TRISTEL plc
(“Tristel” or “the Company”)
Unaudited Interim Results for the six months ended 31 December 2012

Tristel plc (AIM: TSTL), the manufacturer of infection control, contamination control and hygiene products, announces its interim results for the six months ended 31 December 2012.

Tristel’s lead technology is a proprietary chlorine dioxide formulation and the Company addresses three distinct markets:

- The Human Healthcare market (hospital infection prevention – via the Tristel brand)
- The Animal Healthcare market (veterinary practice infection prevention – via the Anistel brand)
- The Contamination Control market (control of contamination in critical environments – via the Crystel brand)

Financial highlights

- Revenue of **£4.402m** (2011: £5.061m)
- Overseas sales up 74.7% to **£1.354m** (2011: £0.775m)
- Gross margin of **64%** (2011: 68.6%)
- Adjusted pre-tax loss of **£0.642m** (2011: £0.262m profit)
- Basic EPS **-4.73p** (2011: 1.37p)
- Interim dividend of **0.08p** per share (2011: 0.27p)

Operational highlights

- Tristel Wipe System approved for sale in China
- Sales in Germany increased by 140% and in Australasia by 18%
- CVS (UK) selects Anistel range for its 242 veterinary surgeries in the United Kingdom

Commenting on current trading, Paul Swinney, Chief Executive of Tristel, said:
“Against a backdrop of a sharp decline in revenues from our legacy endoscopy business, the investments that we have made in recent years to restructure and reposition the Group in new high growth areas are now bearing fruit. Global sales of our Wipes System reached £1.6m in the period, growth of 19%, and the system has now been approved for sale in China. We continue to see strong growth into the second half. We have recaptured the market-leading position that our veterinary disinfectants previously enjoyed in the UK under different brand names and sold via a different distribution route. Notably, CVS (UK), the largest operator in the veterinary sector with 242 surgeries, has selected our Anistel range for its infection prevention practice.

“We have cut costs and reduced headcount and expect to be cash generative and return to profitable trading in the second half.”

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Chairman's Statement

In my statement of October 2012 I indicated that Tristel was 'in the middle of a period of transition' and that 'the return to more profitable growth would not be easy'. Unfortunately, events over the last six months have borne out both of these statements, as the decline in sales of our legacy (multi-channelled endoscopy) products has accelerated ahead of expectation and ahead of our ability to replace them with the newer, fast-growing, product ranges. As a consequence, we are reporting a decline in revenue by 13% to £4.4 million (2011: £5.06 million) and a pre-tax loss (pre-exceptional charge) of £0.642 million (2011: profit of £0.262 million).

Decline in Legacy Products

The long term decline of the multi-channelled endoscopy products has been anticipated for some years, although the exact profile and timing of this decline has always been difficult to assess. The recent fall off can be, in part, attributed to the publication in the late summer of 2012 of the new NHS guidelines for endoscope decontamination. These guidelines are less prescriptive than anticipated, allowing hospitals to change disinfectant to the washing machine manufacturer's own, rather than Tristel's. Consequently, during the six months to 31 December 2012 the number of hospitals using the Tristel product for endoscope decontamination in a washer-disinfector has fallen sharply. Our aim continues to be to maximise revenue from these products for as long as possible, but without further investment.

Focus on High Growth Segments

Our focus for the second half of the year, and the near future, remains our high growth product segments and geographies. The underlying trends here are encouraging. Our Wipes and Surfaces decontamination systems are gaining increased credibility with our customer base in both the UK and internationally. The recent announcement from the Ministry of Health for the People's Republic of China confirming the grant of a licence to both import and sell the Tristel Wipes System, where we have patent protection, is another important step in driving the growth of this segment.

The Tristel Wipes System is a practical and highly effective way to decontaminate and disinfect non-lumened medical devices. The system achieves high-level disinfection in less than two minutes. It comprises three individual wipes that perform the functions of cleaning the device, disinfecting the device and then rinsing it to remove any chemical residues before use on the next patient. It also incorporates a traceability process to provide the user with an audit trail.

Our Veterinary practice infection prevention products, marketed under the Anistel label, have made solid progress following the termination of our agreement with Medichem. Although slow at first, sales momentum is picking up and we are cautiously optimistic as we cement our direct presence in the UK veterinary market. We continue to focus upon the NHS aseptic units with our Crystel product range. Sales have grown by 124% on the comparable period last year.

