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Report of the Directors and

Financial Statements

for the year ended 30 June 2006

for

Tristel plc

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for the year ended 30 June 2006

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Company Information
for the year ended 30 June 2006

DIRECTORS:	P C Swinney F A Soler P C Clarke P F H Stephens P M Barnes FCCA
SECRETARY:	P M Barnes FCCA
REGISTERED OFFICE:	Lynx Business Park Fordham Road Snailwell Cambridgeshire CB8 7NY
REGISTERED NUMBER:	04728199 (England and Wales)
AUDITORS:	Hedges Chandler Chartered Accountants - Registered Auditors Hamlet House 366-368 London Road Westcliff-on-Sea Essex SS0 7HZ
NOMINATED ADVISOR AND BROKER	Teather & Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR
SOLICITORS:	Maclay Murray Spens One London Wall London EC2Y 5AB
PATENT ATTORNEYS:	Dummett Copp 25 The Square Martlesham Heath Ipswich Suffolk IP5 3SL
REGISTRARS:	Computershare Investor Services plc PO Box 859 The Pavilions Bridgewater Road Bristol BS99 7NH

Tristel plc

Report of the Directors
for the year ended 30 June 2006

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2006.

PRINCIPAL ACTIVITY
The principal activity of the group in the year under review was that of the design, manufacture & sale of infection control and water treatment products.

REVIEW OF BUSINESS
A review of the Company's activities during the year is dealt with in the Chairman's introduction and the Chief Executive's review of activities.

DIVIDENDS
An interim dividend of £65,551 was paid during the year. The directors recommend a final dividend of 0.725p per share.
The total distribution of dividends for the year ended 30 June 2006 will be £238,368.

FUTURE DEVELOPMENTS
The Board aims to continue its corporate strategies as set out in the Chairman's introduction and Chief Executive's review of activities.

DIRECTORS
The directors during the year under review were:

P C Swinney
F A Soler
P C Clarke
P F H Stephens
P M Barnes FCCA

The beneficial interests of the directors holding office on 30 June 2006 in the issued share capital of the company were as follows:

	30.6.06	*1.7.05*
Ordinary 1p shares		
P C Swinney	2,718,986	2,713,986
F A Soler	9,627,228	10,827,228
P C Clarke	181,811	181,811
P F H Stephens	593,937	486,505
P M Barnes FCCA	556,260	551,260

CORPORATE GOVERNANCE
Tristel plc is committed to maintaining high standards of corporate governance. The Company complies with the Combined Code as modified by the recommendations of the Quoted Companies Alliance to the extent the directors consider appropriate, given the size of the Company, its current stage of development and the constitution of the Board.

SUBSTANTIAL SHAREHOLDINGS
Except for directors' interests noted above, the directors are aware of the following who are interested in 3% or more of the Company's equity at 30 June 2006.

	Registered holding	% of issued
Invesco Perpetual	882,081	3.70%
Bruce Green	864,016	3.62%
M D Barnard	744,324	3.12%

GROUP'S POLICY ON PAYMENT OF CREDITORS
The group does not have a written code or standard on payment practice. It negotiates terms with each of its suppliers. Payments are then made to suppliers in accordance with those terms provided the supplier has carried out the agreed obligations in a satisfactory manner.

At the year end the group had an average of 50 days purchases outstanding in trade creditors.

Report of the Directors
for the year ended 30 June 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Hedges Chandler as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
P M Barnes FCCA - Secretary

Date: 10 October 2006

Report of the Independent Auditors to the Members of Tristel plc

We have audited the financial statements of Tristel plc for the year ended 30 June 2006 on pages 5 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted for use in the European Union, of the state of affairs of the company and the group as at 30 June 2006 and of the profit of the group for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

In our opinion the information given in the report of the directors is consistent with the financial statements.

