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TRISTEL PLC ANNUAL REPORT & ACCOUNTS
YEAR ENDED 30 JUNE 2021

Tristel

Contents

During the year:

TRISTEL PRODUCTS ACCOUNTED FOR 77% AND CACHE RODUCTS 13% OF GLOBAL SALES.

WE HAVE CONTINUED TO INVEST FOR FUTURE GROWTH, SPENDING £0.4M ON PRODUCT DEVELOPMENT AND TESTING AND £0.1M ON INTELLECTUAL PROPERTY PROTECTION.

WE INVESTED £0.7M IN REGULATORY AND PRODUCT ENHANCEMENT PROGRAMMES.

WE RECEIVED AN ENHANCED APPROVAL FROM THE UNITED STATES EPA FOR JET FOR SURFACE DISINFECTION.

WE SOLD PRODUCTS IN 19 COUNTRIES THROUGH NATIONAL DISTRIBUTORS.

TRISTEL DUO OPH WAS APPROVED BY HEALTH CANADA AS A CLASS 2 MEDICAL DEVICE AND INCLUDED IN HEALTH CANADA'S MEDICAL DEVICE LISTING.

Tristel

Medical device decontamination in hospitals

cache

Environmental surface disinfection in hospitals

Chairman's Statement

THE GROUP

Tristel plc is a manufacturer of infection prevention products. Its lead technology is a proprietary chlorine dioxide formulation used by hospitals for the high-level disinfection of medical devices and the sporicidal disinfection of environmental surfaces. The Company's medical device disinfectants are branded **Tristel** and its surface disinfectants are branded **Cache**.

STRATEGY AND GROWTH

After seven years of continuous revenue growth, our progress stalled in the year because of COVID-19. Worldwide sales of all products fell by 2% from £31.7m to £31.0m. Tristel products accounted for 77% and Cache products 13% of global sales in the year. The remainder of our revenues derived from other chemistries and sectors outside of the hospital which we consider to be non-core, and it is our intention to discontinue many of these products in the current financial year because they are lower margin than our chlorine dioxide products and draw upon our resources disproportionately to the contribution they make to our financial and strategic objectives.

The pandemic caused hospitals worldwide to curtail the number of patient examinations that use the medical devices that our products disinfect. Globally, Tristel medical device decontamination products sales grew by only 2% in the year to £24m, in contrast to the double-digit growth rates experienced in each of the past seven years.

In the final quarter of the year ended 30 June 2020, the pandemic caused a surge in demand for our Cache surface disinfectant product sales and, as a result, sales increased by 88% to £4.9m. As the understanding of coronavirus developed during the latter half of 2020 and into 2021, and hospitals adjusted the delivery of their services to COVID-19, demand conditions stabilised. Global sales of our Cache products declined to £4m during the year but were significantly higher than before the pandemic.

Sales of non-core products fell by 9% to £3m from £3.3m in the prior year.

GLOBAL REVENUE BREAKDOWN

	2019-20 £m	2020-21 £m	Percentage change
Tristel			
UK	8.0	6.9	-14%
Overseas	15.5	17.1	10%
	23.5	**24.0**	**2%**
Cache			
UK	2.8	2.8	–
Overseas	2.1	1.2	-43%
	4.9	**4.0**	**-18%**
Non-core			
UK	1.8	1.7	-6%
Overseas	1.5	1.3	-13%
	3.3	**3.0**	**-9%**
Group			
UK	12.6	11.4	-10%
Overseas	19.1	19.6	3%
	31.7	**31.0**	**-2%**

During the last quarter of the year ended 30 June 2021, we observed that hospital out-patient departments were gradually returning to pre-pandemic levels of activity in all our markets, and this trend has continued into the current financial year.

REGULATORY, PEOPLE AND SYSTEMS

The regulatory environment in which we operate is changing rapidly and becoming more demanding. Over three-quarters of our revenue derives from disinfectant products that are classified by regulators as medical devices, and the standards that we must apply to the manufacture of what appears a simple disinfectant product must follow the same principles as those applied to a surgical implant. Our challenge during the early days of COVID-19 was to expand our manufacturing output significantly to meet demand. Whilst we succeeded in this, in the aftermath of that exceptional period we identified that substantial investment must be made in our people and systems if we are to be capable of achieving our strategic objectives and be ready for our entry into the USA market. The necessity for this investment was confirmed in an audit by our Notified Body of our quality management system in March 2021 which revealed certain weaknesses. Our response has been to bolster our quality assurance and regulatory functions with new recruits, to bring in specialist consultants, and to direct all the resources of the Company to redress the weaknesses identified. We will ensure we have the organisational capabilities that will return us to the top-line and profit growth trajectory we were on before the pandemic.

RESULTS

Our gross profit margin remained steady at 80%. Overheads (excluding share-based payments) rose by 6% from £15.4m to £16.4m, principally due to the increase in headcount from 164 to 189. The associated increase in payroll cost of £1m (excluding share-based payments) was partially offset by a reduction in travel and the number of medical conferences at which we exhibited.

Towards the end of the year, we decided to impair in full the value of the equity investment that we had made in Mobile ODT, a medical device company focussed on women's health. This outcome is based upon an unsuccessful bid to sell the business, a lack of investors willing to fundraise further and limited cash resource in the business. The investment led to a close collaboration between our two companies which has been a key influence in the development of Tristel's 3T App and product development initiatives that are underway involving AI, and for which several patent applications have been made. The impairment charge is £0.8m.

Adjusted pre-tax profit (before share-based payments of £0.8m and the impairment charge of £0.8m) fell 24% from £7.1m to £5.4m. Unadjusted pre-tax profit (after share-based payment and the impairment charge) fell 43% from £6.6m to £3.76m. The adjusted pre-tax profit margin was 17% (2020: 22%) and the unadjusted margin was 12% (2020:21%).

Earnings per share (EPS) (adjusted for the add-back of the share-based payment charge) was 8.16 pence. (2020: 12.35 pence). Basic EPS was 6.39 pence (2020: 11.38 pence).

BALANCE SHEET, CASH, AND DIVIDEND

The Group has continued to be highly cash generative during the year and the balance sheet is debt-free (with the exception of lease liabilities). The cash balance on 30 June 2021 was £8.1m (2020: £6.2m).

The Company's policy has been to pay out half of adjusted EPS in the form of an ordinary dividend each year. Given the extraordinary circumstances of 2021, we have decided to deviate from this policy and pay a dividend linked to the market's expectation for the year's dividend. The Board is recommending that the final dividend is 3.93 pence (2020: 3.84 pence), an increase of 2%, reducing the dividend cover to 1.25 times from the standard 2 times. This final dividend will be paid to shareholders on the register on 19 November and the associated ex-dividend date is 18 November 2021.

INVESTING IN GROWTH

We have continued to invest for future growth. During the year we spent £0.4m on product development and testing (2020: £0.4m) and £0.1m on intellectual property protection (2020: £0.1m). Both these expenditures are held in intangible assets. We also invested £0.7m (2020: £0.5m) in regulatory and product enhancement programmes where we have recognised this cost as an expense. Included in this cost is an amount of £0.4m (2020: £0.08m) 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 £2.2m.

OVERSEAS EXPANSION

During the year we received important new regulatory approvals: for Duo as a medical device disinfectant in India, South Korea and Canada and an enhanced approval from the United States EPA for Jet for surface disinfection. In India we appointed a very capable distributor, Genworks, which is a GE Health investee company; in South Korea we have an existing distributor, and in Canada and the United States we are developing a commercial plan for the products. The pandemic is making for slow progress in each country, but we anticipate that conditions will be more favourable this year.

Our programme to gain approval from the United States FDA for Duo's use in ultrasound has made good progress. We anticipate that, subject to being able to recruit two to three clinics to undertake short in-use studies, we will be able to make the FDA Do Novo submission by 30 June 2022. If this is achieved, a decision from the FDA could be expected in the year ending 30 June 2023.

