2014	**4,731**	**3,705**	**323**	**-**	**8,759**
Additions	**200**	**96**	**126**	**145**	**567**
Disposal	**(60)**	**(144)**	**-**	**-**	**(204)**
At 30 June 2015	**4,871**	**3,657**	**449**	**145**	**9,122**
Additions	**125**	**35**	**169**	**77**	**406**
Reclassification	**315**	**(102)**	**(213)**	**-**	**-**
Disposal	**-**	**(9)**	**(4)**	**-**	**(13)**
At 30 June 2016	**5,311**	**3,581**	**401**	**222**	**9,515**
Amortisation					
At 30 June 2014	**1,228**	**1,678**	**216**	**-**	**3,122**
Charge for year	**129**	**318**	**-**	**-**	**447**
Disposal	**-**	**(78)**	**-**	**-**	**(78)**
At 30 June 2015	**1,357**	**1,918**	**216**	**-**	**3,491**
Reclassification	**61**	**152**	**(213)**	**-**	**-**
Charge for year	**197**	**264**	**44**	**19**	**524**
Impairment	**-**	**-**	**125**	**-**	**125**
Disposal	**-**	**(2)**	**(3)**	**-**	**(5)**
At 30 June 2016	**1,615**	**2,332**	**169**	**19**	**4,135**
Net book value					
At 30 June 2016	**3,696**	**1,249**	**232**	**203**	**5,380**
At 30 June 2015	**3,514**	**1,739**	**233**	**145**	**5,631**

11. **INTANGIBLE ASSETS – continued**

Company	**Patents and licences £'000**	**Totals £'000**
Cost		
At 30 June 2014	4,479	4,479
Additions	98	98
At 30 June 2015	4,577	4,577
Additions	**125**	**125**
At 30 June 2016	**4,702**	**4,702**
Amortisation		
At 30 June 2014	984	984
Charge for year	127	127
At 30 June 2015	1,111	1,111
Charge for year	**197**	**197**
At 30 June 2016	**1,308**	**1,308**
Net book value		
At 30 June 2016	**3,394**	**3,394**
At 30 June 2015	3,466	3,466

12. PROPERTY, PLANT AND EQUIPMENT

Group	Improvements to property £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Cost					
At 30 June 2014	1,407	1,083	58	407	2,955
Net exchange differences	-	(5)	(1)	(9)	(15)
Additions	143	259	31	63	496
Disposals	-	-	-	(54)	(54)
At 30 June 2015	1,550	1,337	88	407	3,382
Net exchange differences	**-**	**12**	**(3)**	**(27)**	**(18)**
Additions	**105**	**280**	**26**	**88**	**499**
Disposals	**-**	**(449)**	**(6)**	**(57)**	**(512)**
At 30 June 2016	**1,655**	**1,180**	**105**	**411**	**3,351**
Depreciation					
At 30 June 2014	643	866	33	136	1,678
Eliminated on disposal		(1)	-	(3)	(4)
Charge for year	-	-	-	(36)	(36)
Impairment	195	102	14	86	397
At 30 June 2015	838	967	47	183	2,035
Net exchange differences	**(3)**	**(5)**	**-**	**(36)**	**(44)**
Eliminated on disposal	**-**	**(449)**	**(3)**	**(46)**	**(498)**
Charge for year	**204**	**136**	**13**	**89**	**442**
At 30 June 2016	**1,039**	**649**	**57**	**190**	**1,935**
Net book value					
At 30 June 2016	**616**	**531**	**48**	**221**	**1,416**
At 30 June 2015	712	370	41	224	1,347

Company

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

13. INVESTMENTS

Group

Investment in associate
The Group holds a 20% voting and equity interest in Tristel Italia srl, which is accounted for under the equity method.

