TRISTEL PLC ANNUAL REPORT & ACCOUNTS
YEAR ENDED 30 JUNE 2019

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Tristel

Devices and Surfaces

The year marked our twenty-fifth anniversary. We started the business in 1993 with US$250,000 of capital and the haziest idea of what the founders were investing in. At the year-end our market capitalisation exceeded £125 million.

We have developed a very clear focus over the past quarter of a century. Medical device decontamination has become the core activity of your company with approximately 80% of our revenue coming from the high-level disinfection of medical instruments using our proprietary chlorine dioxide chemistry.

As we look forward to our future, we see a company that continues to concentrate on our chlorine dioxide technology, but we will broaden its application, and our corporate focus, to the cleaning and disinfection of environmental surfaces in hospitals.

Tristel presents a unique proposition to hospitals worldwide, in terms of both our chemistry and the approach we have taken to device disinfection. Our ambition is to bring as innovative approach to surface disinfection as we have to devices, and in so doing continue the creation of value for our shareholders.

Paul Swinney Chief Executive Officer

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Tristel

Infection prevention in hospitals

Anistel

Infection prevention in animal healthcare

Crystel

Contamination control in critical environments

During the year:

WE ACQUIRED OUR THREE DISTRIBUTORS IN BELGIUM, THE NETHERLANDS AND FRANCE.

WE SURPASSED OUR SALES GROWTH AND PROFITABILITY CORPORATE KPIS FOR THE PAST THREE YEARS AND RESTATED THEM FOR THE NEXT THREE.

WE TOOK IMPORTANT STEPS TO NAVIGATE BREXIT UNCERTAINTY AND PREPARE IRRESPECTIVE OF THE OUTCOME.

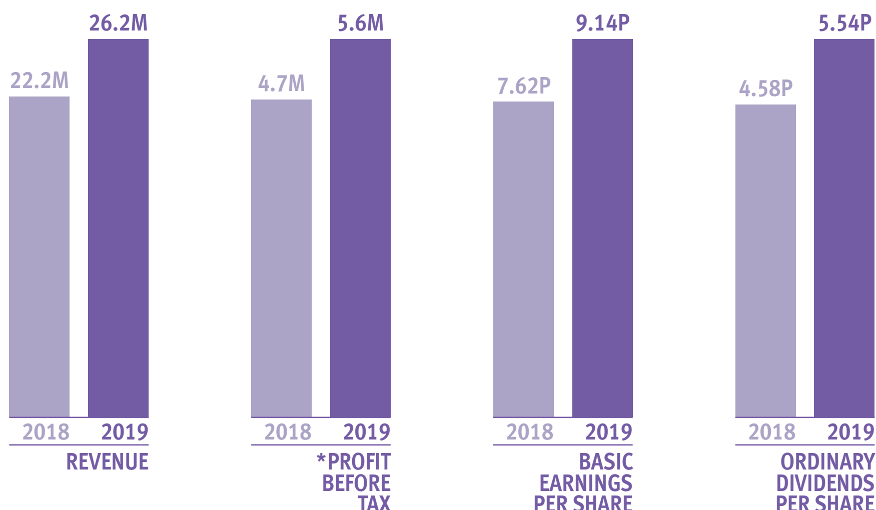
Tristel plc is a manufacturer of infection prevention and contamination control products.
Its lead technology is a proprietary chlorine dioxide formulation incorporated in high-performance disinfectants used principally on medical instruments and surfaces in hospitals.

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

REVENUE 2019	**+18%**
PROFIT BEFORE TAX* 2019	**+19%**
BASIC EARNINGS PER SHARE 2019	**+20%**
ORDINARY DIVIDENDS PER SHARE 2019	**+21%**



*BEFORE SHARE-BASED PAYMENTS

Chairman's Statement

We made solid progress during the year to 30 June 2019. Sales grew to £26.2m from £22.2m in 2018, an increase of 18%. The proportion of our revenue generated in overseas markets continued to increase and reached 55% in the year (2018: 51%). Overseas sales grew by 26% whilst UK sales grew by 9%. This difference in the pace of growth, across our various markets, reflects the higher market penetration in the United Kingdom than so far achieved in overseas markets.

In November 2018 we acquired our three distributors in Belgium, the Netherlands and France. During the seven and a half months leading up to 30 June that they were under our ownership, they registered sales of £2.1m. If they had continued as our distributors, we estimate that they would have purchased £0.4m of Tristel products from us during that period, and so we estimate that the acquisition has impacted the financial year by increasing sales by £1.7m. If the acquisition had not taken place, our reported sales growth would have been 10%, rather than 18%.

Pre-tax profit before share-based payments was £5.6m compared to £4.7m last year, an increase of 19%. (Unadjusted pre-tax profit of £4.7m compared to £4m last year, an increase of 18%.) Our pre-tax profit margin, which is a key measure of our performance, and before share-based payments, remained at 21%, while pre-tax profit margin also remained consistent at 18% (see note 4.) Adjusted earnings per share (EPS), before share-based payments, were 11.08 pence, up from 9.16 pence last year (see note 22). Basic EPS were 9.14 pence, a 20% increase from last year, after a share-based payment charge of £0.852m (2018: £0.665m). This charge is a non cash item.

The Group has continued to be highly cash generative and on 30 June 2019 the cash balance was £4.2m (2018: £6.7m), notwithstanding the acquisition during the year of its three distributors in Belgium, the Netherlands and France which involved a cash outlay of £4.7m. In line with the Company's ordinary dividend policy, the Board is recommending that the final dividend is 3.50 pence (2018: 2.98 pence), an increase of 17%. Including the interim dividend of 2.04 pence (2018: 1.60 pence), and the proposed final dividend, the total dividend for the year will be 5.54 pence (2018: 4.58 pence), an increase of 21%.

We continued to invest for future growth. During the year we spent £0.4m on product development and testing (2018: £0.5m) and £0.2m on intellectual property protection (2018: £0.2m). Both of these expenditures are held in intangible assets. We invested £0.7m (2018: £1.0m) in regulatory and product enhancement programmes where we have recognised this cost as an expense. Included in this cost is an amount of £0.5m (2018: £0.5m) relating to our initiative to enter the United States market which commenced in 2014. The cumulative investment in this regulatory project and in the establishment of a commercial structure within the country has been £1.7m.

Whilst no revenues have yet been generated from the United States, significant progress has been made to build a commercial platform from which to enter the market. During the year we continued to generate data required for a submission which we intend to make to the Food and Drug Administration (FDA) to obtain pre-market approval for our foam-based Duo product as a high-level disinfectant for medical devices. We have already received approvals from the Environmental Protection Agency (EPA) for Duo. We have entered into a partnership with Parker Laboratories based in New Jersey by which we have put in place manufacturing capability and a national distribution network. We do not yet have employees in the United States but have established a subsidiary.

This is my first address as Chairman, having succeeded Francisco Soler at last December's Annual General Meeting. To further develop our Board of Directors we have appointed Dr Bruno Holthof as an independent Non-Executive Director. Bruno is Chief Executive of Oxford University Hospitals NHS Trust.

As I look back upon my first 10 months as Chairman, I believe that the Group has successfully navigated its way through a year in which Brexit was anticipated to take place, an event which posed significant challenges, particularly in terms of manufacture. Brexit is yet to occur and has been pushed back, and we expect the challenges it brings to repeat this financial year. However, I believe the Group is well-placed to weather this and any economic downturn that may follow. Finally, I would like to pay tribute to and thank all our employees who have given great service to the Company during the year.

Paul Barnes Chairman
31 October 2019

Chief Executive's Report

Overview

Group revenue was up 18%, adjusted pre-tax profit was up 19% (pre-tax profit up 18%) and adjusted EPS was up 21% (basic EPS up 20%). We ended the year with cash of £4.2m. The Group is debt-free.

In October 2016, we set out our financial plan for the three years to 30 June 2019. The two key financial targets of the plan were sales growth in the range of 10% to 15% per annum as an annual average over the three years, and the achievement in each year of a pre-tax profit margin (excluding share-based payment charges) of at least 17.5%. Both targets became Key Performance Indicators (KPIs) of the Group. We can report that both these KPIs have been met throughout the three years.

On 18 November 2018 we acquired three companies, known to us as the Ecomed Group ('Ecomed'), and consisting of Ecomed Services N.V. (Belgium), Ecomed Nederlands B.V. (Netherlands), and Ecomed SARL (France). Each of the three companies have been distributors of Tristel products: since 2005 in Belgium; since 2013 in the Netherlands and 2016 in France. The companies have each changed their corporate name to 'Tristel' and represent Tristel Western Europe in our organisational structure.

During the year the Ecomed acquisition contributed £1.7m to Group sales. If the three companies had continued as distributors and the acquisition had not taken place, Group sales would have been £24.46m and sales growth would have been 10%.

Strategically, the acquisition expands our direct presence throughout much of continental Europe, and our coverage was further increased shortly after the year-end with the acquisition of the remaining 80% of the share capital of Tristel Italia Srl, bringing this company under our complete ownership and control.

The management teams of our Western Europe and Italian acquisitions are continuing as part of the Group management and sales team. All four companies are essentially sales organisations and have boosted the UK and European sales force to 30, and the global sales force to 41. The total Group-wide headcount at 30 June 2019 was 146. The Ecomed acquisition has also added a 14,000 sq. ft. warehouse facility in Antwerp to our Group's logistics infrastructure.

We are proposing a final dividend of 3.50 pence per share (2018: 2.98 pence), making 5.54 pence (2018: 4.58 pence) in total for the year, an increase of 21%. If approved, the final dividend will be paid on 20 December 2019 to shareholders on the register at 22 November 2019. The corresponding ex-dividend date is 21 November 2019.

Brexit cast its spell over the year. To forestall any potential disruption to our customers' supply chain we built inventory of all component parts and finished products in the run up to 31 March and encouraged key domestic and overseas customers to increase their stockholdings of our products. Brexit did not take place and we believe that most of our customers' inventory holdings were then wound down again in the final quarter of the year. We anticipate that a similar cycle will repeat as we approach 31 October 2019.

The other significant event relating to Brexit was to move the location of our Notified Body from BSI's office in the United Kingdom to BSI in Amsterdam. We believe this will ensure our ability to CE mark our disinfectants and sell them within Europe irrespective of the outcome of the Brexit negotiation.

Notwithstanding this near-term uncertainty relating to our trading relationship with Europe and the rest of the world, the outlook for the Company remains very positive.

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 microbes can be a source of infection to humans and animals. They can cause illness or 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 unique worldwide in using chlorine dioxide as a high-performance disinfectant for medical instruments. We are also one of a very few companies worldwide that can legitimately claim to be exclusively an infection prevention business.

Our mission is most relevant to hospitals where the risks of infection to individuals are highest. In the hospital market, which we refer to as human healthcare, 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 also very relevant in critical manufacturing environments, for example cleanrooms, and in this market our products are branded Crystel.

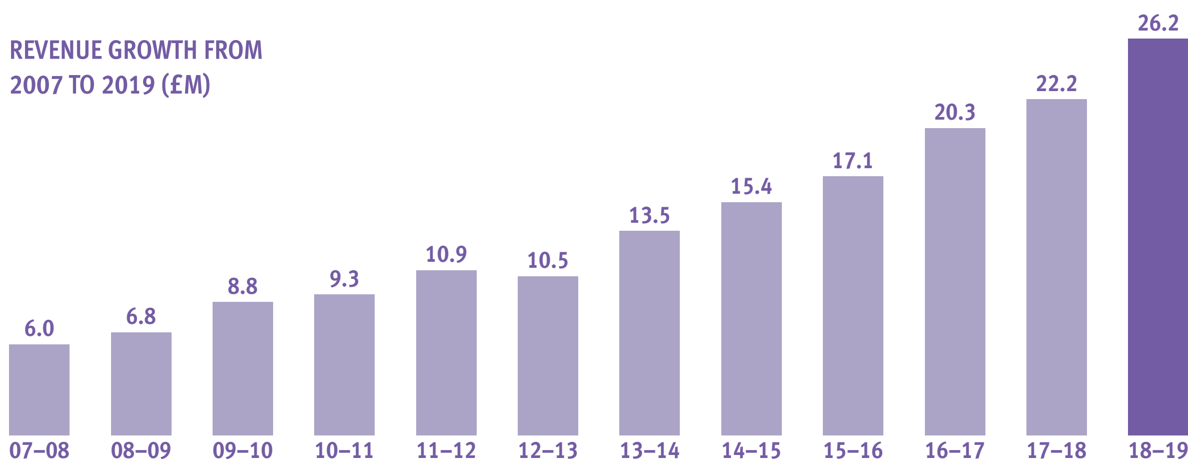
A hospital is a vast, multi-faceted organisation. We are not only unique in providing chlorine dioxide as a high-performance disinfectant within hospitals, but we are also unique in our focus upon specific clinical departments within them. We target clinical departments that carry out diagnostic procedures with small heat-sensitive medical instruments. These 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 both women and men's health. In these departments, we are the only simple to implement, affordable, high-performance disinfection method available. Consequently, in geographical markets in which we have been present for some time, we hold a truly significant market share.

Infection prevention is a basic requirement for the safe and effective provision of healthcare. This is true in all hospitals in all countries. Our primary focus is on the acute hospital, but the trend is for medical device procedures to take place outside of the hospital, and the pool of opportunity for the sale of our products can be expected to expand substantially over the long term.

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 comprehensive training. Capital sales, service and maintenance 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

			2018 – 2019 £'000	2017 – 2018 £'000	Year-on-year change £'000	Percentage change %
Human healthcare	Direct sales	UK	10,024	8,912	1,112	12%
		EU	6,650	4,087	2,563	63%
		ROW	4,273	3,961	312	8%
	Sales to distributors	EU	1,534	1,559	(25)	(2)%
		ROW	1,465	1,350	115	9%
Contamination control	Direct sales	UK	1,205	1,258	(53)	(4)%
		EU	37	34	3	9%
		ROW	51	44	7	16%
	Sales to distributors	EU	122	96	26	27%
		ROW	–	–	–	–
Animal healthcare	Direct sales	UK	79	96	(17)	(18)%
		EU	8	3	5	167%
		ROW	212	195	17	9%
	Sales to distributors	UK	488	569	(81)	(14)%
		EU	21	56	(35)	(63)%
Group sales			**26,169**	**22,220**	**3,949**	**18%**

DIVISION OF TOTAL REVENUE ACROSS THREE PORTFOLIOS

HUMAN HEALTHCARE	23.95
CONTAMINATION CONTROL	1.41
ANIMAL HEALTHCARE	0.81

DIVISION OF TOTAL OVERSEAS SALES BY CHANNEL

DIRECT SALES	11.2M
SALES TO DISTRIBUTORS	3.1M

OUR REVENUES – BY TECHNOLOGY

The majority of our sales are of chlorine dioxide (CI02) based products; but we do formulate, manufacture and sell products utilising other disinfectant chemistries. These include quaternary ammonium compounds, peracetic acid and alcohol. In 2019, £3.7m of our sales were of non-chlorine dioxide chemistries representing 14% of the total (2018: £3.8m representing 17%). 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 continue to reduce in significance.