Root and Branch Review.

In October 2012 I indicated to our shareholders that we 'have initiated a root and branch review of our business across the world' and that we 'would single-mindedly focus on ensuring that our investments either became profitable or are restructured'. This work has progressed over the first half and, as a consequence, we have reduced our headcount by over 15% since June 2012 and our total overhead cost base has been lowered by 9%. We have restructured our operation in China to ensure that it is now no longer a drain on cash. We have also reviewed the IP portfolio in the Balance Sheet with the result that we have written off certain assets relating to our legacy business. These 'root and branch review' activities have culminated in a non-cash exceptional charge of £2 million. Restructuring the business has been difficult and is on-going, but the Board is unanimous in its view that these tough decisions are necessary if we are position Tristel for future earnings growth.

Based on our view of the next six months as well as our anticipated future growth, the Board is recommending an interim dividend of 0.08p, a decrease from the 0.27p paid at the interim stage last year.

If approved, the interim dividend will be paid on 15 April 2013 to shareholders on the register at 2 April 2013. The corresponding ex-dividend date is 27 March 2013.

Christopher Samler
Chairman
4 March 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

		6 months ended	6 months ended	Year ended
		31-Dec-12	31-Dec-11	30-Jun-12
		(unaudited)	(unaudited)	(audited)
		£'000	£'000	£'000
Revenue		**4,402**	5,061	10,939
Cost of sales		**(1,584)**	(1,589)	(3,511)
Gross profit		**2,818**	3,472	7,428
Other income		**1**	-	-
Administrative expenses – share based payments		**(38)**	(2)	14
Administrative expenses – depreciation & amortisation		**(576)**	(429)	(1,050)
Administrative expenses – other		**(2,788)**	(2,777)	(5,635)
Results from branch in formation		**(50)**	-	-
Exceptional items		**(2,028)**	-	(174)
Total administrative expenses		**(5,480)**	(3,208)	(6,845)
Operating profit		**(2,661)**	264	583
Finance income		**1**	4	7
Finance costs		**(9)**	(4)	(13)
Results from equity accounted associate		**(1)**	(2)	1
(Loss)/Profit before taxation		**(2,670)**	262	578
Taxation		**779**	269	91
(Loss)/Profit for the period		**(1,891)**	531	669
Attributable to:				
Non-controlling interests		**(38)**	(15)	(38)
Equity holders of the parent		**(1,853)**	546	707
		(1,891)	531	669
Earnings per share from continuing operations				
attributable to equity holders of the parent	Note 6			
Basic (pence)		**(4.73p)**	1.37p	1.77p
Diluted (pence)		**(4.73p)**	1.30p	1.77p

All amounts relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	6 months ended 31-Dec-12 (unaudited) £'000	6 months ended 31-Dec-11 (unaudited) £'000	Year ended 30-Jun-12 (audited) £'000
(Loss)/profit for the period	**(1,891)**	**531**	669
Other comprehensive income			
Exchange differences on translating foreign operations	**9**	**6**	(5)
Other comprehensive income, net of tax	**9**	**6**	664
Total comprehensive (expenditure)/income for the period	**(1,882)**	**537**	**664**
Attributable to:			
Non controlling interests	**(37)**	**(15)**	(42)
Equity holders of the parent	**(1,845)**	**552**	706
	(1,882)	**537**	664