Tristel Italia srl (Incorporated in Italy)	**2016**	2015
Nature of business: Supply of infection control products		
Class of shares	**€1 Ordinary**	€1 Ordinary
Holding	**20%**	20%

	2016	2015
	£'000	£'000
Assets	**253**	216
Liabilities	**97**	102
Aggregate capital and reserves	**156**	76
Revenue	**285**	238
Profit for the period	**66**	38
Profit for the period attributable to the Group	**13**	8

Company	**Shares in *Group* undertakings and associate £'000**
Cost	
At 30 June 2014	2,144
Capital contributions as a result of share based payments	35
At 30 June 2015	2,179
Capital contributions as a result of share based payments	**674**
Investment in Tristel GMBH	**19**
At 30 June 2016	**2,872**
Impairment	
At 30 June 14 & 30 June 15	433
Movement in the year	-
At 30 June 16	**433**
Net book value	
At 30 June 2016	**2,439**
At 30 June 2015	1,746

The total amount recognised in the Company balance sheet in relation to options granted over the parent company shares to employees of subsidiaries during the year amounts to a charge of £674,000 (2015: £35,000).

13. INVESTMENTS - continued

Subsidiaries

Tristel Solutions Limited (Incorporated in England and Wales) Nature of business: Supply of infection control products	**2016**	2015
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**100%**	100%

Scorcher Idea Limited - formerly Newmarket Technologies Limited (Incorporated in England and Wales) Nature of business: Development of infection control delivery	**2016**	2015
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**100%**	100%

Tristel New Zealand Limited (Incorporated in New Zealand) Nature of business: Supply of infection control products	**2016**	2015
Class of shares	**$1 Ordinary**	$1 Ordinary
Holding	**100%**	100%

Tristel Medical Equipment Co Ltd (Incorporated in China) 100% owned by Tristel Asia Limited Nature of business: Supply of infection control products	**2016**	2015
Class of shares	**¥1 Ordinary**	¥1 Ordinary
Holding	**100%**	100%

Tristel Asia Limited (Incorporated in Hong Kong) Nature of business: Supply of infection control products	**2016**	2015
Class of shares	**$1 Ordinary**	$1 Ordinary
Holding	**100%**	100%

Medichem International Limited (Incorporated in England and Wales) – Not material to the group, non-trading Nature of business: Holder of trademarks	**2016**	2015
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**50%**	50%

Tristel International Limited (Incorporated in England and Wales) Nature of business: Supply of infection control products	**2016**	2015
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**100%**	100%

Tristel GMBH (Incorporated in Germany) Nature of business: Supply of infection control products	**2016**	2015
Class of shares	**£1 Ordinary**	£1 Ordinary
Holding	**100%**	-

14. INVENTORIES

Group	2016 £'000	2015 £'000
Raw materials	**1,102**	1,161
Finished goods	**695**	900
Work in progress	**78**	-
	1,875	2,061

Company
The Company has no inventories.

15. TRADE AND OTHER RECEIVABLES

Current	2016 £'000 Group	2015 £'000 Group	2016 £'000 Company	2015 £'000 Company
Trade receivables	**2,955**	2,518	**-**	-
Amounts owed by Group undertakings	**-**	-	**4,415**	4,643
Other receivables	**450**	390	**340**	354
Prepayments	**330**	286	**19**	15
	3,735	3,194	**4,774**	5,012

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

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

Current	2016 £'000 Group	2015 £'000 Group	2016 £'000 Company	2015 £'000 Company
Impairment provision brought forward	**(32)**	(16)	**-**	-
Impairment losses recognised	**3**	3	**-**	-
Increase in provision	**-**	(19)	**-**	-
Impairment provision carried forward	**(29)**	(32)	**-**	-

The Directors consider that the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

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

15. TRADE AND OTHER RECEIVABLES - continued

In the animal healthcare segment, the distribution model means that the debt is allocated amongst multiple customers, thereby reducing the credit risk. In the contamination control segment, the credit risk is lessened due to the large number of customers. Credit risk is predominantly within the human healthcare segment.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Bank accounts	**5,715**	4,045	**3,506**	3,042
	5,715	4,045	**3,506**	3,042

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

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current				
Trade payables	**1,104**	949	**10**	4
Social security and other taxes	**701**	651	**-**	-
Accruals	**1,451**	834	**172**	66
	3,256	2,434	**182**	70

18. FINANCIAL LIABILITIES – INTEREST BEARING LOANS AND BORROWING

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

19. **FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

Cash flow risk
Group cash balances and expected cash flow are monitored on a daily basis to ensure the Group has sufficient available funds to meet its needs.