			2018 – 2019 £'000	2017 – 2018 £'000	Year-on-year change £'000	Percentage change %
Human healthcare	**Direct sales**	CI02	20,009	16,167	3,842	24%
		Other	938	793	145	18%
	Sales to distributors	CI02	2,089	1,995	94	5%
		Other	910	914	(4)	(1)%
Contamination control	**Direct sales**	CI02	234	148	86	58%
		Other	1,059	1,188	(129)	(11)%
	Sales to distributors	CI02	74	56	18	32%
		Other	48	40	8	20%
Animal healthcare	**Direct sales**	CI02	15	30	(15)	(50)%
		Other	284	264	20	8%
	Sales to distributors	CI02	2	5	(3)	(60)%
		Other	507	620	(113)	(18)%
Group sales			**26,169**	**22,220**	**3,949**	**18%**

REVENUE BY TECHNOLOGY

HUMAN HEALTHCARE:		
	ClO_2	22.1M
	Other	1.8M
CONTAMINATION CONTROL:		
	ClO_2	0.308M
	Other	1.1M
ANIMAL HEALTHCARE:		
	ClO_2	0.017M
	Other	0.8M

OUR REVENUES – BY PORTFOLIO AND GEOGRAPHICAL SPLIT

Revenues increased by 18% in the year. UK sales grew by 9% and overseas sales by 26%. Overseas sales are made via two channels: through the Company's wholly-owned subsidiaries in Germany, Poland, Switzerland, Russia, Hong Kong, China, Australia, New Zealand, Belgium, France, The Netherlands and via third party distributors. Overseas subsidiary sales to end users increased by 35% to £11.233m in the year, whilst overseas sales to distributors increased by 3% to £3.14m (excluding £0.488m UK distributor sales within the UK).

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 significant time and cost to match.

- Intellectual property protection – at 30 June 2019, we held 277 patents granted in 36 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, allowing us to quickly and efficiently create and bring to market innovative and market ready products.

OUR PROPRIETARY CHLORINE DIOXIDE CHEMISTRY

The competitive advantage that we hold is that we are the only company worldwide using chlorine dioxide to disinfect medical instruments.

With this same chemistry, we have also established a bridgehead in hospital surface disinfection, the veterinary market, and the contamination control market.

The focus of our research and development is our chlorine dioxide technology, searching for continuous improvements in increased microbial efficacy, a reduction in hazards, and greater efficiency in manufacture. In parallel, we invest heavily in the creation of packaging and delivery forms that enhance and simplify the user experience.

Our regulatory programme succeeded in attaining 67 approvals for 34 products in 14 countries during the year.

OUR INTELLECTUAL PROPERTY PROTECTION

In its broadest sense, our intellectual property relates to:

1. Patents, trademarks and registered designs.
2. The scientific validation of our chemistry and our products that has entered the public domain via 29 peer-reviewed and published papers.
3. 19 guidelines have been published by professional clinical bodies, infection prevention bodies, and national healthcare institutions that reference the use of chlorine dioxide in a format that is recognisable as Tristel.
4. The certification by medical device manufacturers that our chemistry is compatible with their products. We enjoy official compatibility with the instrumentation of 55 medical device manufacturers, with respect to 1,845 of their individual models.

OUR PEOPLE

At Tristel the basic qualities we seek in our staff are integrity, inquisitiveness and humility. In our management team, we also look for excellent decision making and execution ability and a 'know no boundaries' approach. We believe that these qualities can make the highest possible performance achievable. We view our colleagues as a key strategic asset of the business.

Delivering on our key strategic financial goal

Our key strategic financial goal is to deliver long term sustainable growth. The two key performance measures that we target are:

- Consistent revenue growth – during the past five years, revenue has grown from £15.3m to £26.2m – an increase of 71%. The compound annual growth rate in revenue since the Group went public in 2005 has been 16%. Our target over the past three years has been to grow revenues in the range of 10% to 15% on average each year to 30 June 2019, which has been achieved.
- Maintaining the profitability of the Group – during the year the Group achieved a (before share-based payments) pre-tax margin of 21%. The benchmark (before share-based payments) pre-tax margin we set for the plan period was 17.5%. This measure has also been achieved.

The corollary to achieving these targets is that we have been highly cash generative given the operational cash requirements of the business. The Board's policy with respect to dividends is that if it considers that there are no earnings enhancing opportunities to invest excess cash, a special dividend for shareholders will be considered along with other distribution options.

The Board's pursuit of these financial objectives is grounded in the belief that consistent and sustainable increases in earnings and dividends will, over time, result in share price growth.

Having successfully delivered upon the 2016 to 2019 plan, the Board has established a new financial plan taking the Company to 2022, which incorporates two key performance measures. They are:

- Consistent revenue growth – to grow revenues in the range of 10% to 15% per annum, on average over the three years to 30 June 2022.
- Maintaining the profitability of the Group – to continue to achieve an earnings before interest, tax, depreciation and amortisation (EBITDA) margin of at least 25%, also stated before share-based payment charges. We have changed the profitability measure from a pre-tax profit margin to an EBITDA margin, so that our profitability target does not deter investment in future revenue and profit generating possibilities, which will impact amortisation.

Progress in North America

In 2014, we explained to our shareholders that we had embarked upon a United States regulatory approvals programme. To date we have focussed upon our chlorine dioxide foam-based product Duo.

We have received approval for Duo from the EPA as an intermediate level disinfectant.

We are preparing a submission to the FDA for Duo as a high-level disinfectant. The intended use patterns will be for intra-cavity ultrasound probes, nasendoscopes, and lastly certain ophthalmic devices. If successful, this will position us in three of the clinical areas in which we are most successful in other geographical markets.

We have appointed Parker Laboratories as our contract manufacturer for supply to each of these targeted clinical areas. We have granted Parker marketing rights for Duo's use in ultrasound where they are the market leader in the United States for ultrasound conductive gels. In the ultrasound segment, the contractual arrangement is royalty-based.

Focus

We have set objectives which are visible to everyone inside the Group, and we make them equally visible to all other stakeholders. We look forward to meeting these objectives and continuing the progress of the Group. We look to the future with confidence as Tristel continues to grow and expand its geographical reach.

Paul Swinney Chief Executive Officer
31 October 2019

Financial Review

Fair review of the business

Revenue increased by 18% in the year, with UK sales growth of 9% and overseas sales growth of 26%. Overseas sales were 55% of the total compared to 51% last year.

The acquisition of three former Western European distributors in Belgium, Netherlands and France has impacted the year with an increase in sales of 8% and further increases in gross margin and expenses. The acquisition allows the Company to invest in a faster pace of growth in France than otherwise would have been the case, whilst bringing in-house the distributor's margin.

Aside of the new expenses, arising from this acquisition, administrative costs increased by 13%. The Company continued its investment in the United States regulatory programme, costing £0.477m during the year.

Share-based payments

The non-cash IFRS 2 charge (share-based payment charge) for the year was £0.85m (2018: £0.67m). This relates to the share option scheme approved at the Company's 2017 AGM, which is yet to vest. Details of the scheme can be found on page 80.

Earnings before interest, tax, depreciation and amortisation

Reported EBITDA increased by 13% in the year to £6.3m (2018: £5.6m). EBITDA adjusted for share-based payments was £7.1m, an increase of 15% on the comparable number (2018: £6.2m).

Profit before tax and share-based payments

Profit before tax and share-based payments of £5.6m increased by 19% from £4.7m in 2018. (Profit before tax increased by 18% to £4.7m from £4m in 2018). Adjusted pre-tax profit margin remained at 21%. (Pre-tax profit margin remained at 18%.)

Earnings and dividends

The Company's policy is to pay out half of adjusted 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.

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.

Over the last three years, the Group's total dividends (excluding special dividends) and adjusted EPS have grown at an average growth rate of 37% and 33% 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
2019	**11.08**	**2.04**	**3.50**	**None**	**5.54**	**2x**
2018	9.16	1.60	2.98	None	4.58	2x
2017	8.06	1.40	2.63	None	4.03	2x
2016	6.62	1.14	2.19	3.00	6.33	2x
2015	5.53	0.59	2.14	3.00	5.73	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 to maintain the dividend.

Dividend announcements, approvals and payments are typically expected to follow a set schedule:

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 to £5.486m. The components of the movement are:

£000's	Year ended 30 June 2019	Year ended 30 June 2018	Movement
Operating profit before share-based payments	5,549	4,645	904
Depreciation and amortisation	1,470	1,498	(28)
Impairment charges and loss on disposal of intangible assets	79	67	12
Income from associate	45	24	21
Loss/(profit) on disposal of plant, property and equipment	21	(17)	38
Gain on fair value of investment	(98)	–	(98)
Unrealised loss/(profit) on foreign exchange	72	(78)	150
Finance costs	(1)	–	(1)
Working capital movements	(780)	(520)	(260)
Taxation	(871)	(1,124)	253
Net cash flow from operating activities	**5,486**	**4,495**	**991**

The key contributors to the year-on-year cash-flow movement were the increase in operating profit before share-based payments of £0.9m and working capital movements predominantly due to increased stock holding and trade receivables.

Key performance indicators

The Board considers the primary key performance indicators to be:

	Measurement	Why this is important	KPI* for 2018-19
TOTAL REVENUE GROWTH	Change in the current year revenue compared with the previous year.	To meet the strategic objective of delivering long term sustainable growth in EPS, consistent revenue growth must be achieved.	**18%** (2017-18: 10%)
NON-UK REVENUE AS A PERCENTAGE OF TOTAL REVENUE	The ratio of non-UK revenue to total revenue.	Within the UK, revenue growth rates are slowing as a result of high market penetration. To achieve consistent overall revenue growth, sales from overseas will need to become a higher percentage of total revenue.	**55%** (2017-18: 51%)
GROSS PROFIT MARGIN	The ratio of gross profit to 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.	**79%** (2017-18: 77%)
ADJUSTED PRE-TAX PROFIT GROWTH	The year-on-year increase in profit before tax, adjusted for share-based payments.	The Group's primary financial objective is to deliver sustainable long-term-growth in the value of our shareholders' investment in the Group. The primary driver of this will be sustainable profits growth.	**19%** (2017-18: 15%)
ADJUSTED PBT MARGIN	The ratio of pre-tax profit, adjusted for share-based payments, to revenue.	A movement in PBT margin indicates changes in profitability.	**21%** (2017-18: 21%)
ADJUSTED EARNINGS PER SHARE (EPS)	Profit after tax, adjusted for share-based payments, divided by the weighted average number of shares in issue during the period.	Adjusted EPS and adjusted EPS growth are widely used measures of Company performance. Adjusted EPS forms the basis of the Group's current dividend policy and adjusted EPS growth will translate directly into dividend growth.	**11.08 PENCE** (2017-18: 9.16 pence)

KPI – Key Performance Indicator

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 Group 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 Group underwent four audits of the Quality Managements System and a number of desktop reviews. No major non-conformances were reported. The Company is compliant to the new versions of the following standards, ISO13485:2016 and ISO9001:2015, MDSAP.

At Tristel the basic qualities we seek in our staff are integrity, inquisitiveness and humility. In our management team, we also look for excellent business decision making and execution ability and a 'know no boundaries' approach. We believe that these qualities facilitate achievement of the highest possible performance. We view our colleagues as a key strategic asset of the business. In June 2005 when the Company was listed on the London Stock Exchange AIM market, we employed 10 personnel; 14 years later this has increased to 146.

Going concern

The Group'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 Group 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 Group'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. 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 Group 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 are considered, documented and acted upon by the senior management team and Board of Directors regularly. The key areas considered are set out below:

OPERATIONS

The Group's ability to continue to manufacture and supply its products in a timely manner is a prerequisite to maintaining its sales growth rate, gross margin and profitability. 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 Group'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 to ensure continuity of supply.

REGULATORY AND LEGAL APPROVAL

The ability to continue to market the Group's products is inextricably linked to the Group's ability to achieve and maintain regulatory and legal approvals in those countries where the Group 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. The Executive Board members, supported by senior managers and 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.

BREXIT

The group sells into the European Union and given the UK's plans to leave the EU it has closely considered the potential outcomes, at the time of and after that exit occurs. The key risk has been highlighted as continuity of supply, which is principally linked to the Group's ability to maintain cross border supply of goods. Close collaboration and communication between the UK manufacturing arm of the business and its in-house and third-party EU distribution channels is in place to ensure that inventory levels will provide a buffer to potential supply chain delays.

EXTERNAL RISKS

The Group's performance is also subject to external macroeconomic conditions and changes in factors such as inflation or public spending.

FINANCIAL RISKS

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

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 customer balances due, to ensure they do not become overdue. In addition, careful consideration is given to operations in new markets before the Group enters that market.