OUR PEOPLE

I would like to thank our employees for their commitment and resilience throughout the year. We all know how difficult the past 18 months have been and we have been under pressure from circumstances both within our organisation and without; but I am certain our team is now match fit for the better times ahead.

OUTLOOK

We are pleased to report that during the first quarter patient examinations in most of our markets have increased from earlier in the year. Furthermore, the UK NHS has been using up the stock of Tristel products that it purchased in late 2020 to safeguard against a disorderly Brexit, and this supply overhang has nearly disappeared. For the first time in 18 months, we look forward confidently to a resumption of our normal predictable pattern of business and a return to our growth trajectory.

Dr Bruno Holthof Chairman
10 November 2021

Chief Executive's Report

Overview

The year ended 30 June 2021 was a disappointing one for the Group. The top-line and profits growth trajectory we have been on since 2013 went sideways because of COVID-19. We are determined to re-boot our progress this year.

In October 2019, we set a new financial plan for the three years to 30 June 2022. The three key financial targets of the plan are: i) sales growth in the range of 10% to 15% per annum as an annual average over the three years; ii) the achievement in each year of an EBITDA margin (excluding share-based payment charge) of at least 25%, and iii) to increase profit before tax (excluding share-based payments) year-on-year, independently of the other two targets.

Financial year	Revenue £m	Annual revenue growth	Annual revenue growth	Adjusted EBITDA margin %	Increase in profit before tax
Ended 30.06.19 (base year)	26.2	–	–	–	–
Ended 30.6.20	31.7	21.1%	21.0%	30.9%	Yes
Ended 30.6.21	31.0	-2.1%	9.5%	24.5%	No

COVID-19 has impacted sales growth and, as a consequence, we have fallen short of our average revenue growth and EBITDA targets. We have also failed to increase pre-tax profit.

Our technology and marketplace

Our entire business is focussed on preventing the transmission of microbes from one object or person to another. We pursue this purpose because microbes are the cause of infection in humans. They can cause illness or death and place a heavy cost on individuals and society. We achieve our purpose by developing products based upon a very powerful disinfectant: chlorine dioxide.

Our mission is most relevant to hospitals where the risks of infection to individuals are highest. Infection prevention is a basic requirement for the safe and effective provision of healthcare, true for all hospitals in all countries. Over 98% of our revenues are of consumable products performing a vital function that is non-discretionary.

We segment our business to reflect our corporate strategy. The strategy focusses upon our proprietary chlorine dioxide chemistry and two principal applications for it: first, the high-level disinfection of medical devices (Tristel: accounting for 77% of global sales in the year), and second, the disinfection of surfaces in hospitals (Cache: accounting for 13% of sales). Within this second activity, we make a distinction between sporicidal efficacy that is achieved with the use of our chlorine dioxide chemistry, and the low-level performance claims that are made by most other disinfectant chemistries. Our objective is to create a clearly identifiable segment within surface disinfection for sporicidal products and to be the global market leader in this segment.

The other segment, which we regard as non-core, represents the remainder of our revenues which derive from other chemistries and sectors outside of the hospital. It is our intention to discontinue many of these non-core activities in the 2022 financial year.

With respect to Tristel, our proposition is unique in two respects: first, we are the only provider of chlorine dioxide-based high-level disinfectants validated and regulated for use with semi-critical medical devices; and second, we are unique in applying the active ingredient in a manual process. Other high-level disinfection processes using the active ingredients peracetic acid and hydrogen peroxide – alternatives to chlorine dioxide – require automated equipment to contain and control the chemistry.

Manual application means Tristel products are ideally suited for hospital 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; cardio echo probes used in the diagnosis of heart disease; tonometers used in ophthalmology, and ultrasound probes used in both women and men's health. In these areas of the hospital, we are the simplest, quickest, and most 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.

The cleaning and disinfection of environmental surfaces in hospitals is ubiquitous and the global expenditure by hospitals on surface disinfection is far greater than the expenditure on decontaminating medical devices. The capability of a disinfectant to kill bacterial spores is the defining hallmark of the best-performing biocides, and chlorine dioxide is one of the elite chemistries that can kill spores.

We expect the legacy of COVID-19 to be that hospitals will be more rigorous in their selection of the best performing and most scientifically validated disinfectant products, which will benefit Cache.

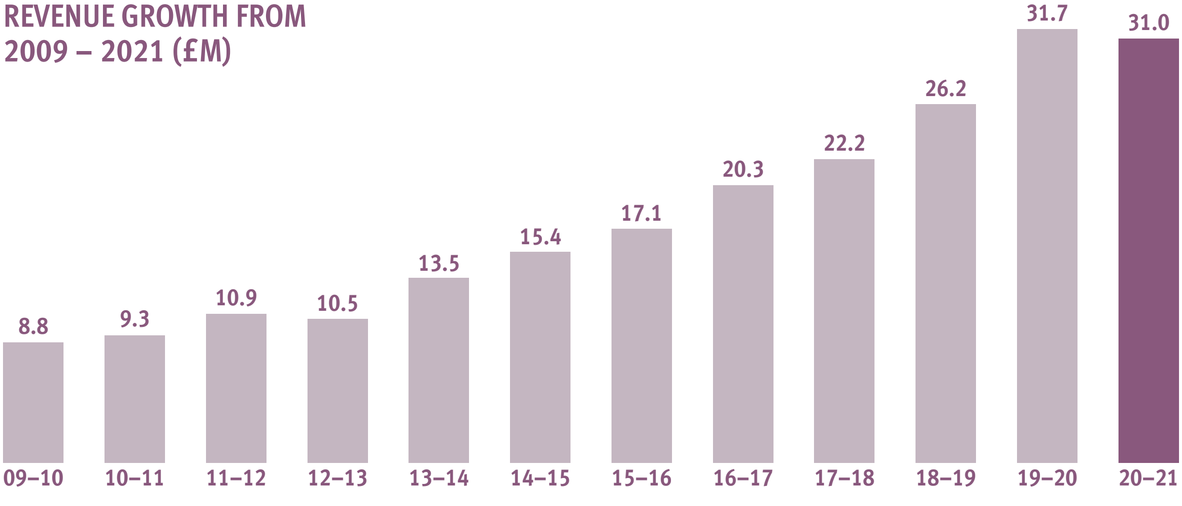
REVENUE BY SEGMENT

We have developed distinctly different brands for the two segments: Tristel for medical device disinfection and Cache for sporicidal surface disinfection. Our strategic intention is to develop the Tristel and Cache brands and product portfolios with a significant degree of independence from each other, but both anchored upon our chlorine dioxide technology platform and using the same sales teams in all countries.

During the year, the revenue split across the three segments was:

	Brands	2019-20 Revenue £m	Percentage of total	2020-21 Revenue £m	Percentage of total
Medical device decontamination in hospitals	Tristel	23.5	74%	24.0	77%
Environmental surface disinfection in hospitals	Cache	4.9	16%	4.0	13%
Other – non-core	Various	3.3	10%	3.0	10%
Group		**31.7**	**100%**	**31.0**	**100%**

REVENUE GROWTH FROM 2009 – 2021 (£M)



We sell our products directly to end-users in those markets in which we have established a subsidiary, and through distributors in markets where we have no corporate presence. During the year, the revenue split by sales channel was:

OUR REVENUES – BY SALES CHANNEL

	2019-20 Revenue £m	2020-21 Revenue £m	Year-on-year change	Percentage change
Hospital medical device decontamination				
UK and Europe direct	16.8	16.9	0.1	1%
APAC region direct	4.6	5.0	0.4	9%
Worldwide distributors	2.1	2.1	–	–
	23.5	**24.0**	**0.5**	**–**
Hospital environmental surface disinfection				
UK and Europe direct	3.9	3.2	(0.7)	(18)%
APAC region direct	0.2	0.7	0.5	250%
Worldwide distributors	0.8	0.1	(0.7)	(88)%
	4.9	**4.0**	**(0.9)**	**–**
Other revenues – direct and worldwide distributors	3.3	3.0	(0.3)	(9)%
Group	**31.7**	**31.0**	**(0.7)**	**(2)%**

OUR REVENUES – BY GEOGRAPHY

The proportion of our revenue generated in overseas markets continued to increase and reached 63% in the year (2020: 60%). The history over the past five years is shown in the table below.