Hedges Chandler

Hedges Chandler
Chartered Accountants - Registered Auditors
Hamlet House
366-368 London Road
Westcliff-on-Sea
Essex
SS0 7HZ

Date: 10 October 2006

Tristel plc

Consolidated Income Statement
for the year ended 30 June 2006

	Notes	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 restated £
CONTINUING OPERATIONS			
Revenue		3,745,680	3,009,115
Cost of sales		(1,709,033)	(1,448,048)
GROSS PROFIT		2,036,647	1,561,067
Other operating income		16,497	-
Administrative expenses		(1,368,937)	(1,121,215)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		684,207	439,852
Exceptional items			
Loss on sale of subsidiary	4	-	(22,275)
Employee share option costs	4	-	(279,956)
OPERATING PROFIT		684,207	137,621
Finance costs	5	-	(39,200)
Finance income	5	35,372	5,775
PROFIT BEFORE TAX	6	719,579	104,196
Tax	7	(213,176)	(65,440)
PROFIT FOR THE YEAR		506,403	38,756
Attributable to:			
Equity holders of the parent	22	120,218	128,143

The notes form part of these financial statements

Statement of Recognised Income and Expense
for the year ended 30 June 2006

	Notes	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 restated £
PROFIT FOR THE FINANCIAL YEAR		506,403	38,756
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		506,403	38,756
Attributable to:			
Equity holders of the parent		120,218	128,143
Earnings per share	10		
Basic		2.12p	0.24p
Diluted		2.09p	0.22p

Other than the reallocation of the dividend payable there were no changes to equity on transition to IAS (note 22)

Consolidated Balance Sheet
30 June 2006

	Notes	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 restated £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	774,413	-
Other intangible assets	12	819,463	828,832
Property, plant and equipment	13	311,637	83,168
		1,905,513	912,000
CURRENT ASSETS			
Inventories	15	395,193	224,710
Trade and other receivables	16	931,306	546,489
Cash and cash equivalents	17	173,930	1,212,112
		1,500,429	1,983,311
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	825,426	1,045,467
Financial liabilities - borrowings			
Bank overdrafts	19	54,228	58,838
Interest bearing loans and borrowings	19	203,775	-
Tax payable		191,975	10,526
		1,275,404	1,114,831
NET CURRENT ASSETS		225,025	868,480
NON-CURRENT LIABILITIES			
Deferred tax	20	124,846	96,456
		124,846	96,456
NET ASSETS		2,005,692	1,684,024

The notes form part of these financial statements

Consolidated Balance Sheet - continued
30 June 2006

	Notes	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 restated £
SHAREHOLDERS' EQUITY			
Called up share capital	21	238,368	238,368
Share premium	22	1,455,980	1,455,980
Merger reserve	22	478,526	478,526
Profit and loss account	22	(167,182)	(488,850)
Total shareholders' equity		2,005,692	1,684,024
TOTAL EQUITY		2,005,692	1,684,024

The financial statements were approved by the Board of Directors on 10 October 2006 and were signed on its behalf by:

....
P F H Stephens - Director

....
P M Barnes FCCA - Director

The notes form part of these financial statements

Tristel plc

Company Balance Sheet
30 June 2006

	Notes	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 restated £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	374,940	443,835
Investments	14	1,546,885	465,000
		1,921,825	908,835
CURRENT ASSETS			
Trade and other receivables	16	112,182	63,205
Cash and cash equivalents	17	98,006	1,212,089
		210,188	1,275,294
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	52,257	336,388
Financial liabilities - borrowings			
Bank overdrafts	19	51,757	-
Interest bearing loans and borrowings	19	203,775	-
Tax payable		43,577	10,526
		351,366	346,914
NET CURRENT (LIABILITIES)/ASSETS		(141,178)	928,380
NON-CURRENT LIABILITIES			
Deferred tax	20	22,673	14,724
NET ASSETS		1,757,974	1,822,491
SHAREHOLDERS' EQUITY			
Called up share capital	21	238,368	238,368
Share premium	22	1,455,980	1,455,980
Profit and loss account	22	63,626	128,143
Total shareholders' equity		1,757,974	1,822,491
TOTAL EQUITY		1,757,974	1,822,491