Interest risk
The Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates, however this is not a material risk to the business, as the group has no bank borrowings at 30 June 2016.

Exchange rate risk
Group exposure to exchange rate risk includes the measurement of overseas operations at the relevant exchange rate and changes in trade payables and receivables as a result of exchange rate movements. Daily exchange rate movements are monitored and any losses or gains incurred are taken to the income statement and reported in the Group's internal management information. Before agreeing any overseas transactions, consideration is given to utilising financial instruments such as hedging and forward purchase contracts, none of which were in place at the year end.

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

19. **FINANCIAL INSTRUMENTS – continued**

Capital management

The Group's capital management policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. The Board's objective is to safeguard the Group's ability to continue as a going concern, to sustain the future development of the business and to provide returns for shareholders, whilst controlling the cost of capital.

The Group monitors capital on the basis of the carrying amount of equity, less cash as presented on the face of the balance sheet.

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

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

Capital for the period is summarised as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	£'000	*£'000*	***£'000***	*£'000*
Total equity	**14,964**	14,165	**13,928**	13,070
Cash and cash equivalents	**(5,715)**	(4,045)	**(3,506)**	(3,042)
Capital	**9,249**	10,210	**10,422**	10,028
Total equity	**14,964**	14,165	**13,928**	13,070
Borrowings	-	-	-	-
Overall financing	**14,964**	14,165	**13,928**	13,070
Capital to overall financing ratio	**0.62**	0.72	**0.75**	0.77

Financial assets and liabilities

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

Credit risk

Exposure to credit

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

	Group carrying amount		**Company carrying amount**	
	2016	2015	**2016**	2015
	£'000	*£'000*	***£'000***	*£'000*
Cash and cash equivalents	**5,715**	4,045	**3,506**	3,042
Trade and other receivables excluding prepayments and VAT	**3,080**	2,804	**4,429**	4,658
	8,795	6,849	**7,935**	7,700

19. **FINANCIAL INSTRUMENTS – continued**

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

	Group carrying amount		Company carrying amount	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
United Kingdom	**2,557**	1,931	**4,429**	4,658
Rest of the World	**523**	873	**-**	-
	3,080	2,804	**4,429**	4,658

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £29,000 (2015: £32,000) have been provided against but no other receivables were considered to be impaired.

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

	Group	
	2016	2015
	£'000	£'000
Not past due	**1,912**	1,944
Past due 0-30 days	**587**	508
Past due 31-120 days	**346**	132
Past due 120 days +	**235**	220
	3,080	2,804

Liquidity risk

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

Group

	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**More than 12 months**
30 June 2016	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-derivative financial liabilities					
Trade and other payables	**2,555**	**2,555**	**2,555**	**-**	**-**
	2,555	**2,555**	**2,555**	**-**	**-**
30 June 2015					
Non-derivative financial liabilities					
Trade and other payables	1,783	1,783	1,783	-	-
	1,783	1,783	1,783	-	-

19. **FINANCIAL INSTRUMENTS – continued**

Liquidity risk - continued

Company

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	More than 12 months
30 June 2016	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-derivative financial liabilities					
Trade and other payables	**182**	**182**	**182**	-	-
30 June 2015					
Non-derivative financial liabilities					
Trade and other payables	70	70	70	-	-

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

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current assets: loans and receivables at amortised cost				
Cash and cash equivalents	**5,715**	4,045	**3,506**	3,042
Trade and other receivables	**3,080**	2,804	**4,429**	4,658
	8,795	6,849	**7,935**	7,700

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

Current liabilities				
Trade and other payables	**2,555**	1,783	**182**	70
	2,555	1,783	**182**	70
Non-current liabilities				
Interest bearing loans and borrowings	-	-	-	-

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

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

19. FINANCIAL INSTRUMENTS – continued

Interest rate risk
The Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates, however this is not a material risk to the business, as the group has no bank borrowings at 30 June 2016.

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

Interest rate
The Group's financial assets comprise cash at bank and short-term investments. At 30 June 2016 the average interest rate earned on the temporary closing balances was 0.1% (2015: 0.1%).