	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue split %					
UK	53%	49%	45%	40%	37%
Overseas	47%	51%	55%	60%	63%
Annual revenue growth %					
UK	3%	2%	9%	7%	(10)%
Overseas	43%	19%	26%	32%	3%

We have 14 subsidiaries selling directly into the hospital marketplace in the United Kingdom, Belgium, the Netherlands, France, Italy, Germany, Switzerland, Poland, Russia, Hong Kong, China, Malaysia, Australia, and New Zealand. We have subsidiaries in the United States, Japan, India, and Ireland which are not yet active in terms of selling.

During the year, we sold products in 19 countries through national distributors.

Our strategic assets

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

OUR CHLORINE DIOXIDE CHEMISTRY

There are three critically important elements that account for the unique positioning of our chlorine dioxide chemistry:

1. The proprietary formulation.

2. Our focus over two decades on exploring the potential for chlorine dioxide in the decontamination of medical instruments. There is another application for chlorine dioxide chemistry which all other businesses have concentrated upon which is water treatment. From the inception of our business in the 1990s we looked in a different direction – towards medical device disinfection – a direction which others have not followed, and this has given us the pioneer's advantage.

3. The length of time that we have enjoyed this pioneer 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 new entrant significant time and cost to match.

Our regulatory programme succeeded in attaining 37 approvals for 20 products in 10 countries during the year.

INTELLECTUAL PROPERTY PROTECTION

On 30 June 2021, we held 246 patents granted in 38 countries providing legal protection for our products.

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 recognisable as one of our products.

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 our people possess an unrivalled body of knowledge relating both to infection prevention and to chlorine dioxide, and they are a key asset for the future of our business. Their domain knowledge relates to the manufacture of chlorine dioxide-based products and their development. The Company's R&D investment focusses exclusively on our proprietary technology, searching for improvements in microbial efficacy, reductions in hazards, and greater efficiency in manufacture. In parallel, we invest in the creation of packaging and delivery forms that enhance and simplify the delivery of the chemistry and the user experience.

Progress in North America/Expansion into new markets

HEALTH CANADA

During the year, Tristel Duo OPH was approved by Health Canada as a class 2 medical device and included in Health Canada's Medical Device Listing. Duo OPH is a high-level disinfectant intended for use on ophthalmic instruments including ultrasound devices and re-usable tonometers and lenses that contact the cornea. Parker Laboratories in the United States will manufacture the product on our behalf, and we are in discussions with potential distribution partners.

SOUTH KOREA MINISTRY OF FOOD AND DRUG SAFETY

We obtained approval from the Ministry for Tristel Duo ULT as high-level disinfectant for ultrasound devices. The product will be imported into the country and be sold by HP&C Limited, Tristel's distributor since 2013.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA)

We received our first approval from the EPA for our foam-based disinfectant for surfaces in April 2018. We successfully enhanced the performance claims of the product with a second approval in January 2019 and then registered the product in three States before curtailing the nationwide registration programme until a third submission could be made to bolster further the competitive positioning of the product. This submission was made in October 2020, and we have now received the third approval for Jet. This expands the product's efficacy claims to include mycobacteria, and all efficacy claims are within a contact time of two minutes. We expect to complete State-by-State registration by the end of June 2022, including California where our existing registration will require amendment, which can be a lengthy process.

We have appointed Parker Laboratories as our manufacturing partner and will sell Jet through Parker's nationwide network of distributors on a non-exclusive basis, commencing in FY23. Other distribution channels will be put in place.

UNITED STATES FOOD AND DRUG ADMINISTRATION (FDA)

After more than five years of data generation, we believe that we are approaching the final straight for the submission of a De Novo application for Duo ULT. Barring any unforeseen obstacles, and subject to the successful recruitment of a small number of clinics that will cooperate with us to undertake short in-clinic evaluations of Duo in real-time conditions, we anticipate that a submission can be made by 30 June 2022. Our best intelligence is that De Novo submissions are typically decided upon by the Agency within 12 months.

The Directors consider that they have appropriately discharged their responsibilities in promoting the success of the Company for the benefit of its shareholders. In addition, and as stipulated under section 172 of the Companies Act 2006, the Board has applied meaningful consideration to the Company's other stakeholders' requirements in its decision making.

Details of stakeholders, primary methods of engagement and the reasons why the Board considers engagement to be important are detailed below.

Employees

The company's primary asset is its workforce and so the safety, motivation, reward, retention, and happiness of staff is of the utmost concern to the Board in its decision making. The Board receives regular feedback from Management on employee matters, collated via one-to-one meetings and discussions, by operating an 'open door' policy between management and staff, and through feedback and engagement activities. Employee matters are considered a high priority discussion point at Board meetings.

Suppliers

The need to foster and maintain positive relationships with external suppliers is vital, to ensure the quality of the Company's product and the smooth operation of the business. Regular contact with all suppliers takes place at all levels of the business, and the Board receives frequent feedback from Management, where any supplier concerns or issues are shared and discussed. By maintaining close, collaborative relationships with suppliers, their requirements can be shared with the Board and given due consideration in its decision making.

Customers

Customer satisfaction is essential to the success of the business. Working with transparency and openness means that long-term customer relationships can be fostered, and customer wants, and needs can be understood. This feedback informs all business decisions and priorities. Trust with customers is built by acting with integrity, honesty and promoting effective communication. The Company's sustainability strategy is important for those customers who seek to identify and minimise the environmental impact of their supply chain. The Company's product development strategy seeks to find solutions to its customers' needs. Regular meetings are held between all customers and the Company's sales teams to ensure that the Company's products are being used appropriately and to allow a feedback loop, from which improvements to products and services is established.

The Board understands the need to act responsibly, to ensure compliance with Government regulations and to apply equal consideration to both shareholders and stakeholders. Furthermore, it understands that good governance includes maintaining a clear, effective, meaningful relationship with all relevant stakeholders, including its customers and colleagues, it's suppliers and the communities and environments in which it operates. In considering its stakeholders the Board takes both a current and long-term view, to ensure that the Company's strategic goals continue to be achievable without disregarding the needs and wants of any of its stakeholders.

Paul Swinney Chief Executive Officer
10 November 2021

Financial Review

Fair review of the business

REVENUE

Sales for the year to 30 June 2021 declined by 2% compared to the prior year. Sales in the United Kingdom fell by 10% and overseas grew by 3%.

The impact of COVID-19 upon the year was estimated to have been approximately £2m of medical device disinfectant sales that failed to materialise due to the closure or scaling back of activity within outpatient hospital departments around the world.

Brexit also impacted the year. The United Kingdom NHS stockpiled approximately £0.9m of our products in September 2020, largely of Tristel products, and these started to be released into the hospital system during the second half of the year ended 30 June 2021.

Share-based payments

The non-cash IFRS2 charge (share-based payment charge) for the year was £0.8m (2020: £0.4m). The 2021 charge is in part related to the share option scheme approved at the Company's 2020 AGM. Details of the scheme can be found in note 23.

Administrative expenses

Administrative expenses increased by 5.6% during the year.

The principal driver for the increase was a rise in the Group's headcount from 164 to 189 which increased the associated payroll costs from £10.9m to £12m, an increase of £1.1m, or 10% (excluding the share-based payment charge).