The financial statements were approved by the Board of Directors on 10 October 2006 and were signed on its behalf by:

.... P F H Stephens -Director

.... P M Barnes FCCA - Director

The notes form part of these financial statements

Tristel plc

Cash Flow Statement
for the year ended 30 June 2006

	Notes	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
Cash flows from operating activities			
Cash generated from operations	1	337,879	312,543
Interest paid		-	(44,478)
Interest element of hire purchase or finance lease rental payments		-	(315)
Tax paid		(10,533)	-
Net cash from operating activities		327,346	267,750
Cash flows from investing activities			
Purchase of intangible fixed assets		(105,712)	(197,838)
Purchase of tangible fixed assets		(235,897)	(54,195)
Purchase of fixed asset investments		-	-
Sale of intangible fixed assets		-	-
Sale of tangible fixed assets		13,000	8,027
Disposal of subsidiary		-	(1,816)
Purchase of subsidiary, net of cash acquired		(1,080,885)	-
Interest received		35,372	5,775
Net cash from investing activities		(1,374,122)	(240,047)
Cash flows from financing activities			
New loans in year		-	20,000
Loan repayments in year		-	(440,000)
Loans written off		-	(3,714)
Directors' loans		(5,836)	(7,952)
Share issues		-	1,596,575
Share buyback		-	(75,000)
Government grant received		-	80,359
Equity dividends paid		(184,735)	-
Net cash from financing activities		(190,571)	1,170,268
(Decrease)/Increase in cash and cash equivalents		(1,237,347)	1,197,971
Cash and cash equivalents at beginning of year	2	1,153,274	(44,697)
Cash and cash equivalents at end of year	2	(84,073)	1,153,274

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the year ended 30 June 2006

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING *ACTIVITIES***

	Year Ended 30.6.06	Period 1.5.04 to 30.6.05
	£	£
Operating profit	684,207	439,852
Depreciation charges	168,238	64,902
Loss on disposal of fixed assets	5,065	1,082
Government grants	(16,497)	-
Increase in inventories	(53,961)	(214,110)
Increase in trade and other receivables	(204,553)	(190,723)
(Decrease)/Increase in trade and other payables	(244,620)	211,540
Net cash inflow from operating activities	337,879	312,543

2. **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 2006

	30.6.06	1.7.05
	£	£
Cash and cash equivalents	173,930	1,212,112
Bank overdrafts	(54,228)	(58,838)
Shareholders loan	(203,775)	-
	(84,073)	1,153,274

Period ended 30 June 2005

	30.6.05	1.5.04
	£	£
Cash and cash equivalents	1,212,112	1
Bank overdrafts	(58,838)	(44,698)
	1,153,274	(44,697)

3. **ACQUISITION OF SUBSIDIARY**
During the year the group acquired Vernagene Limited *(now* Tristel Technologies Ltd). The fair value of assets acquired and liabilities assumed were as follows:

	£
Cash	1,000
Inventories	116,522
Accounts receivable	180,264
Property, plant and equipment	56,963
Intangible assets	6,831
Goodwill	774,413
Trade and other payables	(54,108)
Total purchase price	1,081,885
Less: Cash acquired	1,000
Cash flow on acquisition net of cash acquired	1,080,885

The notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 June 2006

1. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and include restatement of comparatives as required for the implementation of IFRS from 1 May 2004. No significant changes to the group's accounting policies or financial position arises from the adoption of the new presentation.

Basis of consolidation
The group financial statements consolidate the accounts of Tristel plc for the year ended 30 June 2006 and of its subsidiary undertakings for the year ended 30 June 2006, or until date of disposal as applicable. The accounting year end of Tristel plc was extended to 30 June in 2005.

On 5 June 2006 the Group acquired the whole of the issued share capital of Vernagene Limited and its name was changed to Tristel Technologies Limited on 28 June 2006. The acquisition of this company has been accounted for using purchase accounting principles in accordance with International Financial Reporting Standard 3. The Tristel Technologies Limited results have been incorporated for the period of ownership.