The Group policy is to maintain a strong capital base 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 daily 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 and signed on its behalf by:

EA Dixon Finance Director
31 October 2019

Company Information

Directors	PC Swinney EA Dixon PM Barnes DWE Orr TAJ Jenkins BLM Holthof BVM Leemans
Company Secretary	EA Dixon
Registered Office	Unit 1B Lynx Business Park Fordham Road Snailwell Newmarket Cambridgeshire CB8 7NY
Auditors	KPMG LLP Chartered Accountants – Registered Auditors Botanic House 98-100 Hills Road Cambridge Cambridgeshire CB2 1AR
Solicitors	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London EC4R 3TT Greene & Greene Solicitors 80 Guildhall Street Bury St Edmunds Suffolk IP33 1QB
Patent Attorney	Dummett Copp LLP 25 The Square Martlesham Heath Ipswich Suffolk IP5 3SL
Remuneration Consultants	FIT Remuneration Consultants LLP 5 Fitzhardinge Street London W1H 6ED

Directors' Biographies

Paul Barnes, Non-Executive Chairman

(Chairman of Nomination Committee and Member of Remuneration Committee)

Paul Barnes trained and qualified in accountancy practice where he experienced assignments ranging from plc audits to mergers and acquisitions. He has served as Finance Director for a number of publicly listed companies in various sectors on several stock exchanges. Having joined Tristel in 2004 as Finance Director, he transitioned to a Non-Executive role in June 2010 and in founding Amersham Investment Management, an FCA regulated Investment Management Firm, subsequently also became a Member of the Chartered Institute for Securities and Investment. Paul brings the following skills to Tristel's Board:

- An ability to analyse, question and test business proposals with an eye both for detail and the wider strategic picture
- An articulate and 'down to earth' communicator
- A keen understanding of the challenges involved in managing business risks
- A sound grasp of finance and principled guardianship of investors' interests

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 and brings the following skills to Tristel's Board:

- Engaging and persuasive
- Able to quickly make assured decisions
- Reflective and adaptable
- Energetic, considerate and no-nonsense

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. Liz brings the following skills to Tristel's Board:

- Good business awareness and decision-making ability
- Excellent people skills
- A logical, analytical and enquiring mind
- Risk aware without being risk averse

Bart Leemans, Executive Director

Bart Leemans founded the Ecomed Group in 2005 and was CEO from that date until its acquisition by Tristel in November 2018. Before establishing Ecomed, Bart founded various e-commerce businesses, including Eccent NV which he successfully exited via a trade sale. He commenced his career with IBM Global Services, Bart brings the following skills to Tristel's Board:

- A history of building successful sales focused organisations
- A grounding in innovative technology businesses
- An ability to deliver growth whilst retaining tight cost control

David Orr, Non-Executive Director

(Chairman of Remuneration Committee and Member of Audit & Nomination Committees)

David Orr joined Tristel's Board in October 2015 and, since 2016, David has been Chairman of Tristel's Remuneration Committee.

David has extensive experience of operational management at Board level in a manufacturing environment. David has been the Group Managing Director and majority shareholder of Fencor Packaging Group, a privately-owned manufacturer of corrugated packaging, since 1999. David is also a Non-Executive Director of Corrboard (UK) Limited, a manufacturer of corrugated board. 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. In April 2018 David completed Cranfield School of Management's Non-Executive Directors' Seminar.

David's experience of running an entrepreneurial manufacturing business brings the following skills to Tristels' Board:

- Leadership experience and an in depth understanding managing people and inspiring a team
- Knowledge of operational issues and constraints
- A practical and highly experienced approach to risk management
- Direct experience of acquiring and integrating businesses
- A focus on integrity and fairness

Tom Jenkins, Senior Independent Non-Executive Director

(Chairman of Audit Committee and Member of Remuneration and Nomination Committees)

Tom qualified as a chartered accountant with Arthur Anderson in 1998. He worked in corporate finance at Dresdner Kleinwort Benson and Bear Stearns before moving into broking, where for six years he was head of equity capital markets at finnCap and a Board member. In 2015, he joined BGF as an investor in their quoted team. Tom brings the following skills to the Tristel Board:

- Audit, transaction and advisory experience
- An understanding of the challenges of growing a small, entrepreneurial business, having done this twice as a Director of a broking firm, and also having advised over 150 small companies
- Wide ranging capital markets experience including being a conduit for managing shareholders interests for small companies

Bruno Holthof, Independent Non-Executive Director

(Member of Remuneration, Audit & Nomination Committees)

Bruno Holthof is the Chief Executive Officer of Oxford University Hospitals (OUH). Before OUH, he was CEO of the Antwerp Hospital Network and was also Chair of the Board of Armonea, a European private care home provider.

Before becoming a CEO, he was a partner at McKinsey & Company. During this period, he served a wide range of healthcare clients in Europe and the United States and gained significant expertise in the areas of strategy, organisation and operations. He holds an MBA from the Harvard Business School and an MD/PhD from the University of Leuven.

Bruno brings the following skills to the Board:

- An in-depth knowledge of healthcare systems in different markets
- Operational understanding of healthcare services
- Strategic, organisational and operational change in large organisations
- More than 10 years of Board experience in publicly listed companies

Directors' Remuneration Report

Introduction

Committee members

David Orr (Chairman)
Paul Barnes
Bruno Holthof
Tom Jenkins

Committee responsibilities

The Committee meets at least once a year and is responsible for:

- Reviewing the performance of the Executive Directors.
- Agreeing remuneration structures and quantum, including bonus awards and share awards.
- Determining the basis of Executive Director service agreements, having due regard to the interests of the shareholders.

No individual participates on discussions or decisions concerning their own remuneration.

Corporate Governance Code

As detailed in the Corporate Governance Report on page 26, the Board has adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code) and its 'comply or explain' provisions.

This report sets out the Group's remuneration policy for the Directors and explains how this policy was applied during the financial year to 30 June 2019.

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, with an upper limit for the Executive Management of 3% of the prevailing year's Group gross profit. This was increased from 2.5% in May 2019 to reflect the appointment of Bart Leemans to the Board as Executive Director.
- To link remuneration packages to the Group's long-term performance through both bonus schemes and share 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 private pension arrangements and/or of salary supplements.
- To provide employment related benefits including provision of life assurance, car allowance and medical insurances.
- To award share options linked to the performance of the Group.

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 targets of the Board.

Remuneration packages comprise a number of elements, set out as follows:

Base salary

The base salary is normally reviewed annually in June. Within the review process, which is undertaken by the Remuneration Committee, the Committee takes account of the profitability and ongoing development of the Group and the individual's contribution. Consideration is also given to the need to retain and motivate individuals, with reference made to available information on salary levels in comparable organisations. To assist in this process, the Remuneration Committee draws on the findings of external salary surveys and undertakes its own research.

Annual performance incentive

The performance of Executive Directors is evaluated by the Remuneration Committee 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 capped at 100% of base salary. The Remuneration Committee considers the implementation of bonus awards based upon corporate performance targets and measures which align with the long-term interests of shareholders. Stretching and transparent performance targets are put in place with a view to linking clearly 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.

Pensions and other benefits

The Group does not operate a Group pension scheme; instead individuals receive contributions of up to 15% of salary to their private pension arrangements and/or, where pension contributions are not appropriate, in the form of a salary supplement. Other benefits provided are a car allowance, life assurance and private medical insurance.

Share awards

Executive Directors may, at the discretion of the Remuneration Committee, be granted share option awards. The Remuneration Committee is currently reviewing long-term incentive provisions in the light of developments in both best and market practice. The Committee plans to consult major shareholders and shareholder representatives in advance of any award grant.

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: (i) do not receive any pension payments; (ii) do not participate in any incentive schemes; and (iii) will not be granted share awards going forward in the light of best practice. Non-Executive Directors' 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 largely follows the same structure and applies the same performance targets as for 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, are awarded share option grants at set intervals which accumulate to 40,000 share options after 10 completed years of employment. The Executive Management has the discretion to award market priced options after 10 years of employment up to a maximum value of 100% of salary.

Shareholder engagement

The Committee seeks and takes into consideration the views of 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.

Remuneration Committee advice

In undertaking its responsibilities, the Committee seeks independent external advice as necessary.

Annual Remuneration Statement

On behalf of the Board, I am pleased to present our Remuneration Report for 2019.

During the year, revenue increased by 18% and profit before tax and share-based payments increased by 19%. Cash at the year end was £4.2m.

The Directors received the following remuneration during the year to 30 June 2019:

Name of Director	Salary and fees £'000	Bonus £'000	Taxable benefits £'000	Gain on exercise of share options £'000	2019 Total (excl. pension) £'000	2018 Total (excl. pension) £'000	2019 Retirement provision £'000	2018 Retirement provision £'000
Executive								
Paul Swinney	230	54	23	1,300	1,607	289	35	35
Elizabeth Dixon	180	43	14	–	237	562	27	27
Bart Leemans	126	27	–	–	153	–	–	–
Non-Executive								
Paul Barnes	43	–	–	–	43	35	–	–
David Orr	35	–	–	–	35	35	–	–
Tom Jenkins	35	–	–	–	35	25	–	–
Bruno Holthof	14	–	–	–	14	–	–	–
Aggregate emoluments	**663**	**124**	**37**	**1,300**	**2,124**	**946**	**62**	**62**

Base salary

Bart Leemans joined the Board on 18 November 2018; his base salary for the current period is £180,000 per annum. Base salaries for Paul Swinney and Elizabeth Dixon were set at £230,000 per annum and £180,000 per annum for the year to 30 June 2019. From 1 July 2019, following a review against AIM companies with comparable features such as size, complexity, market sector and market capitalisation which revealed that base salaries were below market levels, Paul Swinney's and Elizabeth Dixon's base salaries were increased to £250,000 per annum and £185,000 per annum respectively. Whilst the Committee places a certain degree of emphasis upon benchmark data, it also recognises the central roles played by the Executive Directors in the significant performance improvement which the Company has seen in recent years and the Board's desire to retain the existing management team.

Annual performance incentive

Based on performance in the year ended 30 June 2019, annual bonuses equating to 24% of salary were awarded to the Executive Directors. This compared to bonus awards of 16% of salary for the prior year and reflects the Group's improved performance over the year to 30 June 2019.

Pensions and other benefits

Taxable benefits comprised of a car allowance, life assurance and private medical insurance.

Share option awards

Paul Swinney exercised 242,500 share option awards granted on 12 October 2010 and 260,415 share awards granted on 7 January 2016 during the year to 30 June 2019.

Non-Executive Directors

Paul Barnes replaced Francisco Soler as Chairman at the 2018 AGM. He receives an annual fee of £50,000. During his Chairmanship, Mr Soler waived his annual fee.

Dr Bruno Holthof joined the Board in February 2019.

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 shares granted	Total options exercised at 01 July 2018	Options exercised in the year	Options exercised at 30 June 2019	Total options unexercised at 30 June 2019	Exercise price	Earliest date of exercise	Date of expiry
Executive								
Paul Swinney	250,000	250,000	–	250,000	–	59.50p	23/12/2005	22/12/2015
	250,000	250,000	–	250,000	–	53.75p	12/10/2009	12/10/2019
	250,000	7,500	242,500	250,000	–	53.75p	12/10/2010	12/10/2019
	500,000	–	–	–	500,000	65.00p	On change of control	12/10/2019
	414,179	–	260,415	260,415	153,764	1.00p	07/01/2016	07/01/2021
	500,000	–	–	–	500,000	1.00p	Various	Various
Elizabeth Dixon	60,000	60,000	–	60,000	–	53.75p	23/07/2008	23/07/2018
	60,000	60,000	–	60,000	–	53.75p	04/08/2009	04/08/2019
	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	–	79.00p	24/12/2014	24/12/2024
	222,388	–	–	–	222,388	1.00p	07/01/2016	07/01/2021
	400,000	–	–	–	400,000	1.00p	Various	Various
Non-Executive								
Paul Barnes	87,500	–	–	–	87,500	65.00p	On change of control	12/10/2019
	45,000	–	–	–	45,000	1.00p	Various	Various
David Orr	45,000	–	–	–	45,000	1.00p	Various	Various
Total number of Board share options	**3,191,567**	**647,500**	**502,915**	**1,150,415**	**2,041,152**			

Share options held by the Directors are subject to vesting conditions as detailed in the specific instances above. In addition to the share option awards above and consistent with the prior year, the service contracts at the year-end for Paul Swinney and Elizabeth Dixon contained provisions that, in the event of a change in control of the Group, they will receive a bonus payment equivalent to 150% and 75% of their respective prevailing annual salaries. Following the year-end and as part of the Remuneration Committee's desire for past and future share awards to be more closely aligned to best practice, Elizabeth Dixon has agreed to forfeit her change of control share options in return for an increase in her change of control bonus from 75% to 185% of salary. Given that the change of control awards held by Paul Swinney and Paul Barnes lapsed on 12 October 2019, no changes have been made to these awards.

Directors' shareholdings

The interests of the Directors in the shares of the Company at 30 June 2019 and 30 June 2018 were:

Ordinary 1p shares	30 June 2019	30 June 2018
Executive		
Paul Swinney	476,429	468,129
Elizabeth Dixon	45,000	45,000
Bart Leemans	949,627	–
Non-Executive		
Paul Barnes	366,095	575,180
David Orr	28,191	19,511

The market price of the Company's shares as at 30 June 2019 was 290p. The range during the year was 215p to 318.50p. (Source – London Stock Exchange).

David Orr Remuneration Committee Chairman
31 October 2019

Corporate Governance

Chairman's Corporate Governance Report

This Corporate Governance Report has been written with the Quoted Companies Alliance ('QCA') Corporate Governance Code in mind. As Chairman of the Board of Directors, corporate governance is my responsibility.

By following the QCA code, my Board colleagues and I seek to ensure that the Company operates efficiently and effectively and communicates well, to promote confidence and trust in the Company's Board and Management. The Board aims to balance the interests and expectations of the Company's many shareholders and stakeholders by observing a transparent set of rules, practices and processes. I believe that by adhering to this clear set of guidelines which clarify authority and responsibility, requiring constant measurement and review, the Company is best placed to manage risk and achieve a high level of performance, both of which are pre-requisites to the Company's long-term success.

Corporate Governance Review

In 2018 the London Stock Exchange's AIM Rule 26 was amended to require all AIM quoted companies to give details of the corporate governance code that they have decided to apply, to explain how they comply with their chosen code, and, if they depart from the chosen code, to explain where and why. In my view, there are two obvious choices of code: the FRC'S UK Corporate Governance Code and the QCA's Corporate Governance Code (the 'QCA Code'). The latter has been drafted with SMEs in mind and the Board has chosen to apply it.

During the year the Board has carried out a review of the requirements of the QCA Code and AIM Rule 26, with respect to both its governance arrangements and practices, and its reporting. The key changes that have resulted from this review are:

- An update to this Corporate Governance Report.
- Consideration by the Nominations Committee of the desired make-up of the Board of Directors, the members of each committee to the Board and the level of independence held.
- A review and update to the Executive and Senior Management succession plan.

Corporate Governance Code

The QCA Code is based upon the principle that companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies. It is constructed around 10 broad principles and a set of disclosures. Companies are asked to provide an explanation of how they are meeting the principles through the prescribed disclosures. Where a company departs from the principles the Board is asked to provide a well-reasoned explanation for doing so. The following section of this Corporate Governance Report seeks to provide this:

Principle 1 – Establish a strategy and business model which creates long-term value for shareholders

The Board reviews and re-sets the Company's strategic goals annually. In 2018 the primary goals were set as:

- To increase the Company's value to shareholders.
- To replicate market penetration achieved in targeted clinical areas in the UK in all overseas markets.

Secondary objectives, goals and 'game changing plays' form part of the strategic plan and make an essential contribution to how the Company will deliver medium to long-term growth.