Our employees are distributed around the globe as follows: 117 in the United Kingdom (2020: 106); 36 in Europe (2020: 33); and 36 in the Asia and Pacific region (2020: 25). All manufacturing takes place in the United Kingdom together with central corporate functions such as Quality Assurance, Regulatory, Product Development and Research.

The pandemic curtailed travel between our overseas offices and our manufacturing facility in the United Kingdom, and we cancelled international conferences. The impact was a decrease in travel costs to £0.2m from £0.7m in the prior year.

Presenting our products at national and international medical conferences is our principal marketing activity and COVID-19 resulted in the cancellation of most conferences during the year. Whilst we shifted our marketing activities to other promotional and communication channels as quickly as possible, marketing expenditure decreased during the year by £0.1m.

Fair value of the equity investment in Mobile ODT

The balance sheet value of the investment, being £0.8m on 30 June 2021, has been reduced to nil.

Earnings before interest, tax, depreciation, and amortization (EBITDA) (adjusted and unadjusted)

Adjusted EBITDA (before share-based payment charge and fair value movement) decreased by 14% in the year to £8.4m (2020: £9.8m). Unadjusted EBITDA: EBITDA decreased by 28% in the year to £6.8m (2020: £9.4m). The calculation of EBITDA is detailed in note 4.

Profit before tax (adjusted and unadjusted)

The combination of a fall in sales and an increase in costs has resulted in a decrease in profit. Profit before tax and share-based payments was £4.6m (2020: £7.1m) down by 35%. Unadjusted profit before tax decreased by 43% to £3.76m from £6.6m. Adjusted pre-tax profit margin was 17% (2020: 22%). Unadjusted pre-tax profit margin was 12% (2020: 21%). See note 4 for details.

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) has increased at an average growth rate of 11%. Adjusted EPS has decreased at an average rate of 26%.

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
2021	**8.16**	**2.62**	**3.93**	**None**	**6.55**	**x1.25**
2020	12.35	2.34	3.84	None	6.18	x2
2019	11.08	2.04	3.50	None	5.54	x2

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, and this policy has been applied this year.

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 decreased to £6.676m. The components of the movement are:

£000's	Year ended 30 June 2021	Year ended 30 June 2020	Movement
Profit before share-based payments and tax	4,585	7,074	(2,489)
Depreciation and amortisation	2,746	2,491	255
Impairment charges and loss on disposal of intangible assets	67	67	–
Loss on movement in fair value asset	807	–	807
Loss on disposal of plant, property and equipment	73	54	19
Gain on fair value of investment	–	(111)	111
Finance costs	192	(1)	193
Working capital movements	131	(1,453)	1,584
Taxation	(1,925)	(1,140)	(785)
Net cash flow from operating activities	**6,676**	**6,981**	**(305)**

The key contributors to the year-on-year cash-flow movement were the decrease in operating profit before share-based payments of £2.5m and associated working capital movements predominantly due to reductions in trade and other payables of £1.2m and decrease in trade and other receivables of £1.2m.

Financial key performance indicators

The Board considers the primary financial key performance indicators to be:

	Measurement	Why this is important	Financial key performance indicator for 2020-21
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.	**(2)%** (2019-20: 21%)
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.	**63%** (2019-20: 60%)
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.	**80%** (2019-20: 80%)
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.	**(35)%/(24)%*** (2019-20: 27%)
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.	**15%/17%*** (2019-20: 22%)
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.	**8.16 PENCE** (2019-20: 12.35 pence)
RETURN ON CAPITAL EMPLOYED	The ratio of EBIT to the sum of total assets less current liabilities.	Return on capital employed (ROCE) is a good baseline measure of a company's performance. It is especially useful when comparing similar types of businesses.	**11%/16%*** (2019-20: 19%)

*KPI calculation if loss on movement on fair value asset added back.

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, during which five major non-conformances were reported, indicating that improvement was required to the control of systems, processes and documentation. A full review of the Quality Management System has since been carried out and all non-conformances have now been re-classified as minor. The company is compliant to the new versions of the following standards, ISO13485:2016, ISO9001:2015 and MDSAP. Health and safety KPIs are measurable values used by the Board to determine and track any accidents, incidents and near misses occurring within the Group's activities. These KPIs help to determine how well the Health and Safety team is performing and how compliant the workforce is to the safety operating procedures in place. Further KPIs relating to personnel and customer satisfaction are also measured.

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 via the 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.

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 RISK

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 RISK

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 RISK

The Group sells into the European Union (EU) and given the United Kingdom's departure from the EU it has closely considered the potential outcomes, at the time of and after exit. 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.

COVID-19 RISK

The emergence of COVID-19 represents both an opportunity and a risk to the Group. Hospital infection prevention products, such as the Group's surface disinfectants, naturally occupy a central position in the healthcare sector's armoury against the virus. This is demonstrated by the increased demand for surface disinfection products during the year, whereby sales in the year ended 30 June 2020 increased from £2.6m to £4.9m. Increased hospital cleaning and disinfection routines are considered by the Board to be a likely legacy of the pandemic.

In contrast, hospital diagnostic medical procedures which create the demand for the Group's medical device disinfectants fell during the pandemic as hospital out-patient departments closed. The Board expects the medical device disinfectant custom base to remain intact and sales to recover, however, the timing of this bounce-back is dependent upon hospital medical procedures returning to pre-COVID-19 numbers.

The key risk to the business is that medical device sales do not return at a pace which allows the Group's sales to resume their pre-pandemic growth trajectory.

Other risks associated with COVID-19, not associated with a variation to normal sales activity, include:

- **Supply chain:** National lockdowns and industry closures could slow the inward supply of product components and raw materials to the Group's manufacturing facility. This risk has been mitigated as far as feasible by holding adequate inventories of both components and finished goods. The Group is collaborating very closely with its top-tier suppliers to ensure that variations in component and product demand can be reacted to at short notice. To date there have been minimal issues with supply.

- **Health and safety:** If a virus outbreak were to occur amongst the Group's personnel, the business could be negatively impacted through the absence of key staff. The Group operates a strict physical distancing and hygiene protocol, including: handwashing, workstation and high touch area clean-downs, one-way people flow, homeworking rotas, provision of personal protective equipment and people / workstation distancing. All overseas business travel has been curtailed and private overseas travel is monitored. Only staff presenting a negative COVID-19 test may re-attend work after returning from overseas travel.

  A backfill plan has been documented in case key personnel are absent for an extended period of time – stipulating how all essential functions can continue.

- **Financial:** A portion of the Group's customer base includes smaller or private businesses which may be negatively impacted by the economic downturn and increase the Group's customer receivables risk. To help mitigate the risk the Group has increased its credit screening.

  All discretionary expenditures and significant cash outflows are subject to an additional review to ensure that the cash out-flow planning can be varied if necessary.

- **IT:** The increased level of communication through mobile applications increases the risk of data loss or business interruption due to possible insecure network connections. To mitigate this risk communications and information technology infrastructures have been upgraded to ensure they are able to support remote working, user awareness of cyber-attacks has been increased, and device management including anti-virus and firewall protection has been enhanced. In addition, the frequency and adequacy of data backup practices has been increased and cloud-based technology implemented to facilitate seamless remote working.

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. The Group has significant cash reserves at the date of signing, no external debt and no covenants.

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 United Kingdom.