Sensitivity analysis

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

The Group has an exposure to exchange rates, gains and losses are realised upon the translation of overseas subsidiary profits, foreign currency cash holdings and non GBP trade. There is a gain of £151k within these financial statements, shown on page 53 within note 5. £120k (79%) of this gain originated upon the revaluation of cash balances at the balance sheet date, £23k on the translation of overseas profits and £8k from open trade balances at the year end.

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

20. LEASING AGREEMENTS

Group

	2016	2015
Future minimum lease amounts repayable under non-cancellable operating leases fall due:	**£'000**	£'000
Within one year	**358**	311
Between one and five years	**1,204**	975
In more than five years	**475**	686
	2,037	1,972

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

Company
The Company has no lease agreements.

21. TAXATION

CURRENT TAX	**Group**		**Company**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Corporation Tax at 30 June	**432**	247	**(6)**	117

DEFERRED TAX	**Group**		**Company**	
	2016	2015	**2016**	2015
	£'000	*£'000*	***£'000***	*£'000*
Balance at 1 July	**(99)**	(121)	**(9)**	6
Credited/(charged) to Income Statement for the year	**(37)**	22	**-**	(15)
Balance at 30 June	**(136)**	(99)	**(9)**	(9)
Made up of				
Deferred tax assets	**67**	68	**-**	-
Deferred tax liabilities	**(203)**	(167)	**(9)**	(9)
Balance at 30 June	**(136)**	(99)	**(9)**	(9)

Recognised deferred tax (liability)/asset

Deferred tax liabilities are attributable to the following:

	Fixed asset timing differences	**Other temporary differences**	**Group Total**	**Company fixed asset timing differences**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 30 June 2014	**(204)**	**83**	**(121)**	**6**
Credited/(charged) to Income Statement for the year	37	(15)	22	(15)
Balance at 30 June 2015	(167)	68	(99)	(9)
(Charged)/Credited to Income Statement for the year	**(39)**	**2**	**(37)**	**-**
Balance at 30 June 2016	**(206)**	**70**	**(136)**	**(9)**

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

Net deferred tax (liability)/asset	**Group**	**Company**
	£'000	**£'000**
Deferred tax liability	(136)	(9)
Deferred tax asset	-	-
Balance at 30 June 2016	**(136)**	**(9)**
Balance at 30 June 2015	(99)	(9)

21. **TAXATION - continued**

The Group deferred tax asset at 30 June 2016 has been recognised at 18% (2015: 20%) as it is expected that this will be the rate applicable on reversal of the temporary differences.

22. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid ordinary shares of 1 pence each	**Number:**	**£'000**
30 June 2015	41,392,201	414
Issued during the year	773,000	7
30 June 2016	42,165,201	421

773,000 ordinary shares of 1 pence each, related to the exercise of 773,000 share options issued during the year (2015: 1,157,500), for a total consideration of £498,000, being £7,000 equity and £491,000 share premium. The weighted average exercise price was 64.62 pence.

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

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

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

The General Employee Schemes are part of the remuneration package of certain employees of the Group. Options under this scheme will vest immediately upon grant, or will vest in accordance with a set timescale over 36 months. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price. If the option holder leaves the employ of the Group, the option is forfeited.

During the year ended 30 June 2016 the Group and the Company had 33 share-based payment arrangements, under three schemes. Grants in the year are detailed below:

22. CALLED UP SHARE CAPITAL – continued

	Senior management scheme (1)	General employee scheme	General employee scheme	General employee scheme
Grant Date	04-Aug-15	12-Oct-15	24-Feb-16	24-Feb-16
Vesting period ends	04-Aug-15	12-Oct-15	24-Feb-16	24-Feb-16
Share price at date of grant	97.5p	105.5p	109p	109p
Volatility	44.4%	4%	4%	4%
Option life	various	10 years	10 years	10 years
Expected dividend yield	2.6%	2.6%	2.6%	2.6%
Risk free investment rate	0.94%	0.5%	0.5%	0.5%
Fair value at grant date	0.817p	0.007p	0.005p	0.010p
Exercise price at date of grant	1p	105.5p	78.5p	145.5p

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

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

Fair values for the share option schemes have been determined using the Black-Scholes model, although for the Senior management scheme (1), where fair values have been calculated via the Monte Carlo method. Reference to the Monte Carlo method can be found within the financial review section of the strategic report on page 11 of these financial statements.