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
30 June 2011	400	9,151	478	(73)	2,009	11,965	(47)	11,918
Transactions with owners								
Dividends paid	-	-	-	-	(48)	(48)	-	(48)
Share-based payments	-	-	-	-	2	2	-	2
Total transactions with owners	-	-	-	-	(46)	(46)	-	(46)
Profit/(loss) for the period ended 31 Dec 2011	-	-	-	-	546	546	(15)	531
Other comprehensive income:- Exchange differences on translation of foreign operations	-	-	-	3	3	6	-	6
Total comprehensive income	-	-	-	3	549	552	(15)	537
31 December 2011	400	9,151	478	(70)	2,512	12,471	(62)	12,409
Transactions with owners								
Dividends paid	-	-	-	-	(108)	(108)	-	(108)
Share-based payments	-	-	-	-	(16)	(16)	-	(16)
Total Transactions with owners	-	-	-	-	(124)	(124)	-	(124)
Profit/(loss) for the period ended 30 Jun 2012	-	-	-	-	161	161	(23)	138
Other comprehensive income:- Exchange differences on translation of foreign operations	-	-	-	(4)	(3)	(7)	(4)	(11)
Total comprehensive income	-	-	-	(4)	158	154	(27)	127
30 Jun 2012	400	9,151	478	(74)	2,546	12,501	(89)	12,412
Transactions with owners								
Dividends paid	**-**	**-**	**-**	**-**	**(140)**	**(140)**	**-**	**(140)**
Share-based payments	**-**	**-**	**-**	**-**	**38**	**38**	**-**	**38**
Total transactions with owners	**-**	**-**	**-**	**-**	**(102)**	**(102)**	**-**	**(102)**
Loss for the period ended 31 Dec 2012	**-**	**-**	**-**	**-**	**(1,853)**	**(1,853)**	**(38)**	**(1,891)**
Other comprehensive income:- Exchange differences on translation of foreign operations	-	-	-	**8**	**-**	**8**	**1**	**9**
Total comprehensive income	**-**	**-**	**-**	**8**	**(1,853)**	**(1,845)**	**(37)**	**(1,882)**
31 Dec 2012	**400**	**9,151**	**478**	**(66)**	**591**	**10,554**	**(126)**	**10,428**

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	6 months ended 31-Dec-12 (unaudited) £'000	6 months ended 31-Dec-11 (unaudited) £'000	Year ended 30-Jun-12 (audited) £'000
Non-current assets			
Goodwill	701	779	779
Intangible assets	5,643	6,903	6,898
Property, plant and equipment	1,244	1,591	1,505
Investments accounted for using the equity method	-	45	45
Deferred tax	-	4	-
	7,588	9,322	9,227
Current assets			
Inventories	1,871	1,890	1,979
Trade and other receivables	2,935	2,909	2,831
Cash and cash equivalents	-	408	705
	4,806	5,207	5,515
Total assets	**12,394**	14,529	14,742
Capital and reserves attributable to the Company's equity holders			
Called up share capital	400	400	400
Share premium account	9,151	9,151	9,151
Merger reserve	478	478	478
Foreign exchange reserves	(66)	(70)	(74)
Retained earnings	591	2,512	2,546
Equity attributable to equity holders of parent	**10,554**	12,471	12,501
Minority interest	**(126)**	(62)	(89)
Total Equity	**10,428**	12,409	12,412
Current liabilities			
Trade and other payables	1,455	1,901	1,916
Interest bearing loans and borrowings	267	64	82
Current tax liabilities	43	76	31
Total current liabilities	**1,765**	2,041	2,029
Non-current liabilities			
Interest bearing loans and borrowings	83	79	83
Deferred tax	118	-	218
Total liabilities	**1,966**	2,120	2,330
Total equity and liabilities	**12,394**	14,529	14,742

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

		6 months ended 31-Dec-12 (unaudited) £'000	6 months ended 31-Dec-11 (unaudited) £'000	Year ended 30-Jun-12 (audited) £'000
Cash flows (used in) / generated from operating activities				
Cash (used in)/generated from operating activities	Note 7	**(450)**	213	1,148
Corporation tax received		**-**	352	351
		(450)	565	1,499
Cash flows used in investing activities				
Interest received		**1**	4	7
Purchase of intangible assets		**(189)**	(243)	(630)
Purchase of property, plant and equipment		**(100)**	(352)	(407)
Proceeds on sale of property, plant and equipment		**-**	8	38
		(288)	(583)	(992)
Cash flows used in financing activities				
Loans (repaid) / issued		**(1)**	27	(83)
Interest paid		**(10)**	(4)	(13)
Equity dividends paid		**(140)**	(48)	(156)
		(151)	(25)	(252)
(Decrease) / increase in cash and cash equivalents		**(889)**	(43)	255
Cash and cash equivalents at the beginning of the period		**705**	441	441
Exchange difference on cash and cash equivalents		**(2)**	10	9
Cash and cash equivalents at the end of the period		**(186)**	408	705

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

For the year ended 30 June 2012, the Group prepared consolidated financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Commission. These will be those International Accounting Standards, International Financial Reporting Standards and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the IASB that have been endorsed by the European Commission. This process is ongoing and the Commission has yet to endorse certain standards issued by the IASB.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared under the historical cost convention. They are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and which are, or are expected to be, effective at 30 June 2013. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2012. The interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2012. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

Accounting Policies

The interim report is unaudited and has been prepared on the basis of IFRS accounting policies.