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:

Elizabeth Dixon Chief Financial Officer
10 November 2021

Company Information

Directors	BLM Holthof PC Swinney EA Dixon BVM Leemans DWE Orr TAJ Jenkins IJS Napper CJ Stephens
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 100 Hills Road Cambridge Cambridgeshire CB2 1AR
Solicitors	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London EC4R 3TT
Patent Attorney	Dummett Copp LLP 25 The Square Martlesham Heath Ipswich Suffolk IP5 3SL

Directors' Biographies at 30 June 2021

Bruno Holthof
Independent Non-Executive Chairman

Appointed 2019
Member of Remuneration and Nomination Committees

Bruno Holthof is the Chief Executive Officer of Oxford University Hospitals (OUH). Before OUH, he was CEO of the Antwerp Hospital Network from January 2004 until September 2015. Bruno Holthof is also a member of the Board of Financière de Tubize, and a reference shareholder of UCB, a global biopharma company.

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
- Expertise in strategic, organisational and operational change in large organisations
- More than 10 years of Board experience in publicly listed companies

Paul Swinney
Chief Executive

Appointed 1993
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
Chief Financial Officer

Appointed 2010

Liz Dixon joined Tristel in 2007, was appointed to the Board of Tristel Solutions Ltd in 2009 and has been Tristel plc's CFO since June 2010; she also holds the position of UK Managing Director. Liz trained with BDO and moved to the Holiday Property Bond group as UK Finance Manager in 1993. 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

Appointed 2018

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.

Bart holds a Master of Engineering Science degree at KU Leuven, and is a Vlerick Business School Alumnus. He commenced his career in the IT industry where he worked both within start-up companies and established players, including IBM Global Services. Bart brings the following skills to Tristel's Board:

- Leading and building successful and results-focused teams and organisations
- A grounding in innovative technology businesses
- Entrepreneurial spirit and drive
- An ability to inspire and to deliver profitable growth

David Orr
Non-Executive Director

Appointed 2015
Member of Audit and Nomination Committees

David Orr joined Tristel's Board in October 2015 and was Chairman of the Remuneration Committee until 2020.

David has extensive experience of operational management at Board level in a manufacturing environment. He has been the Group Managing Director and majority shareholder of Fencor Packaging Group, a privately-owned manufacturer of corrugated packaging, since 1999, and previously held Non-Executive Board roles at Pendragon Presentation Packaging and CorrBoard UK. 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. He also holds a MBA from INSEAD. David brings the following skills to Tristel's Board:

- An in-depth understanding of leading and inspiring a team, particularly when acquiring and integrating businesses
- Knowledge of operational issues and constraints
- A practical and highly experienced approach to risk management
- A focus on integrity and fairness

Tom Jenkins
Senior Independent Non-Executive Director

Appointed 2017
Chairman of Audit Committee and Member of Remuneration and Nomination Committees

Tom qualified as a chartered accountant with Arthur Anderson in 1998 and has 16 years' experience supporting ambitious growing businesses. He worked in corporate finance at Dresdner Kleinwort Benson and Bear Stearns before moving into broking, where for six years he was a Board member and head of equity capital markets at finnCap. In 2015, he joined BGF to set up their quoted investment team. Tom brings the following skills to the Tristel Board:

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

Isabel Napper
Independent Non-Executive Director

Appointed 2020
Chairman of Remuneration Committee and Member of Audit and Nomination Committees

Isabel Napper qualified as a lawyer in 1984 and was a partner at major law firm, Mills & Reeve Plc, specialising in intellectual property law. She has advised a variety of global businesses on their IP related commercial issues particularly in the healthcare and technology sectors. Isabel's first non-executive role was in 2015 and since then she has continued to work with high growth businesses both private and public. Isabel brings the following skills to Tristel's Board:

- In-depth experience of AIM remuneration committees and issues relating to executive incentives
- Understanding and knowledge of the legal concerns surrounding innovative high growth tech businesses
- Ability to assimilate commercial issues and distil down to what matters
- A people person keen to encourage diversity of opportunity for all employees

Caroline Stephens
Independent Non-Executive Director

Appointed 2021
Member of Remuneration, Audit and Nomination Committees

Caroline Stephens served as a senior executive at Johnson & Johnson, the world's largest healthcare company, for over 25 years. With global, regional and local UK responsibilities, her key assignments over the years included Marketing Director on the UK Board, leading the digital transformation of the EMEA consumer sector, and representing J&J on the Executive Committees of top advertiser associations. Since leaving J&J, Caroline has been consultant and advisor to a mix of health, digital and tech start-ups and scale-ups, including joining the EMEA Board for CI&T, global digital solutions specialists. Caroline brings the following skills to Tristel's Board:

- Extensive blue-chip marketing, strategy and commercial expertise
- Deep understanding and in-depth experience of an end-to-end digital agenda
- A pedigree of growing healthcare businesses and brands internationally
- High energy and passion for collaborative people partnering

Directors’ Remuneration Report at 30 June 2021

Introduction

Committee members

Isabel Napper, Chair
Bruno Holthof
Tom Jenkins
Caroline Stephens

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; and
- Determining the basis of Executive Director service agreements, having due regard to the interests of the shareholders.

The terms of reference of the Committee are available on the Company’s website at www.tristelgroup.com/invest/tristel-group-corporate-governance/

Remuneration policy

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 2021.

Remuneration of Executive Directors

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

The Group’s remuneration policy for Executive Directors seeks to:

- Consider an individual’s experience and the nature and complexity of their work to set a competitive base salary that attracts and retains individuals of the highest quality, whilst avoiding remunerating more than is necessary.
- Align base salary to the median level for comparable AIM companies, with an upper limit for the Executive Directors of 3% of the prevailing year’s Group gross profit.
- Link remuneration packages to the Group’s long-term performance through bonus schemes and share plans.
- Set performance measures which are easy to measure and clear.
- Set an appropriate balance between fixed and variable pay.
- Provide post-retirement benefits through payment into private pension arrangements and/or salary supplements.
- Award share options linked to Group performance.

Executive Directors’ remuneration packages are considered annually by the Remuneration Committee in accordance with the remuneration policy and include several elements:

Base salary

The base salary is reviewed by the Remuneration Committee each June. In that process, the Committee takes account of the profitability and strategy of the Group and the individual’s contribution. Consideration is also given to the need to retain and motivate individuals. To assist in this the Remuneration Committee looks at external salary surveys and undertakes its own research.

Annual performance incentive

Executive Directors’ performance is considered by the Remuneration Committee, as part of the annual remuneration review, to ensure that there is a strong link between performance and reward.

Executive Directors are eligible to receive, at the Committee’s discretion, an annual bonus capped at 100% of base salary. This bonus is based upon corporate performance targets and measures which the Committee believes align with the long-term interests of shareholders. Stretching and transparent performance targets are put in place with a view to making a clear link to the value drivers of the business. The Executive Directors’ current bonus scheme pays out if pre-tax profit exceeds the Company’s budget.

Pensions and other benefits

The Group does not operate a pension scheme. Individuals receive contributions of up to 15% of salary to their private pension arrangements and/or, where pension contributions are not appropriate, 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. This year the Committee proposed a new long-term incentive plan, taking account of recent developments in best practice. The Committee was advised by independent remuneration consultants on the provisions of a draft plan. Executive Directors were given an opportunity to express their views, and a summary of the plan was put out for consultation with major shareholders and shareholder representatives. An adapted plan was put to shareholder vote at the December 2020 AGM and following approval, was implemented in December 2020. The main terms of the LTIP are set out in the Company's website at www.tristelgroup.com/invest/annual-general-meeting-agm/ in the 2020 section.

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board, based on a review of current practices in comparable companies. The Non-Executive Directors do not receive any pension payments and do not participate in any incentive schemes. In the light of best practice, it is not intended to grant any share options to the Non-Executive Directors in the future.

Paul Barnes retired as Non-Executive Director at the 2020 AGM and Caroline Stephens joined the Board on 1 January 2021.