The Company has a clear strategic plan set by the Board, including financial performance targets, an approach to risk, and a vision of the values necessary and appropriate to achieve the plan. Via internal reporting and interaction between the Board, Management and employees, there is company-wide understanding of how shareholder value will be derived from these principles.

The business strategy, financial targets and key risks are clearly stated within various sections of the Annual Report to ensure that Shareholders can see how the Board intends to deliver long-term shareholder value.

Principle 2 – Seek to understand and meet shareholder needs and expectations

The Chief Executive and Finance Director are the key shareholder liaison contacts alongside the Company's public relations advisors Walbrook PR.

The Board actively engages with shareholders at least three times a year, each in a forum which allows Management and the Board to hear investors' views. The Company's NOMAD and public relations advisor provide written investor feedback after all investor presentations and meetings. These are shared with the Board. Via communication with the Company's nominated advisor and analyst, together with Regulatory News Service announcements and the Company's Annual Report, the Board gauges investor sentiment, sets expectations and communicates the Company's intentions. The Board sees all write ups on the Company by the financial press, monitors popular online blogs and has a series of online facilities in place that provide a conduit between the Company and shareholders.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success
Management's close day-to-day connection with employees combined with periodic engagement surveys, all staff meetings and education sessions, ensure good relations with and between employees. These activities allow employees to share their views on ways in which the Company can improve products, processes and outcomes. The Board's assessment is that the Company's culture is positive, engaged and energetic, which is reflected in its achievement of its strategic goals.

An appropriate and positive relationship with suppliers and customers is a pre-requisite to the successful operation of the Company and exists in all areas of the business. The Company seeks to find innovative solutions to issues presented by customers which not only strengthens its good relations with those customers but provides immediate feedback allowing the Company to continually re-evaluate its strategic positioning and product offering. Product design and development, which has been vital to the Company's success and continues to be a key day to day function, is driven by the close understanding between Management and end users of the Company's products.

The management team works closely with regulators, key opinion leaders and authors of clinical guidelines in all countries, seeking counsel and working in cohort when appropriate. Effective connections and relationships are a key element of the 'protective moat' referred to within the Company's strategic plan. Post market surveillance and effective complaints handling are a pre-requisite of the Company's quality accreditation.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation
Business opportunities, wins, losses and threats are documented by the management team monthly and shared with the Board. Risks and their mitigating factors are also reported, with high-risk situations immediately acted upon. Health & Safety risk assessments are a high priority given the nature of the business as a chemical manufacturer and are completed on a continual basis. Operational risks and uncertainties are discussed daily within the business in departmental meetings. A disaster recovery plan is in place and scenario planning events take place periodically, normally annually. Financial risks are considered by the Board at each Board meeting.

The Board gains assurance that the risk management and related control systems are effective through internal review and assessment, which is part of its continuous improvement strategy.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair
The Board receives information and reporting from every geographical and functional part of the business, direct from the responsible individuals, each month. The information, which is always provided in a timely manner, is of a high quality and comprehensive, ensuring that the Board is well informed and has the tools to facilitate proper assessment of matters which require its insight and decision making.

The Board believes that there is an appropriate balance between Executive and Non-Executive Directors on the Board. Tom Jenkins is the Senior Independent Non-Executive Director, Bruno Holthof is a second Independent Non-Executive Director, joining the Board in January 2019. Tristel's Chief Executive and Finance Director have worked together for over 10 years and Bart Leemans joined the Executive team in November 2018. Since the publication of the 2018 Annual Report Paul Swinney and Liz Dixon were married. All Directors are encouraged to foster an attitude of independence of character and judgement. That said, the Board does not currently comply with the QCA Code's requirement that at least half of Directors of the Board should be independent Non-Executive Director. Given the size of the business, the Board considers that expanding the Board to appoint additional Directors purely for reasons of independence would not be in shareholders' interests. However, in all new appointments the Board seeks to address the issue of independence.

The relevant experience, skills and personal qualities that each Director brings to the Board are detailed within the Directors' Biographies, published within the Remuneration Report. Each Director keeps their skillset up to date by reading relevant publications and attending external training and personal development courses and workshops.

Each Non-Executive Director is expected to give at least 16 days per annum to the Company's business.

Principle 6 – Ensure that the Directors collectively have all appropriate skills, capabilities and experience
The Board consists of individuals with backgrounds and experience in publicly and privately-owned commerce, finance and manufacturing. Collectively, the Board's members have a wide range of experience, personal qualities and capabilities.

At present, the Board contains three Executive Directors, two male and one female, and four Non-Executive Directors, all of whom are male. In all new appointments the Board aims to appoint candidates who bring new and diverse attributes to its complexion.

In accordance with the QCA Code Non-Executive Directors are only eligible to serve for up to 10 years. At each Annual General Meeting all other Directors are, at the discretion of the Nominations Committee, put forward for re-election.

Paul Barnes has served as a NED for nine years, prior to which he was an Executive Director.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
The performance and effectiveness of the Board, its committees and individual Directors is reviewed by the Chairman and the Board on an ongoing basis. Training is available should a Director request it, or if the Chairman feels it is necessary. The performance of the Board is measured by the Chairman with reference to the Company's achievement of its strategic goals.

Over the course of the past three years the Board has grown from five to seven members. This is considered acceptable as the Company has increased in size and complexity and those Board members that remain on the Board still have much to contribute. The existing Board size of seven is large enough to allow a mix of backgrounds, views and capabilities, whilst still small enough to be dynamic and effective.

The Board continually assesses the candidacy of Tristel staff with respect to succession planning for Executive Management and has in place a short-term plan to be instigated in the event of the loss or incapacity of the key roles of CEO or Finance Director.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviour
The Board promotes a corporate culture that is based on sound ethical values and behaviour through their own actions and words, and ensures that these are apparent and understood in every part of the business. They are embodied in three words which describe the core values of the Company:

- No-Nonsense
- Considerate
- Energetic

These values are applied consistently to employee personal development and training programmes.

By adhering to these values, the Board believes that the Company will maintain a healthy corporate culture, focusing upon what is important, whilst taking a balanced approached to achieving its goals. Infection prevention is a vital yet complex area of healthcare, and hospitals can be reluctant to put their trust in new products and change. The Board feels that if an honest and straightforward approach is taken, whilst supporting customers through the process of adopting new products, the Company can best achieve its goals.

The flat hierarchy of the Company means that the Board can assess the state of Company's culture easily, which it considers to be positive and spirited at present.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
Given that one of the Company's core values is 'no-nonsense', the Board seeks to strike a balance between maintaining adequate governance without imposing structures that slow or weaken decision making and progress. The Company's governance structures are fluid and have by necessity adapted over time, hand-in-hand with the changes to the business. The Board's members are well informed, have access to all parts of the business and are appropriately equipped through their own skills, experience and personality to make good business decisions.

Principle 10 – Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders
This Corporate Governance Report is included within the Corporate Governance section of the Tristel website and is reviewed and updated regularly.

Board of Directors

The Company is controlled by the Board of Directors, which comprises three Executives, one of whom is the Chief Executive Officer, and four NEDs. The role of the Chief Executive Officer and Chairman are separate. The Executive Directors are full time employees of the Company; the NEDs are part-time employees who are required to give at least 16 days per annum to their role.

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

The Board is responsible to shareholders for the proper management of the Company and meets formally at least six times a year to set the overall direction and strategy of the Company, 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 decisions are subject to Board approval.

The Company Secretary is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. Liz Dixon, Finance Director, performs the role of Company Secretary, providing an internal advisory role to the Board. The QCA's guidelines state that the role of Company Secretary should not be held by an Executive Director, and as such we do not comply with this requirement. It is the Board's view that the size and complexity of the business does not necessitate a separate role of Company Secretary. Liz Dixon is supported and guided in this role by the Company's legal advisors.

Board and Committee attendance

The Board met six times during the year and its committees met a further four times in accordance with their terms of reference. The attendance of the Directors at these meetings is detailed below. On the occasions when a Director is unable to attend a meeting, any comments he has arising from the information pack circulated prior to the meeting are provided to the Chairman.

2018 – 2019	Eligible to attend	Attended
Paul Barnes	10	10
Paul Swinney	6	6
Elizabeth Dixon	6	6
Bart Leemans	4	4
David Orr	10	10
Tom Jenkins	10	10
Bruno Holthof	4	4

The Board does not currently comply with the QCA Code's requirement that the Chairman of the Board of Directors should not Chair any of the Committees to the Board. It is expected that Bruno Holthof, recently appointed as a Non-Executive Director, will chair the Nominations Committee once he has become familiar with the Company.

Committees of the Board

Remuneration Committee

The Remuneration Committee operates under terms of reference which are reviewed annually, meeting at least once per year, and comprises all Non-Executive Directors under the chairmanship of David Orr. 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/her own remuneration. The Directors' Remuneration Report is set out in the Annual Report where the work carried out during the past year is detailed.

Audit Committee

The Audit Committee operates under terms of reference which are reviewed annually and comprises all Non-Executive Directors under the chairmanship of Tom Jenkins. It meets at least twice a year and, amongst other duties, overviews the monitoring of the Company'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.

The Company does not comply with the QCA's requirement to publish a separate Audit Committee Report as it believes that the information provided within this Corporate Governance Report gives shareholders adequate information on the Committee's activities.

During the year the Audit Committee met on two occasions to:

- Discuss findings and hear recommendations arising from the annual audit.
- Discuss with the Company's external auditors matters such as compliance with accounting standards.
- Monitor the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company and other related requirements.
- Approve the appointment of KPMG LLP, post tender, as the Company's external auditors, including their terms of engagement and fees.

The Committee reported formally to the Board on proceedings after each meeting.

Nominations Committee

The Nominations Committee operates under terms of reference which are reviewed annually and comprises all Non-Executive Directors and one Executive Director, under the Chairmanship of Paul Barnes.

The Committee meets at least once a year to consider the performance and effectiveness of the Board and its Directors; whether Directors retiring by rotation should be put forward for re-election at the Annual General Meeting; to consider 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.

We have not engaged an external consultant to evaluate the effectiveness of the Board this year. An ongoing review of the Board's collective performance and that of the individual Directors was carried out, based upon the following criteria:

- Strategy design, debate and decision making.
- Leadership style and technique.
- Goal setting, assignment of roles, responsibilities and resources.
- Monitoring, risk management and oversight.

The performance of the Board and its individual Directors is also viewed in the context of the Company's achievement of its strategic goals. During the 2018-19 year these were:

1. To meet analysts' profit before tax forecast for 2018-19 of £5.5m, which has been achieved.

2. To meet the Company's strategic financial goals of achieving at least £22.3m of sales by financial year 2019-20, which has been achieved.

3. To increase the Company's value to shareholders – market capitalization has decreased by £10m, from £138m to £128m during the 2018-19 year. This goal has not been achieved.

4. To replicate the market penetration achieved in targeted clinical areas in the UK in all overseas markets. Whilst this is difficult to measure, the Company has achieved overseas sales growth of 26% which is clear evidence that solid good progress is being made towards this goal.

Although one of the targets has not been met, because it relates to share price, which can be subject to influences outside of the control of the Board, I conclude that the Board has performed effectively during the 2018-19 financial year.

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. All Directors were recommended for re-election at the 2018 AGM bar Francisco Soler, Chairman, who retired after 25 years with the Company.

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 are given at least 21 days' notice of the Annual General Meeting held in December and Shareholder Open Day held in July, at which shareholders are given the opportunity to discuss the development and performance of the Company. The Company's website, www.tristel.com contains full details of its 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 Company maintains a system of internal control to provide them with reasonable assurance that the assets of the Company are safeguarded, and that shareholders' investments are protected. The system includes internal controls appropriate for the Company'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 continually considers its policies regarding internal control, risk management and business reporting with respect to the major areas of the business and methods used to monitor and control them. In addition to financial risk, the reviews cover operational, commercial, regulatory and health and safety risks. The Board has concluded that an internal audit function is not justified at this juncture. However, this decision is continually reviewed as the operations of the Company 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. It considers that a minimum cash balance of £3 million is appropriate – providing adequate protection against unexpected events – for the current size of the business and seeks to adhere to this wherever possible and practicable. Cash exceeding this level, which cannot be used for earnings enhancing investment purposes, is returned to shareholders in the form of a special divided.

Paul Barnes Non-Executive Chairman
31 October 2019

Report of the Directors

The Directors present their report and the consolidated financial statements for the year ended 30 June 2019.

Results and dividends

There was a profit for the year after taxation amounting to £4.031m (2018: £3.272m).

A final dividend of £1.303m (2.98p per share) was paid during the year in respect of the year ended 30 June 2018. (2017: £1.130m (2.63p per share)).

An interim dividend of £0.907m (2.04p per share) was paid during the year in respect of the year ended 30 June 2019 (2018: £0.688m, 1.60p per share); The Directors recommend a final dividend of 3.50p per share (2018: 2.98p per share). If approved, the total distribution of dividends for the year ended 30 June 2019 will be £2.467m (2018: £1.975m).

A review of the Group's performance for the year ended 30 June 2019 is contained in the Chairman's Statement on pages 6 to 7 and the Chief Executive's Report on pages 8 to 13.

Directors' of the Company

The Directors, who held office during the year, were as follows:

FA Soler (resigned 11 December 2018)
PC Swinney
EA Dixon
PM Barnes
DWE Orr
TAJ Jenkins
BLM Holthof (appointed 5 February 2019)
BVM Leemans (appointed 6 December 2018)

The Group provides Directors and Officers indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2019 the policy cost £8,300 (2018: £7,900).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 22 to 25.

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 in the shares of the Company, as given in the Directors' Remuneration Report on page 25, the Directors are aware of the following who were interested in 3% or more of the Company's equity at 30 June 2019:

	No. of shares	% of issued share capital
Francisco Soler	6,071,334	13.62%
Charles Stanley Stockbrokers	4,127,034	9.26%
Investec Wealth & Investment	3,033,806	6.81%
Hargreaves Lansdown	2,996,947	6.73%
Unicorn Asset Management	2,815,829	6.32%
Montanaro Investment Managers	2,425,000	5.44%
Amarti Global Investors	1,844,046	4.14%
Barclays Smart Investor	1,506,668	3.38%
Interactive Investor	1,345,886	3.02%

Principal risks and uncertainties

Reference to this topic can be found within the Strategic Report on pages 17 to 18.

Reference to the Groups primary research and development advancements can be found within the Chief Executive's Report on page 12.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent company financial statements on the same basis.

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 of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable.
- State whether they have been prepared in accordance with IFRSs as adopted by the EU.
- Assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

Disclosure of information to the auditor

The Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware.
- The Directors have taken all the 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 Company's auditor is aware of that information.