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

Goodwill
Acquired goodwill is included at cost and subject to an annual impairment review.

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

Intangible assets - research and development
Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial feasibility of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. Provision is made for any impairment.

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

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

Inventories
Inventories are valued 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.

Deferred tax
Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Notes to the Financial Statements - continued
for the year ended 30 June 2006

1. **ACCOUNTING POLICIES – continued**

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Foreign currencies
The financial statements are presented in Sterling and transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

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

The interest element of these obligations is charged to the income statement over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the income statement on a straight line basis.

Pensions
The group operates a defined contribution pension scheme. Contributions payable for the year are charged in the income statement. Differences between contributions payable in the period and those actually paid are shown in the balance sheet as accruals or prepayments.

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

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

Borrowing costs
Costs are charged to the income statement as incurred.

2. **TURNOVER**
The turnover and profit before tax are attributable to the one principal activity of the group.

Analysis of turnover by geographical market is given below:

	Year ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
United Kingdom	3,709,915	2,970,682
Rest of the World	35,765	38,433
Total	3,745,680	3,009,115

3. EMPLOYEES AND DIRECTORS

	Year Ended 30.6.06	Period 1.5.04 to 30.6.05
	£	£
Wages and salaries	553,317	405,636
Social security costs	60,300	43,623
Other pension costs	28,928	18,354
	642,545	467,613

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

	Year Ended 30.6.06	Period 1.5.04 to 30.6.05
Executive directors	2	1
Non-executive directors	3	-
Sales and marketing	7	6
Administration	4	3
	16	10

Notes to the Financial Statements - continued
for the year ended 30 June 2006

3. **EMPLOYEES AND DIRECTORS - continued**

In addition to the staff costs disclosed above, there were costs of £279,956 included in 2005 as exceptional items comprising a UITF 17 charge of £207,600 and related employers' National Insurance contributions of £72,356 associated with employee share options granted during the previous period.

	Year Ended 30.6.06	Period 1.5.04 to 30.6.05
Directors' emoluments	216,092	150,788
Aggregate gains made by directors on the exercise of share options	-	759,687
Directors' pension contributions	17,704	7,000

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

Defined contribution schemes	2	1

No directors exercised share options during the year (2005 - 3).

Information regarding the highest paid director for the year ended 30 June 2006 is as follows:

	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
Emoluments etc	117,559	99,205
Aggregate gains made on the exercise of share options	-	563,170
Pension contributions to money purchase schemes	11,700	7,000

4. **EXCEPTIONAL ITEMS**

In accordance with UITF 17, £207,600 was charged to the profit and loss account in 2005 in respect of employee share options grant and exercised during that period, which was then credited to reserves. In addition, the group incurred employer's National Insurance costs of £72,356 in respect of the share options. These costs were treated as exceptional as the options would not have vested had the company not been admitted to AIM in 2005.

No options charge arises in 2006 as the market price of the company's shares at the balance sheet date was below the option price.

The group disposed of one of its subsidiaries in February 2005, resulting in a loss on consolidation of £22,275.

5. **NET FINANCE INCOME**

	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
Finance income:		
Deposit account interest	33,701	5,775
Other	1,671	-
	35,372	5,775

Notes to the Financial Statements - continued
for the year ended 30 June 2006

5. NET FINANCE INCOME - continued

	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
Finance costs:		
Other interest	-	36
Loan interest	-	38,849
Hire purchase	-	315
	-	39,200
Net finance income/(cost)	35,372	(33,425)

6. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
Cost of inventories recognised as expense	1,709,033	1,448,048
Depreciation - owned assets	46,326	28,024
Depreciation - assets on hire purchase contracts or finance leases	-	2,054
Loss on disposal of fixed assets	5,065	1,082
Patents and licences amortisation	74,488	34,824
Development costs amortisation	47,424	-
Auditors' remuneration	20,221	7,500
Auditors' remuneration for non audit work	-	3,090
Foreign exchange differences	895	-
Operating lease rentals - land and buildings	15,000	18,026
- vehicles and equipment	10,871	19,964
Research costs expensed	59,213	109,970

In addition to the auditors' remuneration disclosed above, share issue costs of £49,700 were incurred in 2005 and included in the share premium account in respect of work completed by the auditors relating to the company's admission to AIM.