Wider employee considerations

Although it is not the Committee's responsibility to set the remuneration arrangements across the Group, 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. In addition, the Group encourages share ownership amongst all staff. All permanent staff, no matter their pay scale or job, are awarded share option grants at set intervals which accumulate to 40,000 share options after 10 completed years of employment. Executive Management also has 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 2021. The Directors received the following remuneration during the year to 30 June 2021:

Name of Director	Salary and fees £'000	Bonus £'000	Taxable benefits £'000	Gain on exercise of share options £'000	2021 Total (excl. pension) £'000	2021 Retirement provision £'000	2021 Total fixed remuneration £'000	2021 Total variable remuneration £'000	2020 Total (excl. pension) £'000	2020 Retirement provision £'000
Executive										
Paul Swinney	250	–	22	1,951	2,223	38	310	1,951	377	38
Elizabeth Dixon	185	–	14	1,722	1,921	28	227	1,722	950	28
Bart Leemans	180	–	–	–	180	27	207	–	234	27
Non-Executive										
Paul Barnes	16	–	–	60	76	–	16	60	42	–
David Orr	35	–	–	104	139	–	35	104	35	–
Tom Jenkins	35	–	–	–	35	–	35	–	35	–
Bruno Holthof	70	–	–	–	70	–	70	–	53	–
Isabel Napper	35	–	–	–	35	–	35	–	3	–
Caroline Stephens	18	–	–	–	18	–	18	–	–	–
Aggregate emoluments	824	–	36	3,837	4,697	93	953	3,837	1,729	93

Base salary

The COVID-19 pandemic has had a continued disruptive effect upon the business and as such the Executive Directors have volunteered not to accept any increase in salary or salary benefits for the financial year 2022.

Certain key management personnel are paid through personal management entities. Where this is the case, we have provided a breakdown of the total compensation paid to these entities, for the work of the key management personnel in question, as if we were paying the key management personnel directly.

Annual performance incentive

No annual bonuses were awarded to the Executive Directors during the year to 30 June 2021.

Pensions and other benefits

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

Directors' share options

During July 2021 Paul Swinney exercised 653,764 share options, Elizabeth Dixon exercised 464,865 share options and David Orr exercised 45,000 share options. As referred to above, a new long-term incentive plan was put in place for the Executive Directors. Details of options held by the Directors are as follows:

	Original grant	Unexercised options at 1 July 2020	Options granted in the year	Options exercised in the year	Options lapsed or cancelled in the year	Total options unexercised at 30 June 2021	Exercise price	Earliest date of exercise	Date of expiry
Executive									
Paul Swinney	414,179	153,764	–	153,764	–	–	1.00p	07/01/2016	07/01/2021
	500,000	500,000	–	500,000	–	–	1.00p	08/04/2018	30/06/2021
	500,000	–	500,000	–	–	500,000	1.00p	30/06/2024	04/01/2031
Elizabeth Dixon	222,388	64,865	–	64,865		–	1.00p	07/01/2016	07/01/2021
	400,000	400,000	–	400,000	–	–	1.00p	08/04/2018	30/06/2021
	200,000	–	200,000	–	–	200,000	1.00p	30/06/2024	04/01/2031
Bart Leemans	100,000	–	100,000	–	–	100,000	1.00p	30/06/2024	04/01/2031
Non-Executive									
David Orr	45,000	45,000	–	45,000	–	–	1.00p	08/04/2018	30/06/2021
Total number of Board share options	**2,381,567**	**1,163,629**	**800,000**	**1,163,629**	**–**	**800,000**	**–**	**–**	**–**

Share options held by the Directors at 30 June 2021 are subject to vesting conditions as set out in the Company's website at www.tristelgroup.com/invest/annual-general-meeting-agm/ in the 2020 section.

Directors' shareholdings

The interests of the Directors in the shares of the Company at 30 June 2021 and 30 June 2020 were:

Ordinary 1p shares	30 June 2021	30 June 2020
Executive		
Paul Swinney	700,000	476,429
Elizabeth Dixon	242,333	45,000
Bart Leemans	954,627	954,627
Non-Executive		
Paul Barnes	–	351,095
David Orr	50,391	28,191
Isabel Napper	2,000	–

The market price of the Company's shares as at 30 June 2021 was 638p. The range during the year was 405p to 680p. (Source – London Stock Exchange).

Isabel Napper Remuneration Committee Chairman
10 November 2021

Corporate Governance Report

Chairman's Corporate Governance Report

This Corporate Governance Report has been written with the Quoted Companies Alliance ('QCA') Corporate Governance Code in mind. As Chair 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

The London Stock Exchange's AIM Rule 26 requires 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 the Board's 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 we have chosen to apply it.

Each year the Board carries 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, resulting in Board changes.
- A review and update to the Executive Management succession plan.
- An update to the Group Risk Assessment with particular focus upon COVID-19.

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 September 2020 the primary goals were set as:

Corporate

- Maximise Company's value to all stakeholders.

Medical device decontamination – Tristel:

- To develop our chlorine dioxide high-level disinfection process to be recognised as a gold standard, and deemed equivalent to any automated process.

Healthcare surfaces disinfection – Cache:

- To become the global market leader in sporicidal surface disinfection.

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 staff, 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 Chief Financial Officer are the key shareholder liaison contacts alongside the Company's public relations advisors.

The Board actively engages with both institutional and private shareholders on at least four occasions each year, each in a forum which allows us to hear investors' views and answer their questions face-to-face. The Company's NOMAD and public relations advisor provide written investor feedback after all investor presentations and meetings which are shared with the Board. Via communication with the Company's NOMAD 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 bulletin boards and has a series of online facilities in place that provide a conduit between the Company and its shareholders.

The Board feels that the Company has achieved a very high level of shareholder engagement and continues to seek ways to enhance this.

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, education sessions and social events 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 as well as the working environment for its employees. The Board's assessment is that the Company's culture is positive, engaged, and energetic, which is reflected in the 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 and feedback handling are a pre-requisite of the Company's quality accreditation.

As part of its day-to-day operation and via new product development, the Group has a clear commitment to reduce its environmental footprint. The Company has established a cross-department and Group-wide team of enthusiasts, branded 'Tristel Hive' tasked with finding ways for the Company to improve its sustainability profile. During the year a number of activities were undertaken:

- The setup of a system to calculate the Company's carbon emissions, enabling us to consider the appropriate time frame for us to target 'net zero carbon' and 'zero carbon'.
- Consideration of the carbon profile of its key products and research into alternative and environmentally friendlier packaging options for the Company's products.
- Transfer of the Groups energy providers, wherever possible, to renewable energy tariffs, installation of LED lighting and implementation of other energy saving initiatives.
- Minimising and recycling of paper, plastics, and food waste within all offices, alongside reuse and repurpose activities.
- Staff activities designed to change mindsets and habits, leading to enhanced health and wellbeing and an environmentally friendly culture within the organisation.

The Group connects with the local community of its office locations, building relationships and giving support where appropriate. During the year the following activities were undertaken:

- 'Making steps for charity' – during two month-long periods, a quarter of the Company's staff walked almost 15 million steps, raising funds for local charities.
- Support of local small businesses, particularly those struggling during the COVID-19 pandemic, wherever possible.
- Supply of disinfectants to local communities free of charge during the height of the COVID-19 pandemic

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

Business opportunities, wins, losses, and threats are shared by the management team with the Board. Risks and their mitigating factors are also documented, with high-risk situations immediately acted upon. Health and 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 COVID-19 pandemic presented both an opportunity and a risk to the business and its impact is constantly monitored. To protect staff physical distancing, one-way people flow, home working, attendance rotas, additional PPE, curtailment of external visitors and enhanced hygiene routines have been implemented within all the Company's premises. A risk assessment has been completed and circulated to staff, and employee representatives have been appointed to act as liaison points between Management and staff in case required.