Reappointment of auditors

KPMG LLP is the Company's auditor having been appointed for the first year on the 10 May 2019. In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

APPROVED BY THE BOARD ON 31 OCTOBER 2019 AND SIGNED ON ITS BEHALF BY:

EA Dixon Finance Director
31 October 2019

Tristel Plc

REPORT AND ACCOUNTS
FINANCIAL STATEMENTS
YEAR ENDED
30 JUNE 2019

Independent Auditor's Report to the members of Tristel plc

1. Our opinion is unmodified

We have audited the financial statements of Tristel plc ('the Company') for the year ended 30 June 2019 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash-Flow Statement and the related notes, including the accounting policies in note 1.

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 2019 and of the Group's profit for the year then ended.
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006.
- The Group financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

a The impact of uncertainties due to the UK exiting the European Union

Refer to page 8 of the Chief Executive's Report and page 17 of the Strategic Report.

THE RISK: UNPRECEDENTED LEVELS OF UNCERTAINTY

All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matters below addressing the recoverability of parent company investments and goodwill and the valuation of acquired intangibles. All of these depend on assessment of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty or outcomes, with the full range of possible effects unknown.

OUR RESPONSE

We developed a standardized firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

Our Brexit knowledge

We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plan to take action to mitigate these risks.

Sensitivity analysis

When addressing the key audit matters below in relation to the recoverability of parent company investments and goodwill and the valuation of intangibles, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discounts rates for the level of remaining uncertainty.

Assessing transparency

As well as assessing individual disclosures as part of our procedures on the key audit matters below addressing the recoverability of parent company investments and goodwill and the valuation of intangibles, we also considered all of the Brexit related disclosures together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks.

However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

b Revenue recognition

Refer to page 49 in the accounting policy and page 55 in Note 3 for the financial disclosures

THE RISK: SALES AROUND YEAR END

We consider the risk in relation to revenue recognition to relate specifically to recognition around the year end.

There is a risk that revenue may be misstated due to share option incentives issued to key management, which vest if certain EBITDA targets are satisfied and increased shareholder pressure to maintain EPS and ensure dividends can continue to be distributed.

OUR RESPONSE

Our procedures included:

Tests of detail

We selected a sample of sales invoices either side of year end to assess whether revenue has been recognised in the correct financial period, by agreeing the date, amount, description and quantity to relevant documentation, such as delivery notes or other third-party acknowledgement of receipt.

We selected a sample of credit notes raised after the year-end to assess whether revenue has been recognised in the correct financial period, by agreeing the date, amount, quantity and description to relevant documentation, such as sales invoices, credit note approvals or other third-party documents.

c (i) Recoverability of Goodwill relating to the 'Ecomed' acquisition in the group financial statements (£4.1m)

Refer to page 51 for the accounting policy and page 67 in Note 11 for the financial disclosures.

and

c (ii) Recoverability of the 'Ecomed' investment in the Company financial statements of Tristel plc. (£6.4m)

Refer to page 50 for the accounting policy and page 72 in Note 13 for the financial disclosures

THE RISK: FORECAST-BASED ESTIMATE

During the year Tristel plc acquired three entities referred to as the 'Ecomed' companies.

There is a risk in relation to the recoverability of the Ecomed goodwill and the investment in Ecomed as they require the Directors to make assessments which rely upon forecasts and expected future performance. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 11) disclose the sensitivity estimated by the Group.

OUR RESPONSE

Our procedures included:

Historical comparisons

We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets.

Benchmarking assumptions

Comparing the Groups assumptions to externally derived data in relation to key inputs such as projected growth rates and discount rates. Key inputs used to derive the discount rates were agreed to market data.

Sensitivity analysis

We performed sensitivity analysis over the key assumptions of the cash-flow forecasts. This included sensitising the discount rate, growth rates and profit margins within the forecasts. We critically assessed the extent to which a change in these assumptions, both individually or in aggregate, would result in a goodwill impairment, and considered the likelihood of such events occurring.

Assessing transparency

Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

d Valuation of acquired intangibles on the acquisition of 'Ecomed' (£1.8m)

Refer to page 50 for the accounting policy and page 68 in Note 12 for the financial disclosures.

THE RISK: FORECAST-BASED ESTIMATE

The valuation of acquired intangibles includes a number of judgmental areas and key assumptions, such as revenue growth and discount rates used.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of intangibles has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 2) disclose the sensitivity estimated by the group.

OUR RESPONSE

Our procedures included:

Accounting analysis

We assessed the acquisition accounting with reference to the relevant accounting standards.

Assessing valuer's credentials

We critically assessed the valuations performed by the Group's valuation expert. We assessed the competence and capabilities of the expert used.

Historical comparisons

We assessed the reasonableness of the forecasts with reference to previous performance of Ecomed prior to acquisition by the Group.

Benchmarking assumptions

Comparing the Group's assumptions to externally derived data in relation to key inputs such as projected growth rates and discount rates. Key inputs used to derive the discount rates were agreed to market data.

Assessing transparency

Assessing whether the Group's disclosures about the sensitivity of the assumptions used to value the intangibles reflected the risks inherent in the valuation.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £282,500, determined with reference to a benchmark of profit before tax of which it represents 5%.

Materiality for the parent company financial statements as a whole was set at £135,000, which was determined with reference to a benchmark of company total assets, of which it represents 1% the benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £14,100, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 15 components, we subjected five components to full scope audits for Group purposes.

The components within the scope of our work accounted for 94% of the Group's profit before taxation, 86% of the Group's revenue and 89% of the Group's total assets. For the remaining components, we performed analysis, at an aggregated group level, to reexamine our assessment that there were no significant risks of material misstatement with these components.

The Group team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £135,000 to £212,000, having regard to the mix of size and risk profile of the Group across the components. The work on two of the 15 components was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

In relation to these two components telephone conference meetings were held with these component auditors to assess the audit risk and strategy. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The impact of Brexit on the Group's supply chain.

As this risk could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the Directors' report.
- In our opinion the information given in those reports for the financial year is consistent with the financial statements.
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 33, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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 and the terms of our engagement by the Company. 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.

Mark Prince Senior Statutory Auditor
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR
Chartered Accountants, Botanic House, 100 Hills Road, Cambridge CB2 1AR
31 October 2019

Consolidated Income Statement

for the year ended 30 June 2019

	NOTE	2019 £'000	2018 £'000
Revenue		26,169	22,220
Cost of sales		(5,504)	(5,040)
Gross profit		20,665	17,180
Share-based payments		(852)	(665)
Depreciation, amortisation and impairments		(1,537)	(1,564)
Administrative expenses, excluding share-based payments, depreciation, amortisation and impairment		(13,579)	(10,971)
Operating profit	4	4,697	3,980
Finance income		5	2
Finance costs		(1)	–
Net finance income	5	4	2
Share of profit of equity accounted investees		45	24
Profit before tax		4,746	4,006
Income tax expense	9	(715)	(734)
Profit for the year		4,031	3,272
Profit/(loss) attributable to:			
Owners of the Company		4,031	3,272

Earnings per share from total and continuing operations attributable to equity holders of the parent		2019	2018
Basic – pence	22	9.14	7.62
Diluted – pence	22	8.86	7.33

The above results were derived from continuing operations.
Earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2019 were £6,279,000 (2018 £5,568,000). (Note 4.)

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	2019 £'000	2018 £'000
Profit for the year	4,031	3,272
Items that will be reclassified subsequently to profit or loss		
Foreign currency translation gains/(losses)	149	(112)
Total comprehensive income for the year	4,180	3,160
Total comprehensive income attributable to:		
Owners of the Company	4,180	3,160

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

as at 30 June 2019

Assets	NOTE	**30 June 2019** £'000	**Reclassified* 30 June 2018** £'000
Non-current assets			
Property, plant and equipment	10	1,466	1,328
Goodwill	11	5,150	998
Intangible assets	12	7,593	5,954
Investments	13	807	589
Investments accounted for using the equity method	13	65	46
Deferred tax assets	9	709	399
		15,790	9,314
Current assets			
Inventories	14	2,957	2,279
Trade and other receivables	15	5,370	4,286
Cash and cash equivalents	16	4,170	6,661
		12,497	13,226
Total assets		28,287	22,540
Equity and liabilities			
Equity			
Share capital	17	446	432
Share premium		11,427	11,058
Foreign currency translation reserve		83	(66)
Merger reserve		2,205	478
Retained earnings		9,191	6,518
Equity attributable to owners of the Company		23,352	18,420
Non-controlling interests		7	7
Total equity		23,359	18,427
Non-current liabilities			
Deferred tax liabilities	9	550	205
Current liabilities			
Trade and other payables	20	3,539	3,201
Income tax liability	9	839	707
		4,378	3,908
Total liabilities		4,928	4,113
Total equity and liabilities		28,287	22,540

*Share in associate has been reclassified from other debtors in 2018 into investments accounted for using the equity method.

Approved by the Board on 31 October 2019 and signed on its behalf by: **EA Dixon** Finance Director

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Company Statement of Financial Position
as at 30 June 2019

Assets	NOTE	30 June 2019 £'000	30 June 2018 £'000
Non-current assets			
Intangible assets	12	3,262	3,338
Investments in subsidiaries, joint ventures and associates	13	11,324	3,814
		14,586	7,152
Current assets			
Trade and other receivables	15	3,046	5,772
Income tax asset		6	6
Cash and cash equivalents	16	727	2,669
		3,779	8,447
Total assets		18,365	15,599
Equity and liabilities			
Equity			
Share capital	17	446	432
Share premium		11,427	11,058
Foreign currency translation reserve		54	–
Other reserves		1,727	–
Retained earnings		4,633	3,989
Total equity		18,287	15,479
Non-current liabilities			
Deferred tax liabilities	9	9	9
Current liabilities			
Trade and other payables	20	69	111
Total liabilities		78	120
Total equity and liabilities		18,365	15,599

The parent company's profit for the financial year was £2.002m (2018: £0.885m) which includes a dividend of £2.793m (2018: £1.465m) received from its subsidiary companies.

Approved by the Board on 31 October 2019 and signed on its behalf by: **EA Dixon** Finance Director
Registration number: 04728199

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Share capital £'000	Share premium £'000	Foreign currency translation £'000	Merger reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 July 2018	432	11,058	(66)	478	6,518	18,420	7	18,427
Profit for the year	–	–	–	–	4,031	4,031	–	4,031
Exchange difference on translation of foreign operations	–	–	149	–	–	149	–	149
Total comprehensive income	–	–	149	–	4,031	4,180	–	4,180
Dividends	–	–	–	–	(2,210)	(2,210)	–	(2,210)
New share capital subscribed	7	369	–	–	–	376	–	376
Share-based payment transactions	–	–	–	–	852	852	–	852
Acquisition of subsidiaries, increase in equity	7	–	–	1,727	–	1,734	–	1,734
At 30 June 2019	446	11,427	83	2,205	9,191	23,352	7	23,359
At 1 July 2017	427	10,705	46	478	4,399	16,055	7	16,062
Profit for the year	–	–	–	–	3,272	3,272	–	3,272
Exchange difference on translation of foreign operations	–	–	(112)	–	–	(112)	–	(112)
Total comprehensive income	–	–	(112)	–	3,272	3,160	–	3,160
Dividends	–	–	–	–	(1,818)	(1,818)	–	(1,818)
New share capital subscribed	5	353	–	–	–	358	–	358
Share-based payment transactions	–	–	–	–	665	665	–	665
At 30 June 2018	432	11,058	(66)	478	6,518	18,420	7	18,427

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Company Statement of Changes in Equity

for the year ended 30 June 2019

	Share capital £'000	Share premium £'000	Foreign currency translation £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2018	432	11,058	–	–	3,989	15,479
Profit for the year	–	–	–	–	2,002	2,002
Exchange difference	–	–	54	–	–	54
Total comprehensive income	–	–	54	–	2,002	2,056
Dividends paid	–	–	–	–	(2,210)	(2,210)
New share capital subscribed	7	369	–	–	–	376
Acquisition of subsidiaries increase in equity	7	–	–	1,727	–	1,734
Share-based payment transactions	–	–	–	–	852	852
At 30 June 2019	446	11,427	54	1,727	4,633	18,287
At 1 July 2017	427	10,705	–	–	4,257	15,389
Profit for the year	–	–	–	–	885	885
Total comprehensive income	–	–	–	–	885	885
Dividends paid	–	–	–	–	(1,818)	(1,818)
New share capital subscribed	5	353	–	–	–	358
Share-based payment transactions	–	–	–	–	665	665
At 30 June 2018	432	11,058	–	–	3,989	15,479

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	NOTE	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before tax		4,746	4,006
Adjustments to cash flows from non-cash items			
Depreciation of plant, property & equipment	10	584	548
Amortisation of intangible asset	12	886	950
Impairment of intangible asset	11	67	67
Share-based payments – IFRS 2		852	665
Gain on fair value of investment		(98)	–
Loss/(profit) on disposal of property, plant and equipment		21	(17)
Unrealised profit/(loss) in foreign exchange		72	(78)
Loss on disposal of intangible asset		12	–
Finance income		(5)	(2)
		7,137	6,139
Working capital adjustments			
(Increase)/decrease in inventories		(415)	13
Increase in trade and other receivables		(414)	(587)
Increase in trade and other payables		49	54
Corporation tax paid		(871)	(1,124)
Net cash flow from operating activities		5,486	4,495
Cash flows from investing activities			
Interest received		5	2
Purchase of intangible assets	12	(669)	(997)
Purchase of investment in Ecomed	11	(4,706)	–
Purchase of investment in MobileODT	13	(120)	–
Purchase of property plant and equipment		(678)	(516)
Proceeds from sale of property plant and equipment		–	63
Net cash used in investing activities		(6,168)	(1,448)
Cash flows from financing activities			
Share issues		383	358
Dividends paid		(2,210)	(1,818)
Net cash used in financing activities		(1,827)	(1,460)
Net (decrease)/increase in cash and cash equivalents		(2,509)	1,587
Cash and cash equivalents at the beginning of the period		6,661	5,088
Exchange differences on cash and cash equivalents		18	(14)
Cash and cash equivalents at the end of the period		4,170	6,661

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Company Statement of Cash Flows

for the year ended 30 June 2019

	NOTE	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before tax		2,002	885
Adjustments to cash flows from non-cash items			
Amortisation of intangible asset	12	258	244
Gain on fair value of investment	13	(98)	–
Unrealised loss on foreign exchange		(73)	–
Finance income		(3)	(3)
		2,086	1,126
Working capital adjustments			
Decrease in trade and other receivables		2,726	393
(Decrease)/increase in trade and other payables		(42)	26
Corporation tax paid		–	–
Net cash flow from operating activities		4,770	1,545
Cash flows from investing activities			
Interest received		3	3
Purchase of intangible assets	12	(182)	(186)
Purchase of trade and assets		–	–
Purchase of investments	11	(4,706)	–
Net cash used in investing activities		(4,885)	(183)
Cash flows from financing activities			
Share issues		383	358
Dividends paid		(2,210)	(1,818)
Net cash used in financing activities		(1,827)	(1,460)
Net (decrease) in cash and cash equivalents		(1,942)	(98)
Cash and cash equivalents at the beginning of the period		2,669	2,767
Cash and cash equivalents at the end of the period		727	2,669

THE NOTES ON PAGES 48 TO 82 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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 2019. 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.