The accounting policies adopted in the preparation of this unaudited interim financial report are the same as the most recent annual financial statements being those for the year ended 30 June 2012.

2 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the six months ended 31 December 2012 and 31 December 2011 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 30 June 2012 does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. This information is based on the Group's statutory accounts for that period. The statutory accounts were prepared in accordance with International Financial Reporting Standards ("IFRS") and received an unqualified audit report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been filed with the Registrar of Companies.

3 EXCEPTIONAL ITEMS

Exceptional items are costs which are separately disclosed within profit and loss by virtue of their size or incidence in order to enable full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include restructuring costs, provisions for write down and impairments.

	6 months ended 31-Dec-12 (unaudited) £'000	6 months ended 31-Dec-11 (unaudited) £'000	Year ended 30-Jun-12 (audited) £'000
Redundancy costs	81	-	-
Impairment of intangibles	1,124	-	-
Impairment of investments	45	-	-
Impairment of goodwill	78	-	-
Impairment of property, plant & equipment	103	-	-
Provision against bad debts	212	-	-
Provision against obsolete inventory	385	-	-
	2,028	-	-

Redundancy costs relate to the loss of thirteen posts as a result of a restructure of the Group's business in both China and the UK. As part of the restructure no activities were discontinued.

A decline in sales and downward adjustment to Management's revenue forecasts has resulted in a number of impairments and provisions against inventory and bad debts. Management considers these costs to be exceptional. The costs have a positive impact on taxation of £585,000. Full details of impairment reviews are given within notes 9 and 10.

4 GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Group's annual report for the year ended the 30 June 2012, which can be viewed at www.tristel.com. Current economic conditions create a degree of uncertainty over the level of demand for the Group's products and services and the availability of finance through banking facilities. The Board considers there to be no material uncertainties within the business.

The Directors compile budget and cash flow forecasts, which are stress tested for potential future influences and events. Funding is sought as necessary, in the most appropriate and cost effective form, to a level which provides sufficient headroom to the Group's cash requirements. A £1m bank facility in the form of a revolving overdraft secured via an intercompany guarantee was in place, and utilised, at the balance sheet date.

The Board believes that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing interim financial statements.

5 SEGMENTAL ANALYSIS

The Board 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 incorporate the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Human Health"). This segment generates approximately 75% of Group revenues.

The second segment, which constitutes 21% of the business activity, relates to manufacture and sale of disinfection and cleaning products, principally into veterinary and animal welfare sectors ("Animal Health"). During the prior financial year a change was made to the distribution model employed by the Group in the sale of these products, whereby direct supply to the market place was instigated in place of the distributor channel previously employed.

The third segment addresses the pharmaceutical and personal care manufacturing industries ("Contamination Control"). This activity has generated 4% of the Group's revenue for the period.

Within the hospital community, different aspects of infection control can be categorised into "vectors" or "routes of transmission" of infection. References to these "vectors" are made within the Chairman's statement. However, the Group does not report separately upon the vectors within its internal management information, and does not consider them to be separate sectors for the purposes of IFRS 8.

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

The Group's centrally incurred administrative expenses, operating income, assets and liabilities are not attributable to individual segments.

5 SEGMENTAL ANALYSIS - continued

	6 months ended 31 December 2012 (unaudited)				6 months ended 31 December 2011 (unaudited)				Year ended 30 June 2012 (audited)			
	Human Health	**Animal Health**	**Cont'n Control**	**Total**	**Human Health**	**Animal Health**	**Cont'n Control**	**Total**	**Human Health**	**Animal Health**	**Cont'n Control**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	**3,273**	**939**	**190**	**4,402**	3,929	1,047	85	5,061	9,038	1,666	235	10,939
Cost of material	**(1,118)**	**(331)**	**(135)**	**(1,584)**	(1,097)	(460)	(32)	(1,589)	(2,690)	(698)	(123)	(3,511)
Gross profit	**2,155**	**608**	**55**	**2,818**	2,832	587	53	3,472	6,348	968	112	7,428
Centrally incurred income and expenditure not attributable to individual segments:-												
Other operating income				**1**				-				-
Dep'n & amort'n of non- financial assets				**(576)**				(429)				(1,050)
Results from branch in formation				**(50)**				-				-
Other administrative expenses				**(2,788)**				(2,777)				(5,635)
Exceptional items				**(2,028)**				-				(174)
Share based payments				**(38)**				(2)				14
Segment operating (loss) /profit				**(2,661)**				264				583
Segment operating profit can be reconciled to Group profit before tax as follows:-												
Segment operating (loss) / profit				**(2,661)**				264				583
Results from equity accounted associate				**(1)**				(2)				1
Finance income				**1**				4				7
Finance costs				**(9)**				(4)				(13)
Group (loss) / profit before tax				**(2,670)**				262				578