Notes to the Financial Statements - continued
for the year ended 30 June 2006

7. TAX

Analysis of the tax charge

	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
Current tax:		
Corporation tax	183,779	10,526
Prior year adjustment	7	-
Total current tax	183,786	10,526
Deferred tax:		
Advance capital allowances	18,030	83,420
Losses utilised	6,411	-
Deferred grant income	4,949	(28,506)
Total deferred tax	29,390	54,914
Total tax charge in income statement	213,176	65,440

Notes to the Financial Statements - continued
for the year ended 30 June 2006

7. **TAX - continued**

Factors affecting the tax charge
The tax assessed for the year is lower (2005 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £
Profit on ordinary activities before tax	719,579	104,196
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	215,874	31,259
Effects of:		
Expenses not deductible for tax purposes	2,586	18,961
brought forward		
Capital allowances in excess of depreciation	(18,030)	(54,970)
Losses utilised	(6,411)	-
Grant income taxed on receipt	(4,949)	24,107
Effect of lower rate tax bands	(1,744)	(6,141)
Enhanced relief on qualifying scientific research expenditure	(3,547)	(2,690)
Current tax charge	183,779	10,526

8. **PROFIT/(LOSS) OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £120,218 (2005: £128,143, as restated).

9. **DIVIDENDS**

	Year Ended 30.6.06 £	Period 1.5.04 to 30.6.05 £ restated
Equity shares:		
Paid		
Final for 2005 at 0.5p per share	119,184	-
Interim for 2006 at 0.275p per share	65,551	-
Proposed		
Final for 2006 at 0.725p per share	172,817	119,184

10. EARNINGS PER ORDINARY SHARE

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

	2006	2005
Retained (loss)/profit for the financial period	£506,403	£38,756
Weighted average number of ordinary shares for basic earnings per share	23,836,820	16,050,830
Weighted average number of ordinary shares for diluted earnings per share	24,195,957	18,002,893

The calculation of the weighted average number of shares is based on the year ended 30 June. The calculation of diluted earnings per share excludes outstanding options on 250,000 ordinary shares at 30 June 2006 which could potentially dilute earnings in the future because they were antidilutive for the year as the exercise price of the options exceeded the fair average value of the shares during the year.

11. GOODWILL

Group

	£
COST	
At 1 July 2005	-
Additions	774,413
At 30 June 2006	774,413
AMORTISATION	
At 1 July 2005	-
Amortisation for year	-
At 30 June 2006	-
NET BOOK VALUE	
At 30 June 2006	774,413
At 30 June 2005	-

Goodwill arises on the acquisition of Vernagene Limited in the period as the company has adopted the purchase method of accounting. Under UK Generally Accepted Accounting Practice, this asset would be set against the reserves of the group but IAS does not allow for this. The amount will be subjected to impairment review.

The net assets acquired were £307,472 and the total paid, including costs, was £1,081,885.

Company

The company has no goodwill to account for.

Tristel plc

Notes to the financial statements-continued
for the year ended 30 June 2006

12. INTANGIBLE ASSETS

Group

	Patents and licences £	Development costs £	Totals £
COST			
At 1 July 2005	699,005	384,997	1,084,002
Additions	5,497	100,215	105,712
Acquisition of subsidiary	10,015	-	10,015
At 30 June 2006	714,517	485,212	1,199,729
AMORTISATION			
At 1 July 2005	255,170	-	255,170
Amortisation for year	74,488	47,424	121,912
Acquisition of subsidiary	3,184		3,184
At 30 June 2006	332,842	47,424	380,266
NET BOOK VALUE			
At 30 June 2006	381,675	437,788	819,463
At 30 June 2005	443,835	384,997	828,832