Audit exemption

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act:

- Tristel International Limited – Registered number 07874262
- Scorcher Idea Limited – Registered number 04602679

Going concern

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 12 months from date of approval of accounts.

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.

1. Accounting policies *continued*

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.

Changes in accounting policy

EU adopted IFRSs not yet applied

As of 30 June 2019, the following Standards and Interpretations are in issue but not yet effective and have not been adopted early by the Group:

- IFRS 16 Leases (effective 1 January 2019)
- IFRS 17 Insurance contracts (effective 1 January 2021)

The Directors anticipate that the adoption of IFRS 17 in future periods will have no material effect on the financial statements of the Group.

IFRS 16

IFRS 16 – Leases was issued in January 2016 and will be adopted by the Group effective 1 July 2019. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all operating leases unless the term is 12 months or less or the leased asset is of a low value. As at the reporting date, the Group has non-cancellable operating lease commitments of £4.8m (note 18). Of these commitments, the Group expects to recognise right of use assets of approximately £3.7m on 1 July 2019 and lease liabilities of £3.9m (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019). The modified retrospective transition approach will be applied with the right of use assets being measured as if IFRS 16 had always been applied using the transition discount rate, subsequently an adjustment to equity of £0.2m is expected as at 1 July 2019. Comparative results will not require restatement.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

None of the standards, interpretations and amendments effective for the first time from 1 July 2018 have had a material effect on the financial statements.

Revenue recognition

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, the Group recognises revenue to depict the transfer of promised goods (performance obligations) to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. Revenue is therefore recognised as performance obligations to deliver products are satisfied. Performance obligations for the sale of products are dependent on the terms and conditions of sale. The point in time at which revenue is recognised may therefore vary between the point goods are made available for customers to collect, and the point at which they are delivered to the customers.

The Group undertook a detailed impact assessment of the impact of IFRS 15 on its revenues from products. The Group has determined that the application of IFRS 15 on 1 July 2018 has not had a material effect on the financial statements for the year ended 30 June 2019 and has therefore not restated comparative information for prior periods.

Foreign currency transactions and balances

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.

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.

1. Accounting policies *continued*

Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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.

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:

Improvements to property	Straight line over the lease term of 10 years
Other property, plant and equipment	Straight line over 3 and 5 years
Furniture, fittings and equipment	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.

Intangible assets

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, such as goodwill, 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.

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 seven and 20 years.

Investments and other financial assets

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable.

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.
- 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 seven years and 25 years.

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 seven years based on historical trends of software utilisation.

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 11.

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.

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.

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.

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.

1. Accounting policies *continued*

Leases

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.

Impairment of non-financial assets

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

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

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.

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.

Defined contribution pension obligation

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 statement of financial position.

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 using either the Monte Carlo or Black-Scholes pricing model. Further details are set out in note 24.

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.

Financial instruments (post July 2018)

Initial recognition

IFRS 9 – Financial Instruments is effective for accounting periods beginning on or after 1 January 2018 and replaces existing accounting standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces the new rules for hedge accounting, a new impairment model for financial assets and early recognition of expected credit losses. The Group adopted IFRS 9 on 1 July 2018. The Group does not have a material history of credit losses, or is it involved in financial instruments, therefore the application of IFRS 9 has not had a material effect on the financial statements.

1. Accounting policies *continued*

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ('FVTPL') are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement
Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- Financial assets at amortised cost.
- Financial assets at fair value through other comprehensive income (FVTOCI).
- Financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- Financial liabilities at amortised cost.
- Financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash-flow characteristics of the financial assets, as detailed below:

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL.

1. Accounting policies *continued*

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely accounts and other receivables.

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: For financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL.

Stage 2: For financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL.

Stage 3: For credit-impaired financial instruments, the Group recognises the lifetime ECL.

The Group measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- Debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date.
- Other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the lifetime ECL that represents the ECLs that result from default events on a financial instrument that are possible within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

2. Critical accounting judgements and key sources of estimation uncertainty

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

The intangible assets acquired during the year were valued independently by a third party. Estimation uncertainty relates to future trading forecasts and assumptions about determination of a suitable discount rate and assessment of useful life. Sensitivity analysis was also provided on the asset values identified with immaterial impact on carrying values. A 1% increase in the discount rate applied caused a decrease of £50k in the value of the asset acquired and a 1% decrease in the discount rate caused a £54k increase in value.

Goodwill and investments in Ecomed

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 future trading forecasts, particularly with respect to new entities acquired in the year and assumptions about determination of a suitable discount rate and assessment of useful life. Sensitivity analysis has been performed and a reasonable change in assumptions will not have a material impact on carrying value.

Research and development

Research expenses are defined as costs incurred with the prospect of gaining new scientific knowledge and technical knowledge and understanding. Development expenses are defined as application of research findings or specialist knowledge for the development of new or substantially improved products or application of the product. Research and development expenses are incurred for in-house development as well as numerous collaborations with third parties.

2. Critical accounting judgements and key sources of estimation uncertainty *continued*

Research costs are not capitalised. Development costs are capitalised under closely defined conditions and only if there is reasonable certainty of receiving future cash flows in relation to the development. These 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. Specific recognition requirements are detailed in note 1.

3. Segmental analysis

Management considers the Company'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 Company's operating segments are identified initially from the information which is reported to the chief operating decision maker.

The first segment concerns the manufacture and sale of infection control and hygiene products that includes the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals. This segment generates approximately 92% of Company revenues (2018: 90%).

The second segment which constitutes 3% (2018: 4%) of the business activity, relates to the manufacture and sale of disinfection and cleaning products, principally into veterinary and animal welfare sectors ('Animal healthcare'). During prior years all sales for this segment were made to a distributor who supplied the end user.

The third segment addresses the pharmaceutical and personal care product manufacturing industries ('Contamination control'), and has generated 5% (2018: 6%) of the Company'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.

The Company's centrally incurred administrative expenses and operating income, and assets and liabilities, cannot be allocated to individual segments.

	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	2019 Total £'000
Revenue from external customers	23,946	808	1,415	26,169
Cost of material	4,736	275	493	5,504
Segment gross profit	19,210	533	922	20,665
Gross margin	80%	66%	65%	79%

Centrally incurred income and expenses not attributable to individual segments:

Depreciation and amortisation of non-financial assets	1,537
Other administrative expenses	13,579
Share-based payments	852
Segment operating profit	4,697

Segment operating profit can be reconciled to Group profit before tax as follows:

Finance income	4
Results from equity accounted associate	45
Total profit before tax	4,746

3. Segmental analysis *continued*

	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	2018 Total £'000
Revenue from external customers	19,869	919	1,432	22,220
Cost of material	4,161	369	510	5,040
Segment gross profit	15,708	550	922	17,180
Gross margin	79%	60%	64%	77%

Centrally incurred income and expenses not attributable to individual segments:

Depreciation and amortisation of non-financial assets	1,564
Other administrative expenses	10,971
Share-based payments	665
Segment operating profit	3,980

Segment operating profit can be reconciled to Group profit before tax as follows:

Finance income	2
Results from equity accounted associate	24
Total profit before tax	4,006

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

Geography	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	2019 Total £'000
United Kingdom	10,024	567	1,205	11,796
Europe	8,184	29	159	8,372
Rest of the World	5,738	212	51	6,001
Total revenues	23,946	808	1,415	26,169

Geography	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	2018 Total £'000
United Kingdom	8,912	665	1,258	10,835
Germany	3,989	–	34	4,023
Rest of the World	6,973	254	135	7,362
Total revenues	19,874	919	1,427	22,220

Revenues from external customers in the Company's domicile (United Kingdom), as well as its other major markets (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 £6.595m from a single customer which makes up 28% of this segment's revenue (2018: £5.357m, being 27%). Animal healthcare revenues were derived from a number of customers, with the largest customer accountable for £0.139m, which represents 17% of revenue for that segment (2018: £0.186m, 20% from a single customer).

During the year 25.2% of the Group's total revenues were earned from a single customer (2018: 24.1%).

3. Segmental analysis *continued*

The following table provides further information on the Group's revenues:

	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	2019 Total £'000
Revenue recognised at a point in time	23,919	808	1,415	26,142
Revenue recognised over time	27	–	–	27
Total revenues	23,946	808	1,415	26,169

	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	2018 Total £'000
Revenue recognised at a point in time	19,874	919	1,427	22,220
Revenue recognised over time	–	–	–	–
Total revenues	19,874	919	1,427	22,220

The Group's non-current assets (excluding deferred tax) are divided into the following geographical areas and by segment:

Geography	2019 £'000	2018 £'000
United Kingdom	13,813	7,582
Germany	127	148
Rest of the World	1,141	1,185
Non-current assets	15,081	8,915

Segment	2019 £'000	2018 £'000
Human healthcare	13,030	6,744
Animal healthcare	2,051	2,171
Contamination control	–	–
	15,081	8,915

The Group's current assets and liabilities are shown, where identifiable, by segment, below:

2019	Human healthcare £'000	Animal healthcare £'000	Contamination control £'000	Group £'000	Total £'000
Segment assets	4,397	289	429	7,382	12,497
Segment liabilities	1,542	18	48	2,770	4,378
2018					
Segment assets	4,294	221	428	8,283	13,226
Segment liabilities	1,181	14	23	2,690	3,908

4. Operating profit

The profit before tax is stated after charging/(crediting):

	2019 £'000	2018 £'000
Cost of inventories recognised as an expense	5,329	4,696
Depreciation – owned assets	584	548
Loss/(profit) on disposal of property, plant & equipment	21	(17)
Patents, licences and proprietary technology amortisation	265	244
Development costs, customer and supplier relationship amortisation	547	642
Computer software and website amortisation	74	64
Impairment of goodwill	67	67
Gain on settlement of pre-existing agreement	–	(41)
Gain on fair value of investment	(98)	–
Auditor's remuneration	159	70
Foreign exchange loss	79	59
Operating lease rentals – land and buildings	397	342
Operating lease rentals – vehicles and equipment	144	116
Research costs expensed	739	981

Earnings before interest, tax, depreciation and amortisation are reconciled to profit for the year as follows:

Reconciliation of EBITDA	2019 £'000	2018 £'000
Earnings before, interest, tax, depreciation and amortisation	6,279	5,568
Depreciation, amortisation and impairments	(1,537)	(1,564)
Net finance income	4	2
Profit before tax	4,746	4,006
Taxation	(715)	(734)
Profit for the year	4,031	3,272
Reconciliation of adjusted pre-tax profit		
Profit before tax	4,746	4,006
Share-based payment	852	665
Adjusted pre tax profit	5,598	4,671
Revenue for the year	26,169	22,220
Pre tax profit margin	18%	18%
Adjusted pre tax profit margin	21%	21%

5. Finance income and costs

Finance income	2019 £'000	2018 £'000
Interest income on bank deposits	4	2

6. Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2019 £'000	2018 £'000
Wages and salaries	6,916	5,455
Social security costs	545	410
Share-based payment expenses	852	665
Other pension costs	231	222
	8,544	6,752

A charge of £852,000 (2018: £665,000) 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 figures above. No remuneration is paid through the Company.

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	2019 Number	2018 Number
Executive Directors	2	2
Non-Executive Directors	3	3
Sales, marketing and distribution	55	45
Administration and support	38	33
Production	44	41
	142	124

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.

7. Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £'000	2018 £'000
Remuneration	824	606
Contributions paid to money purchase schemes	62	62
Directors' share-based payments	615	340
	1,501	1,008

The outstanding share options held by Directors at the year end total 2,041,152 (2018: 2,544,067). See table on page 25 for details.

During the year the number of Directors who were receiving retirement benefits and share incentives was as follows:

	2019 Number	2018 Number
Accruing benefits under money purchase pension scheme	2	2

In respect of the highest paid Director:

	2019 £'000	2018 £'000
Remuneration	307	222
Company contributions to money purchase pension schemes	35	27
Gain on exercise of options	1,300	340
	1,642	589

During the year the highest paid Director exercised share options.

8. Auditors' remuneration

	2019 £'000	2018 £'000
Audit of these financial statements	134	41
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	21	25
	155	66

Other fees to auditors	2019 £'000	2018 £'000
Audit-related assurance services: review of half-year statements	4	4
Taxation compliance services	69	–
All other assurance services	22	–
	95	4

9. Income tax

Tax charged in the income statement:

	2019 £'000	2018 £'000
Current taxation		
Overseas tax	798	850
UK corporation tax	221	255
UK corporation tax adjustment to prior periods	(16)	(2)
	1,003	1,103
Deferred tax		
Arising from origination and reversal of temporary differences	(322)	(369)
UK deferred tax adjustment to prior periods	(20)	–
Tax rate effect	54	–
Tax expense in the income statement	715	734

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 – lower than the standard rate of corporation tax in the UK) of 19% (2018 – 19%).