The opportunity derived from the COVID-19 outbreak relates to the increased potential for environmental hygiene products, sold into hospitals and beyond. This opportunity is being addressed via the Company's range of surface disinfectants sold under the Cache brand. The risk reflects the impact upon sales of medical device disinfectants, sold under the Company's Tristel brand, where use is directly connected to the number of hospital diagnostic procedures. In many countries such procedures have slowed during the pandemic due to re-positioned hospital resources.

The Board is provided with global sales information daily, allowing it to respond in fast-moving situations such as the COVID-19 pandemic.

The Board ensures 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

In addition to daily access to sales numbers and the cash position of the Company, the Board receives detailed 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 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. Isabel Napper and Caroline Stephens are also Independent Non-Executive Directors, and Bruno Holthof, Non-Executive Chair of the Board is also independent. David Orr is not considered to be independent by virtue of his directorship and shareholding in Manor packaging, a supplier of cardboard to the Company, however, he brings great entrepreneurial and analytical attributes to the Board, adding viewpoints and competencies that further enrich it.

The Board complies with the QCA Code's requirement that at least half of the Board should be independent Non-Executive Directors.

The Executive team consists of Tristel's Chief Executive Paul Swinney and Chief Financial Officer Liz Dixon, who are married, and Bart Leemans who is an Executive Director, alongside his role managing the Group's French and Belgian operations. All Directors are encouraged to foster an attitude of independence of character and judgement. 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 healthcare, commerce, finance, legal and manufacturing organisations. Collectively, the Board's members have a wide range of experience, personal qualities, and capabilities.

The Board contains three Executive Directors, two male and one female, and of five Non-Executive Directors, two are female and three 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 nine years. At each Annual General Meeting, at the discretion of the Nominations Committee, all Directors are put forward for re-election.

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 Chair and the Board on an ongoing basis. Training is available should a Director request it or if the Chair feels it is necessary.

The performance of the Board is measured by the Chair 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 eight members. This is considered necessary as the Company has increased in size and complexity and a larger Board allows a deeper mix of backgrounds, views, and capabilities, whilst still small enough to be dynamic and effective.

The Board has in place a short-term plan to be instigated in the event of the loss or incapacity of the key roles of Chief Executive or Chief Financial Officer. The Board continually assesses the candidacy of staff with respect to succession planning, both within the Company and for future Executive Management vacancies. Senior Managers are invited to attend Board meetings to both observe, present, and discuss topics in their area of responsibility. A formal talent development and succession plan is being formulated.

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 programs.

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 approach to achieving its goals.

Infection prevention is a vital yet complex area of healthcare, and healthcare providers 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 relatively flat structure of the Company means that the Board can assess the state of Company's culture easily, which it currently considers to be strong, positive, and spirited, despite the uncertainties affecting the world and felt by us all.

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, and where appropriate fast, business decisions.

At each Board meeting the key performance indicators (KPIs) considered most relevant to the business are presented and discussed. Such KPIs are continually developed to ensure that the Board is kept adequately informed, and able to take the appropriate actions. Periodically a corporate risk register is presented to the Board and mitigating actions agreed.

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 Company's annual report and the Corporate Governance section of the Tristel website. It is reviewed and updated regularly. In addition, the Board regularly enters dialogue with shareholders who have an interest in matters of governance, diversity, and ethics in order that shareholders views can be properly voiced and brought to bear within the business.

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 five NEDs. The role of the Chief Executive Officer and Chair 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, who is also the Chief Financial Officer, 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 the Company does 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 eight times during the 2020-21 financial year and its committees met a further three 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 they have arising from the information pack circulated prior to the meeting are provided to the Chair.

2020-2021	Eligible to attend	Attended
Bruno Holthof	11	9
Paul Swinney	8	8
Elizabeth Dixon	8	8
Bart Leemans	8	8
David Orr	9	9
Tom Jenkins	11	11
Isabel Napper	11	11
Caroline Stephens	5	4
Paul Barnes	6	6

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 chaired by Isabel Napper INED. 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 except the Chair of the Board in line with QCA guidelines. The Audit Committee is chaired by Tom Jenkins SINED. It meets at least twice a year and, amongst other duties, overviews the monitoring of the Company's risk profile, 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.

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 2020-21 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, as the Company's external auditors, including their terms of engagement and fees.

The Audit 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 the CEO.

The Nominations Committee considers 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.

The Board does not engage external consultants to evaluate the effectiveness of the Board; instead it carries out an ongoing review of the Board's collective performance and that of the individual Directors, 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.

During the year the Chair carried out an internal Board functioning review. The significant actions arising were:

- Heads of business units and subsidiaries will be asked to join Board meetings on a rolling, periodic basis, to present to the Board.
- When the time comes to discuss Executive Management succession, business unit and subsidiary heads' candidacy should be considered as part of the process.
- NEDs will seek to raise their industry awareness level via increased interactions with EDs and senior staff.
- The Board will conduct an annual review of its performance.
- No consultants will be employed to participate in the Board review.
- Whilst recognising that it is not best practice, the Company Secretary role will, remain with Liz Dixon for now.

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 2020-21 year these were:

- To meet the Company's profit target – which was not achieved.
- To increase sales by between 10% and 15% per annum on average over the three years to 30 June 2022. This goal has not yet reached its end point. Sales growth is slightly below the lower end of the target range at the end of year two of three.
- To increase the Company's value to shareholders – market capitalization increased by £107m, from £193m to £300m during the 2020-21 year. This goal has been achieved.

Despite the Company failing to reach all its goals due to a particularly challenging year, the Chair concludes that the Board has performed effectively during 2020-21.

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.

Relations with shareholders

The Board recognises the importance of effective communication with shareholders 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 throughout the year. Shareholders are given at least 21 days' notice of the Annual General Meeting held in December and are invited to attend a Shareholder Open Day held in July each year, when conditions allow. At all investor meetings shareholders are given the opportunity to discuss the development and performance of the Company with Management and the Group's senior team.

The Company's website www.tristel.com and Twitter feed @TristelGlobal contain details of its products, promotional activities, investor relations events, share price details 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. Internal audit activities are currently limited to the Company's Quality Management System controls. An expansion of this activity to include accounting processes and corporate governance will be considered as the Company develops.

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 Company 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 cash flows are prepared monthly, as is a written commentary giving a comparison to budgets and prior years, identifying, and explaining 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 £4 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, may be returned to shareholders in the form of a special dividend.

Bruno Holthof Non-Executive Chairman
10 November 2021

Directors' Report

The Directors present their report and the consolidated financial statements for the year ended 30 June 2021.

Results and dividends

There was a profit for the year after taxation amounting to £2.972m (2020: £5.100m).

A final dividend of £1.785m (3.84p per share) was paid during the year in respect of the year ended 30 June 2020. (2019: £1.562m (3.50p per share)). An interim dividend of £1.232m (2.62p per share) was paid during the year in respect of the year ended 30 June 2021 (2020: £1.059m, 2.34p per share); and the Directors recommend a final dividend of 3.93p per share (2020: 3.84p per share). If approved, the total distribution of dividends for the year ended 30 June 2021 will be £3.083m (2020: £2.796m).

A review of the Group's performance for the year ended 30 June 2021 is contained in the Chairman's Statement on pages 5 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:

BLM Holthof
PC Swinney
EA Dixon
BVM Leemans
PM Barnes (resigned 15 December 2020)
DWE Orr
TAJ Jenkins
IJS Napper
CJ Stephens (appointed 1 January 2021)

The Group provides Directors and Officers indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2021 the policy cost £9,100 (2020: £8,700).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 24 to 26.

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 set out on pages 27 to 33.

Political donations

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Financial instruments

Detail on financial instruments can be found in note 22.