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

	6 months ended 31 December 2012 (unaudited)				6 months ended 31 December 2011 (unaudited)				Year ended 30 June 2012 (audited)			
	Human Health	**Animal Health**	**Cont'n Control**	**Total**	**Human Health**	**Animal health care**	**Cont'n Control**	**Total**	**Human Health**	**Animal health care**	**Cont'n Control**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	**2,319**	**597**	**132**	**3,048**	3,154	1,047	85	4,286	7,138	1,486	199	8,823
Rest of the World	**954**	**342**	**58**	**1,354**	775	-	-	775	1,900	180	36	2,116
Gross profit	**3,273**	**939**	**190**	**4,402**	3,929	1,047	85	5,061	9,038	1,666	235	10,939

6 EARNINGS PER SHARE

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

	6 months ended 31 December 2012 (unaudited)	**6 months ended 31 December 2011 (unaudited)**	**Year ended 30 June 2012 (audited)**
Retained (loss)/profit for the period attributable to equity holders of the parent	**(1,853)**	546	707
	Shares '000 Number	**Shares '000 Number**	**Shares '000 Number**
Weighted average number of ordinary shares for the purpose of basic earnings per share	**39,985**	39,985	39,985
Share options	**-**	2,187	-
	39,985	42,172	39,985
Earnings per ordinary share			
Basic	**(4.73p)**	1.37p	1.77p
Diluted	**(4.73p)**	1.30p	1.77p

7 DIVIDENDS

	6 months ended 31 December 2012 (unaudited) £'000	**6 months ended 31 December 2011 (unaudited) £'000**	**Year ended 30 June 2012 (audited) £'000**
Amounts recognised as distributions to equity holders in the period:			
Ordinary shares of 1p each			
Final dividend for the year ended 30 June 2012 of 0.35p (2011: 0.12p) per share	**140**	48	48
Interim dividend for the year ended 30 June 2012 of 0.27p (2011: 0.435p) per share	**-**	-	108
	140	48	156
Proposed interim dividend for the year ending 30 June 2013 of 0.08p (2012: 0.435p) per share	**32**	108	140

The proposed interim dividend has not been included as a liability in the financial statements.

7 RECONCILIATION OF PROFIT BEFORE TAX TO CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES

	6 months ended 31-Dec-12 (unaudited) £'000	**6 months ended 31-Dec-11 (unaudited) £'000**	**Year ended 30-Jun-12 (audited) £'000**
Profit before taxation	**(2,670)**	262	578
Adjustments for:			
Depreciation	**259**	243	499
Amortisation of intangibles	**317**	186	551
Impairment of intangibles	**1,124**	-	-
Impairment of investments	**45**	-	-
Impairment of goodwill	**78**	-	-
Impairment of property, plant & equipment	**103**	-	-
Results from associates	**1**	2	(1)
Share based payments expense (IFRS2)	**38**	2	(14)
Loss on disposal of property plant and equipment	**-**	2	16
Government grants	**(1)**	-	-
Finance costs	**9**	4	13
Finance income	**(1)**	(4)	(7)
Operating cash flows before movement in working capital	**(698)**	697	1,635
Decrease / (Increase) in inventories	**111**	(277)	(366)
Decrease / (Increase) in trade and other receivables	**676**	(229)	(146)
(Decrease) / Increase in trade and other payables	**(539)**	22	25
Cash (used in) / generated from operating activities	**(450)**	213	1,148

9 GOODWILL

Group	**Total**
	£'000
Cost	
At 30 June 2011	779
Additions	-
At 31 December 2011	779
Additions	**-**
At 30 June 2012	779
Additions	**-**
At 31 December 2012	**779**
Impairment	
At 30 June 2011	-
Charge for the period	-
At 31 December 2011	-
Charge for the period	-
At 30 June 2012	-
Charge for the period	78
At 31 December 2012	**78**
Net book value	
At 30 June 2011	779
At 31 December 2011	779
At 30 June 2012	779
At 31 December 2012	**701**

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 the Group's main trading subsidiary Tristel Solutions Limited. The relevant revenue lines associated with this asset are separately identifiable as a single cash-generating unit (CGU) and form the basis of impairment testing. The asset has been evaluated by reference to actual performance against forecast of the CGU for the prior year, and in respect of forecasts for a five year period. Management has estimated that relevant revenue generation will continue for this period. The forecasts assume a decline in revenue of 10% per annum and a continuation of current gross margin levels.