Notes to the Financial Statements - continued
for the year ended 30 June 2006

12. INTANGIBLE ASSETS - continued

Company

	Patents and licences £
COST	
At 1 July 2005	699,005
Additions	5,497
At 30 June 2006	704,502
AMORTISATION	
At 1 July 2005	255,170
Amortisation for year	74,392
At 30 June 2006	329,562
NET BOOK VALUE	
At 30 June 2006	374,940
At 30 June 2005	443,835

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 July 2005	16,205	23,460	63,699	47,292	150,656
Additions	5,024	132,962	10,548	87,363	235,897
Acquisition of subsidiary	-	133,902	17,888	-	151,790
Disposals	-	-	(2,298)	(35,682)	(37,980)
At 30 June 2006	21,229	290,324	89,837	98,973	500,363
DEPRECIATION					
At 1 July 2005	3,301	17,576	30,976	15,635	67,488
Charge for year	3,659	8,638	14,474	19,555	46,326
Acquisition of subsidiary	-	77,642	17,185	-	94,827
Eliminated on disposal	-	-	(2,030)	(17,885)	(19,915)
At 30 June 2006	6,960	103,856	60,605	17,305	188,726
NET BOOK VALUE					
At 30 June 2006	14,269	186,468	29,232	81,668	311,637
At 30 June 2005	12,904	5,884	32,723	31,657	83,168

Company

There are no tangible fixed assets held by the company.

Notes to the Financial Statements - continued
for the year ended 30 June 2006

14. INVESTMENTS

Company

	Shares in group undertakings
	£
COST	
At 1 July 2005	465,000
Additions	1,081,885
At 30 June 2006	1,546,885
At 30 June 2005	465,000

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

Subsidiary

Tristel Solutions Limited
Country of incorporation: England and Wales
Nature of business: Supply of infection control products

Class of shares:	% holding
Ordinary	100.00

	2006	30.6.05
	£	£
Aggregate capital and reserves	683,976	326,532
Profit /(loss) for the year/period	357,444	(46,278)

Tristel Technologies Limited
Country of incorporation: England and Wales
Nature of business: Supply of water purification and disinfecting products

Class of shares:	% holding
Ordinary	100.00

	2006	30.6.05
	£	£
Aggregate capital and reserves	333,072	-
Result for the period of ownership	25,600	-

15. INVENTORIES

	Group	
	2006	2005
	£	£
Raw materials	50,087	24,969
Work-in-progress	128,940	67,233
Finished goods	216,166	132,508
	395,193	224,710

Notes to the Financial Statements - continued
for the year ended 30 June 2006

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Current:				
Trade debtors	710,321	459,411	-	-
Other debtors	47,775	29,133	27,628	27,628
Amount due from group undertakings	-	-	30,101	-
VAT	14,334	-	14,334	32,509
Prepayments and accrued income	158,876	57,945	40,119	3,068
	931,306	546,489	112,182	63,205

No allowance has been made for estimated irrecoverable amounts from the sale of goods. This position has been determined by reference to past default experience.
The directors consider that the carrying amount of trade and other receivables approximates to their value.
The credit risk on the group is primarily attributable to its trade receivables. The amounts in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment had been made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Cash in hand	1,300	23	-	-
Bank deposit account	91,055	1,000,000	91,055	1,000,000
Money market deposit	6,951	-	6,951	-
Bank accounts	74,624	212,089	-	212,089
	173,930	1,212,112	98,006	1,212,089

Cash and cash equivalents comprise cash held by the group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.
The credit risk on the group's principal financial assets, bank balances and cash and trade and other receivables has been assessed. That on liquid funds and financial instruments is limited because the holders are banks with high credit ratings assigned by international credit rating agencies.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
		restated		restated
Current:				
Trade creditors	400,917	358,867	36,446	-
Amounts owed to group undertakings	-	-	-	98,570
Social security and other taxes	126,124	100,557	-	1,838
Other creditors	14,468	238,630	12,472	235,980
Accruals and deferred income	283,690	341,350	3,339	-
Directors' current accounts	227	6,063	-	-
	825,426	1,045,467	52,257	336,388

19. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Current:				
Bank overdrafts	54,228	58,838	51,757	-
Shareholders loan	203,775	-	203,775	-
	258,003	58,838	255,532	-

Terms and debt repayment schedule

Group

	1 year or less
	£
Bank overdrafts	54,228

The average interest rates paid were: -	2006	2005
Bank overdraft	8%	8%
Shareholders loan	203,775	-

Interest is payable at US Prime Rate.