The differences are reconciled below:

	2019 £'000	2018 £'000
Profit before tax	4,746	4,006
Corporation tax at standard rate	902	761
Adjustment in respect of prior years	(36)	(2)
Increase from effect of capital allowances depreciation	10	–
Expenses not deductible for tax purposes	166	24
Other temporary differences	(175)	131
(Decrease) from effect of patent box	(226)	(163)
Tax rate differences	225	115
Enhanced relief on qualifying scientific research expenditure	(151)	(132)
Total tax charge	715	734

Current tax liability	2019 Group £'000	2018 Group £'000	2019 Company £'000	2018 Company £'000
Corporation tax at 30 June	839	707	(6)	(6)

9. Income tax *continued*

Deferred tax – Group

Deferred tax assets and liabilities

2019	Asset £'000	Liability £'000	Net deferred tax £'000
Accelerated tax depreciation	–	(97)	(97)
Acquired in business combinations	–	(453)	(453)
Share-based payment	709	–	709
	709	(550)	159
2018			
Accelerated tax depreciation	–	(128)	(128)
Acquired in business combinations	–	(197)	(197)
Share-based payment	519	–	519
	519	(325)	194

Deferred tax movements during the current year:

	At 1 July 2018 £'000	Recognised in income £'000	Acquired in business combinations £'000	At 30 June 2019 £'000
Accelerated tax depreciation	(128)	31	–	(97)
Recognition of intangibles	(197)	67	(323)	(453)
Share-based payment	519	190	–	709
Net tax assets/(liabilities)	194	288	(323)	159

Deferred tax movements during the prior year:

	At 1 July 2017 £'000	Recognised in income £'000	At 30 June 2018 £'000
Accelerated tax depreciation	(145)	17	(128)
Recognition of intangibles	(217)	20	(197)
Share-based payment	187	332	519
Net tax assets/(liabilities)	(175)	369	194

9. Income tax *continued*

Recognised deferred tax (liability)/asset

Deferred tax (liabilities)/assets are attributable to the following:

	Fixed asset timing differences £'000	Deferred tax on acquired intangibles £'000	Other temporary differences £'000	Group total £'000	Company fixed asset timing differences £'000
Balance at 30 June 2017	(145)	(217)	187	(175)	(9)
Credited to the income statement for the year	17	20	332	369	–
Balance at 30 June 2018	(128)	(197)	519	194	(9)
Arising on acquisition	–	(323)	–	(323)	–
Credited to the income statement for the year	31	67	190	288	–
Balance at 30 June 2019	(97)	(453)	709	159	(9)

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

Net deferred tax asset/(liability)	Group £'000	Company £'000
Deferred tax liability	(550)	(9)
Deferred tax asset	709	–
Balance at 30 June 2019	159	(9)

Net deferred tax asset/(liability)	Group £'000	Company £'000
Deferred tax liability	(205)	(9)
Deferred tax asset	399	–
Balance at 30 June 2018	194	(9)

10. Property, plant and equipment

Group	Improvements to property £'000	Furniture, fittings & equipment £'000	Motor vehicles £'000	Other property, plant & equipment £'000	Total £'000
Cost or valuation					
At 1 July 2017	1,730	115	357	1,593	3,795
Additions	48	27	105	336	516
Disposals	–	–	(115)	(5)	(120)
Foreign exchange movements	–	(2)	2	(5)	(5)
At 30 June 2018	1,778	140	349	1,919	4,186
At 1 July 2018	1,778	140	349	1,919	4,186
Additions	297	8	44	329	678
Acquired through business combinations	–	–	27	13	40
Disposals	–	(45)	(45)	(560)	(650)
Foreign exchange movements	–	–	15	16	31
At 30 June 2019	2,075	103	390	1,717	4,285
Depreciation					
At 1 July 2017	1,249	72	170	895	2,386
Charge for year	116	20	61	351	548
Eliminated on disposal	–	–	(71)	(3)	(74)
Foreign exchange movements	–	–	–	(2)	(2)
At 30 June 2018	1,365	92	160	1,241	2,858
At 1 July 2018	1,365	92	160	1,241	2,858
Charge for the year	90	24	64	406	584
Eliminated on disposal	–	(45)	(25)	(559)	(629)
Foreign exchange movements	–	1	1	4	6
At 30 June 2019	1,455	72	200	1,092	2,819
Carrying amount					
At 30 June 2019	620	31	190	625	1,466
At 30 June 2018	413	48	189	678	1,328
At 1 July 2017	481	43	187	698	1,409

Company

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

11. Goodwill

Group Goodwill

Goodwill in the year relates to the acquisition of the Ecomed Group, our European distributor (see below). The activity is separately identifiable as the operations of the newly incorporated entities Tristel Belgium, Tristel France and Tristel Netherlands and form a single cash-generating unit within human healthcare.

The balance of the acquired goodwill is in respect of Newmarket Technologies Limited (NTL), formerly Tristel Technologies Limited and AshMed Pty. 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. In August 2016, the Group acquired the trade and assets of AshMed Pty, our Australian distributor's business for £1.1m including a contribution to legal costs, giving rise to goodwill of £465,000 and a gain on settlement of the distribution agreement of £41,000. The separate intangibles were recognised in full along with a deferred tax liability arising on the transaction of £242,000. The total acquisition related costs amount to £59,000 and were included in administrative expenses in the Consolidated Income Statement for the year ended 30 June 2017.

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

The recoverable amount of all cash-generating units (CGUs) is determined from value in use calculations. Value in use is calculated as the net present value of the projected, risk-adjusted, pre-tax cash flows of the CGU in which the goodwill is contained. 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 the Group's post-tax weighted average cost of capital which was calculated at 16%. Management has considered the effects on the weighted average cost of capital of currency, pricing and specific country risk. 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 over a five-year period and derived from the most recent financial budgets approved by management. Cash-flow forecasts for each CGU are considered, and where deemed appropriate, adjusted to reflect risks specific to the CGU. Cash flows beyond this period were extrapolated using a terminal growth rate of 1%, which is prudent when compared to the compound annual growth rate in the global infection control market.

For NTL, the rate used to discount the forecast cash flows for goodwill is 16%. With a zero sales growth rate, the net present value of profits expected over the next five-years exceeds the carrying value of £0.466m. However based on the expectation that revenue is forecast to decline at a rate of 10% year-on-year, an impairment of £0.1m has been recorded.

For Ashmed, the key assumptions used to determine the recoverable value of goodwill are those regarding discount rates and growth rates. Management has estimated the discount rate as a market-derived WACC of 16%. Growth rates are based upon industry growth forecasts within the CGU and on recent history and expectations of future changes in the market. The net present value of profits expected over the next eight years exceeds the carrying value of £0.440m, as such no impairment has been recorded.

11. Goodwill *continued*

	Goodwill £'000
Cost or valuation	
At 1 July 2017	1,244
At 30 June 2018	1,244
At 1 July 2018	1,244
Acquired through business combinations	4,184
Foreign exchange movements	35
At 30 June 2019	5,463
Impairment	
At 1 July 2017	179
Impairment	67
At 30 June 2018	246
At 1 July 2018	246
Impairment	67
At 30 June 2019	313
Carrying amount	
At 30 June 2019	5,150
At 30 June 2018	998

Ecomed Group

In November 2018, the Group acquired Ecomed Services N.V. (Belgium), Ecomed Nederland B.V. (Netherlands) and Ecomed France SARL (France), together the 'Ecomed Group', our European distributor's business for total consideration of £6.4m, of which an initial transaction of £3m was paid in cash and £1.4m from the issue of 573,860 ordinary shares (the 'Consideration Shares'). The Consideration Shares were issued at 242.7 pence per share, the average price during the thirty-day period to 15 November 2018. A balancing payment of £0.5m was made in cash in January 2019 following completion.

Additional contingent consideration of £1.6m was paid in February 2019 based upon final audited EBITDA for the calendar year 2018 exceeding €0.84m, and sales growth of at least 15% for the year ending 30 June 2019 being achieved. The contingent consideration was paid in a combination of cash and ordinary shares with the allocation between cash (£1.2m) and 135,915 ordinary shares (£0.4m) decided by the Vendors. There was no change in the fair value of the investment between acquisition and settlement.

The transaction gave rise to goodwill of £4.1m. The separate intangibles were recognised in full along with a deferred tax liability of £0.323m. The total acquisition related costs amount to £0.277m and were included in administrative expenses in the Consolidated Income Statement for the year ended 30 June 2019.

For Ecomed, the key assumptions used to determine the recoverable value of goodwill are those regarding discount rates and growth rates. Management estimates discount rates using the Group's post-tax weighted average cost of capital, adjusted to reflect the impact of the time value of money, tax effects and risks associated with the CGU, which was calculated at 16%. Growth rates are based upon industry growth forecasts within the CGU and on recent history and expectations of future changes in the market. Cash flows over five years were considered and beyond this period cash flows were extrapolated using a terminal growth rate of 1%, which is prudent when compared to the compound annual growth rate in the global infection control market. The net present value of profits expected over the next eight years exceeds the carrying value of £4.1m, as such no impairment has been recorded.

11. Goodwill *continued*

The details of the business combination are as follows:

Group	**Total** £'000
Fair value at date of acquisition	
Amount settled in cash	4,706
Amount settled in shares	1,734
	6,440
Recognised amounts of identifiable net assets	
Intangible assets	1,843
Fixed assets	40
Total non-current assets	1,883
Inventories	263
Trade and other receivables	689
Total current assets	952
Other liabilities	256
Deferred tax	323
Total current liabilities	579
Identifiable net assets	2,256
Goodwill on acquisition	4,184

Company

The Company has no goodwill.

12. Intangible assets

Group	Patents, licences & proprietary technology £'000	Customer & supplier relationships £'000	Computer software & website £'000	Development of marketable products £'000	Total £'000
Cost or valuation					
At 1 July 2017	5,490	804	311	4,133	10,738
Additions	184	196	124	493	997
Foreign exchange movements	–	(17)	–	–	(17)
At 30 June 2018	5,674	983	435	4,626	11,718
At 1 July 2018	5,674	983	435	4,626	11,718
Additions	130	–	160	379	669
Acquired through business combinations	63	1,780	–	–	1,843
Disposals	(12)	–	–	(2)	(14)
Foreign exchange movements	1	27	–	–	28
At 30 June 2019	5,856	2,790	595	5,003	14,244
Amortisation					
At 1 July 2017	1,837	87	62	2,828	4,814
Amortisation charge	244	291	64	351	950
At 30 June 2018	2,081	378	126	3,179	5,764
At 1 July 2018	2,081	378	126	3,179	5,764
Amortisation charge	265	263	74	284	886
Foreign exchange movements	–	1	–	–	1
At 30 June 2019	2,346	642	200	3,463	6,651
Carrying amount					
At 30 June 2019	3,510	2,148	395	1,540	7,593
At 30 June 2018	3,593	605	309	1,447	5,954

During the year, supplier relationships intangible of £228,000 and customer relationships intangible of £1,552,000 in respect of the Ecomed acquisition were capitalised in full within the category of customer & supplier relationships. The assets were amortised over a period of 10 years – the estimated remaining useful life.

The associated Trade name was also capitalised at £63,000 and amortised over the remaining useful life of five years.

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 11 of these financial statements).

The rate used to discount the forecast cash flows for all CGUs is 16%. Management estimates discount rates using the Group's post-tax weighted average cost of capital, adjusted to reflect the impact of the time value of money, tax effects and risks associated with each CGU. Where sensitivity analysis has been carried out, it has been via the removal of growth expectations within a CGU.

The Directors believe that there have been no impairment indicators during the year to 30 June 2019.

12. Intangible assets *continued*

Company	Patents, licences & proprietary technology £'000	Total £'000
Cost		
At 30 June 2017	4,926	4,926
Additions	186	186
At 30 June 2018	5,112	5,112
Additions	182	182
At 30 June 2019	5,294	5,294
Amortisation		
At 30 June 2017	1,530	1,530
Charge for year	244	244
At 30 June 2018	1,774	1,774
Charge for year	258	258
At 30 June 2019	2,032	2,032
Net book value		
30 June 2019	3,262	3,262
30 June 2018	3,338	3,338

13. Investments

Group	2019 £'000	2018 £'000
At 30 June 2018	589	589
Investment	120	–
Fair value gain	98	–
At 30 June 2019	807	589

Further investment of £120,000 was made on 17 July 2018 in MobileODT Ltd.

An increase in the fair value of the investment was recorded for 2019 through profit and loss, there was no significant increase in the carrying value for 2018.

	Principal activity	Registered office	2019 Proportion of ownership interest & voting rights held	2018 Proportion of ownership interest & voting rights held
MobileODT Ltd	Manufacture of intelligent visual diagnostic tools	Israel	3%	3%

13. Investments *continued*

Group subsidiaries

Group subsidiaries as at 30 June 2019 are detailed below:

Name of subsidiary	Principal activity	Country of registration	2019 Proportion of ownership interest & voting rights held	2018 Proportion of ownership interest & voting rights held
Tristel Solutions Limited * (1)	Supply of infection control products	England and Wales	100%	100%
Scorcher Idea Limited * (1)	Supply of infection control products	England and Wales	100%	100%
Tristel New Zealand * (2)	Supply of infection control products	New Zealand	100%	100%
Tristel Medical Equipment Co Ltd (3)	Supply of infection control products	China	100%	100%
Tristel Asia Limited * (4)	Supply of infection control products	Hong Kong	100%	100%
Tristel International Limited * (1)	Supply of infection control products	England and Wales	100%	100%
Tristel GMBH * (5)	Supply of infection control products	Germany	100%	100%
Tristel Pty Limited * (6)	Supply of infection control products	Australia	100%	100%
Tristel Sp. z.o.o * (7)	Supply of infection control products	Poland	100%	100%
Medichem International Limited * (8)	Holder of trademarks	England and Wales	50% **	50% **
Tristel AG * (9)	Supply of infection control products	Switzerland	100%	100%
Tristel Belgium * (10)	Supply of infection control products	Belgium	100%	–
Tristel France * (11)	Supply of infection control products	France	100%	–
Tristel Netherlands * (12)	Supply of infection control products	The Netherlands	100%	–
Tristel Inc * (1)	Dormant	USA	100%	100%
Tristel GK * (13)	Dormant	Japan	100%	100%
Tristel India Private Limited * (14)	Dormant	India	100%	100%

* indicates direct investment of the Company

** Management considers that control is held as use of the intellectual property (IP) owned by the entity is restricted by Tristel Plc

Registered office address:

(1) Unit 1B, Lynx Business Park, Fordham Road, Snailwell, Cambridgeshire, CB8 7NY
(2) 23 Birch Avenue, Judea, Tauranga, Bay Of Plenty, 3110
(3) 16/F Oriental Century Plaza, 345 Xian Xi Road, Chang Ning District, Shanghai 200336
(4) 21st Floor, 168 Electric Road, Hong Kong
(5) Karl-Marx-Allee 90A, 10243 Berlin
(6) 40/328 Reserve Road, Cheltenham, Victoria, 3192
(7) Pl. Piłsudskiego 1, 00-078 Warszawa, Poland
(8) 2 Lords Court, Basildon, England, SS13 1SS
(9) Sandgrube 29, CH - 9050 Appenzell, Schweiz
(10) Smallandlaan 14 B, Anvers, 2660
(11) 130, Boulevard de la Liberté, Lille, 59000
(12) Binderij 7 R, Amstelveen, 1185
(13) 2-25 Sudacho, Kanda, Chiyoda-ku, Tokyo, Japan
(14) 335, Udyog Vihar Phase-IV, Gurugram, Haryana-122015

13. Investments *continued*

Group associates

Details of the Group associates as at 30 June 2019 are as follows:

Name of associate	Principal activity	Registered office	2019 Proportion of ownership interest & voting rights held by the Group	2018 Proportion of ownership interest & voting rights held by the Group
Tristel Italia srl * +	Supply of infection control products	Italy	20%	20%

* indicates direct investment of the Company
+ indicates accounted for using the equity method

The remaining 80% of the share capital of Tristel Italia Srl was acquired on the 1 July 2019 bringing this associate under our complete ownership and control as a 100% owned subsidiary for the year ended 30 June 2020.