22. CALLED UP SHARE CAPITAL – continued

A reconciliation of option movements over the year to 30 June 2016 is shown below: -

	Senior management scheme	Weighted average exercise price	General employee scheme	Weighted average exercise price	Senior management scheme (1)	Weighted average exercise price
Outstanding at 1 July 2014	1,912,500	59.23p	1,260,000	54.13p	-	-
Granted	20,000	77.50p	400,000	75.83p	-	-
Forfeited	-	-	(10,000)	76.00p	-	-
Exercised	(322,500)	55.70p	(835,000)	55.99p	-	-
Outstanding at 30 June 2015	**1,610,000**	**59.69p**	**815,000**	**62.65p**	**-**	**-**
Granted	-	-	220,000	117.00p	1,198,017	0.01p
Forfeited	-	-	(10,000)	105.50p	-	-
Exercised	(310,000)	59.10p	(463,000)	68.31p	-	-
Outstanding at 30 June 2016	**1,300,000**	**59.79p**	**562,000**	**80.27p**	**1,198,017**	**0.01p**
Exercisable at 30 June 2015	925,000	56.40p	825,000	62.65p	-	-
Exercisable at 30 June 2016	**625,000**	**54.15p**	**562,000**	**80.27p**	**1,198,017**	**0.01p**

The total charge at 30 June 2016 relating to employee share-based payment plans, in accordance with IFRS 2, was £674,000 (2015: £35,000) all of which related to equity-settled share-based payment transactions.

The range of exercise prices for options outstanding at the end of the period is 1p and 105.5p. The weighted average of the remaining contractual life of options at the end of the period is seven years.

23. RELATED PARTY DISCLOSURES

Transactions between the Group and Bruce Green
Under the terms of a technology licence agreement between the Group and Bruce Green, a shareholder in the parent company Tristel plc, royalties and commissions related to the Groups patented technology of £176,000 (2015: £194,000) were payable during the year to Bruce Green Limited, a company owned by Mr Green. At 30 June 2016 the Group owed Bruce Green Limited £39,000 (2015: £42,000).

Transactions between the Group and David Orr
Under the terms of supply agreements between the Company and Fenton Packaging, a private company incorporated in England and Wales in which Mr David Orr, a non-executive director in the Company, is a director and shareholder, monies totalling £61,000 were payable (2015: £nil). At 30 June 2016 the Group owed Fenton Packaging £16,000 (2015: £nil). Under the terms of supply agreements between the Company and Manor Packaging, a private company incorporated in England and Wales in which Mr David Orr, a non-executive director in the Company, is a director, monies totalling £346,000 were payable (2015: £266,000). At 30 June 2016 the Group owed Manor Packaging £73,000 (2015: £83,000).

Transactions between the Group and associate companies
During the year the group charged its associate company Tristel Italia srl £58,000 (2015: £48,000) in respect of finished goods and was owed £46,000 (2015: £40,000).

23. RELATED PARTY DISCLOSURES - continued

Transactions with Directors
Dividends were paid to Directors as follows:

	30 June 2016	30 June 2015
	£	£
Paul Swinney	**59,935**	16,526
Elizabeth Dixon	**3,084**	831
Francisco Soler	**698,214**	196,031
Paul Barnes	**46,176**	11,304

During the year Paul Swinney and Elizabeth Dixon, directors of the Company, were respectively granted options over 414,179 and 222,388 of the company's 1p ordinary shares at a price of 1p.

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

24. POST BALANCE SHEET EVENT

On 15 August 2016 the Group acquired from the Australian company Ashmed PTY Ltd, its customer base, stock, fixed assets and staff, for a total consideration of £1.1m in cash. The customer base and staff were purchased for a consideration of £959k, the amount will be recognised within intangible assets. Stock was acquired for £119k, to be shown within inventory. Transaction costs have been incurred, including an amount of £50k recognised in these financial statements within administration expenses. An estimate of the financial effect of the transaction can be found within the Chief Executive's report, on page 5 of these financial statements.