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

20. DEFERRED TAX

Group

	2006	2005
	£	£
Balance at 1 July	96,456	41,542
Acquisition of subsidiary	(1,000)	-
Accelerated capital allowances	18,030	54,970
Deferred grant income	4,949	(24,107)
Utilisation of losses	6,411	-
Increase in tax rate	-	24,051
Balance at 30 June	124,846	96,456

Company

	2006	2005
	£	£
Balance at 1 July	14,724	-
Accelerated capital allowances	7,949	14,724
Balance at 30 June	22,673	14,724

Notes to the Financial Statements - continued
for the year ended 30 June 2006

21. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2006 £	2005 £
60,000,000	Ordinary	1p	600,000	600,000

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2006 £	2005 £
23,836,820	Ordinary	1p	238,368	238,368

At 30 June 2006 there were 940,000 shares that had been granted under share options and had not been taken up at that date (2005: none).

22. RESERVES

Group restated

	Profit and loss account £	Share premium £	Merger reserve £	Totals £
At 1 July 2005 restated	(488,850)	1,455,980	478,526	1,445,656
Profit for the year	506,403			506,403
Dividends	(184,735)	-	-	(184,735)
At 30 June 2006	(167,182)	1,455,980	478,526	1,767,324

Company restated

	Profit and loss account £	Share premium £	Merger reserve £	Totals £
At 1 July 2005 restated	128,143	1,455,980	-	1,584,123
Profit for the year	120,218	-	-	120,218
Dividends	(184,735)	-	-	(184,735)
At 30 June 2006	63,626	1,455,980	-	1,519,606

Only the profit and loss account is distributable as the other reserves are of a capital nature.

23. TRANSACTIONS WITH DIRECTORS

During the year Paul Swinney was granted an option over 250,000 of the company's ordinary shares this option is at a price of 59.5p and is exercisable at any time up to 23 December 2015.

24. **RELATED PARTY DISCLOSURES**

Transactions between the Group and Bruce Green

Under the terms of a technology licence agreement between the Group and Bruce Green, a shareholder in the Company, royalties of £145,583 (2005: £120,535) were paid during the year ended 30 June 2006 to Bruce Green Limited, a company owned by Mr. Green.

25. **LEASING COMMITMENTS**

The following annual commitments under non-cancellable operating leases:

Group and company

	2006		2005	
	Land and buildings £	Plant and machinery £	Land and buildings £	Plant and machinery £
Expiring in two to five years	15,000	6,411	15,000	6,411
Expiring in more than five years	26,708	-	-	-

26. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

Group

	2006 £	2005 £ restated
Profit for the financial year	506,403	38,756
Dividends	(184,735)	-
	321,668	38,756
New share capital subscribed	-	1,666,719
Share related charges (UITF 17)	-	207,600
Purchase of own shares	-	(75,000)
Net addition to shareholders' funds	321,668	1,838,075
Opening shareholders' funds	1,684,024	(154,051)
Closing shareholders' funds	2,005,692	1,684,024
Equity interests	2,005,692	1,684,024

Company

	2006 £	2005 £ restated
Profit for the financial year	120,218	128,143
Dividends	(184,735)	-
	(64,517)	128,143
New share capital subscribed	-	1,694,347
Net (reduction)/addition to shareholders' funds	(64,517)	1,822,490
Opening shareholders' funds	1,822,491	1
Closing shareholders' funds	1,757,974	1,822,491
Equity interests	1,757,974	1,822,491