	2019 £'000	2018 £'000
Tristel Italia summarised balance sheet		
Assets	559	502
Liabilities	233	273
Net assets	326	229
Group's share in %	20	20
Group share in Tristel Italia	65	46
Reconciliation to carrying amounts		
Opening net assets 1 July	46	27
Profit for the period	45	24
Tax and dividends paid	(26)	(5)
Closing net assets 30 June	65	46

13. Investments *continued*

Company	Shares in Group undertakings and associate £'000	Other investments £'000	Total £'000
Cost			
At 30 June 2017	2,993	589	3,582
Capital contributions as a result of share-based payments	665	–	665
At 30 June 2018	3,658	589	4,247
Capital contributions as a result of share-based payments	852	–	852
Fair value gain	–	98	98
Investment in MobileODT Ltd	–	120	120
Investment in Ecomed	6,440	–	6,440
At 30 June 2019	10,950	807	11,757
Impairment			
At 30 June 2017	433	–	433
Movement in the year	–	–	–
At 30 June 2018	433	–	433
Movement in the year	–	–	–
At 30 June 2019	433	–	433
Net book value			
30 June 2019	10,517	807	11,324
30 June 2018	3,225	589	3,814

The total amount recognised in the Company statement of financial position in relation to options granted over the parent company shares to employees of subsidiaries during the year amounts to a charge of £852,000 (2018: £665,000).

14. Inventories

	30 June 2019 Group £'000	30 June 2018 Group £'000	30 June 2019 Company £'000	30 June 2018 Company £'000
Raw materials and consumables	1,532	948	–	–
Work in progress	–	5	–	–
Finished goods	1,425	1,326	–	–
	2,957	2,279	–	–

Included in the above is a stock provision of £99,000 (2018: 95,000) held in respect of both raw materials and finished goods.

15. Trade and other receivables

	30 June 2019 Group £'000	30 June 2018 Group £'000	30 June 2019 Company £'000	30 June 2018 Company £'000
Trade receivables	4,163	3,550	–	–
Provision for impairment of trade receivables	(27)	(95)	–	–
Net trade receivables	4,136	3,455	–	–
Receivables from related parties	–	–	2,918	5,695
Prepayments	923	587	37	22
Other receivables	311	244	91	55
	5,370	4,286	3,046	5,772

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.

The trade and other receivables classified as financial instruments are disclosed below. The Company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

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

Current	30 June 2019 Group £'000	30 June 2018 Group £'000	30 June 2019 Company £'000	30 June 2018 Company £'000
Impairment provision brought forward	(95)	(58)	–	–
Decrease/(increase) in provision	68	(37)	–	–
Impairment provision carried forward	(27)	(95)	–	–

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

The Group calculates expected credit losses (ECLs) for receivables at initial recognition by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on Lifetime ECLs.

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

	30 June 2019 Group £'000	30 June 2018 Group £'000	30 June 2019 Company £'000	30 June 2018 Company £'000
Cash at bank	4,170	6,661	727	2,669

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. Share capital

Allotted, called up and fully paid shares	30 June 2019 Number '000	30 June 2019 £'000	30 June 2018 Number '000	30 June 2018 £'000
Ordinary of £0.01 each	44,563	445.63	43,192	431.92

	Number	£'000
30 June 2018	43,192,133	432
Issued during the year	661,415	7
Issued on acquisition	709,775	7
30 June 2019	44,563,323	446

661,415 ordinary shares of 1 pence each, related to the exercise of 661,415 share options issued during the year (2018: 442,716) in addition to 709,775 ordinary shares of 1 pence each issued on acquisition (2018: nil). The weighted average exercise price was 81.84 pence (2018: 80.80p).

18. Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

Group	30 June 2019 £'000	30 June 2018 £'000
Within one year	724	445
In two to five years	1,938	1,259
In over five years	2,114	37
	4,776	1,741

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

Company

The Company has no lease agreements.

19. Pension and other schemes

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £231,000 (2018: £222,000), with £40,000 (2018: £33,000) outstanding at the year end.

20. Trade and other payables

	30 June 2019 Group £'000	30 June 2018 Group £'000	30 June 2019 Company £'000	30 June 2018 Company £'000
Trade payables	1,986	1,748	21	33
Accruals	1,089	990	48	78
Social security and other taxes	464	432	–	–
Other payables	–	31	–	–
	3,539	3,201	69	111

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note.

21. Dividends

Amounts recognised as distributions to equity holders in the year:

Ordinary shares of 1p each	2019 £'000	2018 £'000
Final dividend for the year ended 30 June 2018 of 2.98p (2017: 2.63p) per share	1,303	1,130
Interim dividend for the year ended 30 June 2019 of 2.04p (2018: 1.60p) per share	907	688
	2,210	1,818
Proposed final dividend for the year ended 30 June 2019 of 3.50p (2018: 2.98p) per share	1,560	1,287
Company		
Dividend received from subsidiaries	(2,793)	(1,465)

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.

22. Earnings per share

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

	2019 £'000	2018 £'000
Retained profit for the financial year attributable to equity holders of the parent	4,031	3,272

	Shares Number '000	Shares Number '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	44,086	42,956
Share options	1,399	1,688
	45,485	44,644
Earnings per ordinary share		
Basic	9.14p	7.62p
Diluted	8.86p	7.33p

A total of 320,000 options of ordinary shares were anti-dilutive at 30 June 2019 (430,000 at 30 June 2018). Contingent options would be dilutive but are excluded. The Group also presents an adjusted basic earnings per share figure which excludes the share-based payments charge:

	2019 £'000	2018 £'000
Retained profit for the financial year attributable to equity holders of the parent	4,031	3,272
Adjustments		
Share-based payments	852	665
Net adjustments	852	665
Adjusted earnings	4,883	3,937
Adjusted basic earnings per ordinary share	11.08p	9.16p

23. Financial risk management and impairment of financial assets

Group

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.

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.

Credit risk and impairment

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:

	2019 Group carrying amount £'000	2018 Group carrying amount £'000	2019 Company carrying amount £'000	2018 Company carrying amount £'000
Cash and cash equivalents	4,170	6,661	727	2,669
Trade and other receivables excluding prepayments and VAT	4,416	3,745	3,009	5,750
	8,586	10,406	3,736	8,419

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

	2019 Group carrying amount £'000	2018 Group carrying amount £'000	2019 Company carrying amount £'000	2018 Company carrying amount £'000
United Kingdom	2,500	3,285	3,009	5,750
Rest of the World	1,916	460	–	–
	4,416	3,745	3,009	5,750

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £27,000 (2018: £95,000) have been provided against but no other receivables were considered to be impaired.

23. Financial risk management and impairment of financial assets *continued*

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	2019 £'000	2018 £'000
Not past due	3,157	2,854
Past due 0-30 days	696	719
Past due 31-120 days	563	172
Past due 120 days +	–	–
	4,416	3,745

Liquidity risk

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

Group	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	More than 12 months £'000
30 June 2019					
Non-derivative financial liabilities					
Trade and other payables (excluding taxes)	3,075	3,075	3,075	–	–
	3,075	3,075	3,075	–	–
30 June 2018					
Non-derivative financial liabilities					
Trade and other payables (excluding taxes)	2,769	2,769	2,769	–	–
	2,769	2,769	2,769	–	–

Company	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	More than 12 months £'000
30 June 2019					
Non-derivative financial liabilities					
Trade and other payables (excluding taxes)	69	69	69	–	–
	69	69	69	–	–
30 June 2018					
Non-derivative financial liabilities					
Trade and other payables (excluding taxes)	111	111	111	–	–
	111	111	111	–	–

23. Financial risk management and impairment of financial assets *continued*

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

	2019 Group £'000	2018 Group £'000	2019 Company £'000	2018 Company £'000
Current assets: loans and receivables at amortised cost				
Cash and cash equivalents	4,170	6,661	727	2,669
Trade and other receivables	4,416	3,745	3,009	5,750
	8,586	10,406	3,736	8,419

All of the above relate to the IFRS 9 category 'loans and receivables'.

	2019 Group £'000	2018 Group £'000	2019 Company £'000	2018 Company £'000
Current liabilities				
Trade and other payables	3,075	2,769	69	111
	3,075	2,769	69	111
Non-current liabilities				
Interest bearing loans and borrowings	–	–	–	–
	–	–	–	–

All of the above relate to the IFRS 9 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.

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 include cash at bank and short-term investments. At 30 June 2019, the average interest rate earned on the temporary closing balances was 0.1% (2018: 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 recognised upon the translation of overseas subsidiary profits, foreign currency cash holdings and non-GBP trade. There is a loss of £79,000 within these financial statements, shown on page 58 within note 4. This balance consists of an £18,000 loss originating upon the translation of overseas profits and a £61,000 loss from the revaluation of cash and 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.

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 statement of financial position.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, 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.

23. Financial risk management and impairment of financial assets *continued*

Capital for the period is summarised as follows:

	2019 Group £'000	2018 Group £'000	2019 Company £'000	2018 Company £'000
Total equity	23,359	18,427	18,287	15,479
Cash and cash equivalents	(4,170)	(6,661)	(727)	(2,669)
Capital	19,189	11,766	17,560	12,810
Total equity	23,359	18,427	18,287	15,479
Borrowings	–	–	–	–
Overall financing	23,359	18,427	18,287	15,479
Capital to overall financing ratio	0.8215	0.6385	0.9602	0.8276

24. Share-based payments

During the year ended 30 June 2019 the Group had 94 share-based payment arrangements, under four schemes. Grants in the year are detailed below:

	General Employee Scheme	General Employee Scheme	General Employee Scheme	General Employee Scheme	General Employee Scheme
Grant date	01-Jul-18	01-Aug-18	17-Oct-18	24-Oct-18	20-Feb-19
Vesting period ends	01-Jul-18	01-Aug-18	17-Oct-18	24-Oct-18	20-Feb-19
Share price at date of grant	320.0p	268.50p	261.0p	220.0p	292.50p
Volatility	33.02%	33.02%	33.02%	33.02%	33.02%
Option life	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	1.48%	1.48%	1.48%	1.48%	1.48%
Risk free investment rate	0.75%	0.75%	0.75%	0.75%	0.75%
Fair value at grant date	0.663p	0.557p	0.541p	0.456p	0.606p
Exercise price at date of grant	320.00p	268.50p	261.0p	220.0p	292.50p

The Senior Management Scheme is part of the remuneration package of the Executive Directors of the Company's parent Tristel Plc. Options under this scheme will vest if certain conditions defined in the programme are met. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

Senior Management Scheme (1) is part of the remuneration package of the Executive Directors, Non-Executive Directors and Senior Management of the Company's parent Tristel Plc. 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.

Senior Management Scheme (2) is part of the remuneration package of the Executive Directors and Non-Executive Directors of the Company's parent Tristel Plc. 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 General Employee Scheme is part of the remuneration package of certain employees of the Company. 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 Company the option is forfeited.

The expected volatility is based on historical volatility over the past year. 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.

24. Share-based payments *continued*

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

Fair values for the share option schemes have been determined using the Black-Scholes model, except for the Senior Management Schemes (1) & (2), where fair values have been calculated via the Monte Carlo method.

A reconciliation of option movements over the year to 30 June 2019 is shown below:

	Senior Management Scheme	Weighted average exercise price	Senior Management Scheme (1)	Weighted average exercise price	Senior Management Scheme (2)	Weighted average exercise price	General Employee Scheme	Weighted average exercise price
Outstanding at 30 June 2017	1,057,500	54.41p	1,015,851	0.01p	–	–	702,450	101.71p
Granted	–	–	990,000	0.01p	–	–	460,000	280.98p
Exercised	(140,000)	55.56p	(39,216)	–	–	–	(263,500)	39.29p
Transferred	–	–	(990,000)	0.01p	990,000	0.01p	–	–
Outstanding at 30 June 2018	917,500	53.75p	976,635	0.01p	990,000	0.01p	898,950	194.75p
Granted	–	–	–	–	–	–	370,000	254.00p
Exercised	(242,500)	53.75p	(260,415)	0.01p	–	–	(152,000)	69.95p
Outstanding at 30 June 2019	675,000	65.00p	716,220	0.01p	990,000	0.01p	1,116,950	219.63p
Exercisable at 30 June 2018	242,500	53.75p	975,635	0.01p	–	–	898,950	194.75p
Exercisable at 30 June 2019	–	–	716,220	0.01p	–	–	1,116,950	219.63p

The total charge at 30 June 2019 relating to employee share-based payment plans, in accordance with IFRS 2, was £852,000 (2018: £665,000) 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 320p. The weighted average of the remaining contractual life of options at the end of the period is seven years.

25. Related party transactions

All amounts quoted are gross.

Transactions between the Group and David Orr
Under the terms of supply agreements between the Company and Manor Packaging Limited, 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 £495,000 were payable (2018: £386,000). At 30 June 2019, the Group owed Manor Packaging Limited £48,000 (2018: £66,000).

Transactions between the Group and associate companies
During the year the Group charged its associate company Tristel Italia srl £99,000 (2018: £75,000) in respect of finished goods and was owed £13,000 (2018 £39,000).

Transactions with Directors
Dividends were paid to Directors as follows:

	30 June 2019 £	30 June 2018 £
Paul Swinney	23,917	20,987
Elizabeth Dixon	2,259	1,936
Paul Barnes	18,378	25,397
David Orr	1,404	537
Bart Leemans	35,704	–

Key management personnel
Key management compensation:

	30 June 2019 £ 000	30 June 2018 £ 000
Salaries and other short term employee benefits	1,549	1,103
Post-employment benefits	82	74
Share-based payments	615	317
	2,246	1,494

The key management figures given above includes Directors.

26. Post balance sheet event

The Company acquired 80% of the share capital of Tristel Italia srl (TI) from Michael Donaldson for £595,000 in July 2019. Tristel previously owned 20% of TI since 2007 when it supported Donaldson to introduce Tristel's medical device disinfectants into Italy.

As of the date of signing, a valuation of the acquired intangibles and assets has not been completed.

TRISTEL PLC

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