In evaluating the net present value of future cash flows, a discount rate of 13% has been adopted, representing the Group's pre-tax weighted average cost of capital. It is Management's view that this is an appropriate assessment of the time value of money and the risks specific to all of the Group's cash generating units.

An impairment charge of £78,000 has been recognised in these accounts.

10 INTANGIBLE ASSETS

Group	Patents and licences	Development costs – Marketable products	Development cost – Products in development	Totals
	£'000	£'000	£'000	£'000
Cost				
At 30 June 2011	4,453	3,682	192	8,327
Additions	-	232	14	246
At 31 December 2011	4,453	3,914	206	8,573
Reclassification	-	74	(74)	-
Additions	60	240	84	384
Disposal	(24)	-	-	(24)
At 30 Jun 2012	4,489	4,228	216	8,933
Additions	**-**	**186**	**-**	**186**
Disposal	**-**	**-**	**-**	**-**
At 31 December 2011	**4,489**	**4,414**	**216**	**9,119**
Amortisation				
At 30 June 2011	898	511	75	1,484
Charge for the period	24	162	-	186
At 31 December 2011	922	673	75	1,670
Charge for the period	80	285	-	365
At 30 June 2012	1,002	958	75	2,035
Charge for the period	**52**	**258**	**7**	**317**
Impairment	**-**	**990**	**134**	**1,124**
At 31 December 2012	**1,054**	**2,206**	**216**	**3,476**
Net book value				
At 31 December 2012	**3,435**	**2,208**	**-**	**5,643**
At 30 June 2012	3,487	3,270	141	6,898
At 31 December 2011	**3,531**	**3,241**	**131**	**6,903**

Impairment testing

The relevant revenue lines associated with intangible assets are separately identifiable as single cash-generating units (CGU) and form the basis of impairment testing. For this purpose, the value of each asset has been evaluated by reference to the benefits of future profit and cash flows arising from sale of the products over a five-year period. Historic trading performance against forecast has been referred to in estimating future turnover and gross margin percentages. These forecasts have been supported by performance in the post balance sheet period.

In evaluating the net present value of the future cash flows, a discount rate of 13% has been adopted, representing the Group's pre-tax weighted average cost of capital. It is Management's view that this is an appropriate assessment of the time value of money and the risks specific to all of the Group's cash generating units.

10 INTANGIBLE ASSETS - Continued

Marketable products

Delivery systems

These assets are considered to have useful economic lives of between 7 and 15 years, and are amortised over these periods. As a result of a fall in sales during the period and a decline in future revenue forecasts, in accordance with IAS 36 these assets have been tested for impairment, resulting in an impairment charge of £990,000.

Manufacturing rights

The carrying value of this asset is £2.5m. This acquired intellectual property has an indefinite life, and as such has been tested for impairment in accordance with IAS 36. Following a change in the supply route of these products during the previous financial year to access end users directly, impairment testing assumes year on year revenue growth in excess of 3% and gross margins of 65%.

In order to check for sensitivity the net present value of future cash generation has been calculated using static revenue levels and a gross margin reduction of 5%. In both instances the net present value continues to exceed the carrying value of the asset, and as such no impairment loss has been recognised.

Contamination control products

The carrying amount of this asset at the balance sheet date is £500,000, it has a useful economic life of 7 years and is being amortised over this period. Given the Group's financial performance during the period and in accordance with IAS 36, this asset has been tested for impairment. Impairment testing assumes year on year revenue growth of between 3% and 50% over the next 5 years, and gross margin levels of between 29% and 55%.

In order to check for sensitivity the net present value of future cash generation has been calculated using revenue growth rates reduced by 5% and gross margin reduced by 5%. In both instances the net present value continues to exceed the carrying value of the asset and as such no impairment loss has been recognised.

Products in development

Also included within intangible assets is the cost of development relating to products which are not yet marketable. These have been tested for impairment at the balance sheet date resulting in an impairment charge of £134,000.