Substantial shareholdings

Except for the Directors' interests in the shares of the Company, as given in the Directors' remuneration report on page 26, the Directors are aware of the following who were interested in 3% or more of the Company's equity at 30 June 2021:

	Number of shares	% of issued share capital
Charles Stanley Stockbrokers	4,666,773	9.91%
Investec Wealth & Investment	3,839,709	8.15%
Aviva Investors	2,993,736	6.36%
Hargreaves Lansdown Stockbrokers (EO)	2,532,218	5.38%
Unicorn Asset Management	2,360,829	5.01%
Interactive Investor	2,338,191	4.96%
Montanaro Investment Managers	2,237,335	4.75%
Amarti Global Investors	1,844,046	3.92%
Liontrust Asset Management	1,578,318	3.35%
Allianz Global Investors	1,435,003	3.05%

Principal risks and uncertainties
Reference to this topic can be found within the Strategic Report on pages 5 to 20.

Reference to the Groups primary research and development advancements can be found within the Chief Executive's Report on pages 8 to 13.

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 accounting standards in conformity with the requirements of the Companies Act 2006 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 the Group's 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 international accounting standards in conformity with the requirements of the Companies Act 2006.
- Assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- 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; and
- 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 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 18 October 2021 and signed on its behalf by:

Elizabeth Dixon Chief Financial Officer
10 November 2021

Tristel plc

REPORT AND ACCOUNTS
FINANCIAL STATEMENTS
YEAR ENDED
30 JUNE 2021

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 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and Company Statement of Cash Flows, 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality:	
Group financial statements as a whole	£265,000 (2020: £299,000) 5% (2020: 4.5%) of normalised profit before tax

Key audit matters	Vs 2020
Recurring risks for the Group and the parent company:	
Revenue recognition – Cut-off	No change
Recoverability of parent company's investments in subsidiaries	No change

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

Key audit matters are those matters that, in our professional judgement, 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, in decreasing order of audit significance, were as follows (unchanged from 2020):

a. Revenue recognition – cut off *(£30.998 million; 2020: £31.678 million)*

Refer to page 60 for the accounting policy and page 53 for the financial disclosure.

THE RISK: EXISTENCE OF SALES AT YEAR END

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

Revenue is the most material balance in the financial statements and there is a risk that revenue may be misstated due to increased shareholder pressure to maintain EPS and ensure dividends can continue to be distributed.

OUR RESPONSE

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below.

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.

b. Recoverability of parent company's investments in subsidiaries *(£12.288million; 2020: £11.837 million)*

Refer to page 52 for the accounting policy and page 76 for the financial disclosures.

THE RISK: LOW RISK, HIGH VALUE

The carrying amount of the parent company's investments in subsidiaries represents 62% (2020: 62%) of the parent company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall audit of the parent company.

OUR RESPONSE

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below.

Our procedures included:

Tests of detail

Comparing the carrying amount of 100% of investments with the relevant subsidiary's draft balance sheet to identify whether the net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.

Comparing valuations

For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit.

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 £265k (2020: £299k), determined with reference to a benchmark of normalised total profit before tax from continuing operations of which it represents 5% (2020: 4.5%).

In 2021, we normalised total profit before tax from continuing operations by excluding this year's one off investment write off amounting to £807k as disclosed in note 4 and averaging over the current and the preceding two years due to the impact of the COVID-19 pandemic on the Group's financial results.

Materiality for the parent company financial statements as a whole was set at £190k (2020: £146k), determined with reference to a benchmark of company total assets, of which it represents 1% (2020:0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 65%) of materiality for the financial statements as a whole, which equates to £198k (2019: £194k) for the Group and £142.5k (2019: £94k) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £13k (2020: £14.9k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 16 (2020: 15) reporting components, we subjected 7 (2020: 6) to full scope audits for group purposes and 1 (2019: nil) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated below.

	2021 (2020) Number of components	2021 (2020) Group revenue	2021 (2020) Total profits and losses that made up Group profit before tax	2021 (2020) Group total assets
Audits for Group reporting purposes	7 (6)	86% (86%)	81% (88%)	89% (92%)
Specific risk-focused audit procedures	1 (nil)	nil% (nil%)	nil% (nil%)	1% (nil%)
Total	**8 (6)**	**86% (86%)**	**81% (88%)**	**90% (92%)**

The remaining 14% (2020: 14%) of total group revenue, 19% (2020: 12%) of total profits and losses that made up Group profit before tax and 10% (2020: 8%) of total group assets is represented by 8 (2019: 9) reporting components, none of which individually represented more than 8% (2020: 5%) of any of total group revenue, total profits and losses that made up Group profit before tax or total group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors 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 £64k to £190k (2020: £79.9k to £212.8k), having regard to the mix of size and risk profile of the Group across the components. The work on 5 of the 16 components (2020: 4 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. The Group team performed procedures on the item excluded from normalised group profit before tax.

Video and telephone conference meetings were held with these component auditors. 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. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company'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').

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its 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 risk that we considered most likely to adversely affect the Group's available financial resources over this period was lower than expected trading volumes.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and the Audit Committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet EPS targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

Further detail in respect of revenue fraud risk is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and journals posted by unauthorised staff.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee other matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 35, 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.

9. 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. 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
10 November 2021

Consolidated Income Statement
for the year ended 30 June 2021

	NOTE	2021 £'000	2020 £'000
Revenue	3	30,998	31,678
Cost of sales		(6,255)	(6,431)
Gross profit		24,743	25,247
Share-based payments		(824)	(435)
Depreciation, amortisation and impairments		(2,813)	(2,558)
Administrative expenses, excluding share-based payments, depreciation, amortisation and impairment		(16,376)	(15,449)
Other operating income		32	–
Operating profit	4	4,762	6,805
Movement in fair value of investments		(807)	–
Finance income		1	1
Finance costs	4	(195)	(167)
Net finance cost		(194)	(166)
Profit before tax		3,761	6,639
Income tax expense	8	(789)	(1,539)
Profit for the year		2,972	5,100
Profit attributable to:			
Owners of the Company		2,972	5,100

Earnings per share from total and continuing operations attributable to equity holders of the parent		2021	2020
Basic – pence	21	6.39	11.38
Diluted – pence	21	6.32	10.88

The above results were derived from continuing operations.
Earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2021 were £6,768,000 (2020 £9,363,000). (Note 4.)

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

	2021 £'000	2020 £'000
Profit for the year	2,972	5,100
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gains	(600)	314
Total comprehensive income for the year	2,372	5,414
Total comprehensive income attributable to:		
Owners of the Company	2,372	5,414

Consolidated Statement of Financial Position

as at 30 June 2021

Assets	NOTE	30 June 2021 £'000	30 June 2020 £'000
Non-current assets			
Property, plant and equipment	9	8,542	8,080
Goodwill	11	5,265	5,626
Intangible assets	12	6,704	7,624
Investments	13	–	807
Deferred tax assets	8	1,805	1,544
		22,316	23,681
Current assets			
Inventories	14	4,266	4,619
Trade and other receivables	15	5,255	6,422
Cash and cash equivalents	16	8,094	6,212
		17,615	17,253
Total assets		39,931	40,934

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

as at 30 June 2021 *(continued)*

Equity and liabilities	NOTE	30 June 2021 £'000	30 June 2020 £'000
Equity			
Share capital	17	471	453
Share premium		13,600	12,634
Foreign currency translation reserve		(203)	397
Merger reserve		2,205	2,205
Retained earnings		14,003	12,767
Equity attributable to owners of the Company		30,076	28,456
Non-controlling interests		7	7
Total equity		30,083	28,463
Non-current liabilities			
Non-current lease liabilities	10	5,276	5,185
Deferred tax liabilities	8	637	615
		5,913	5,800
Current liabilities			
Trade and other payables	19	3,476	4,672
Income tax liability	8	(170)	1,182
Current lease liabilities	10	629	817
		3,935	6,671
Total liabilities		9,848	12,471
Total equity and liabilities		39,931	40,934

Approved by the Board on 10 November 2021 and signed on its behalf by: **Elizabeth Dixon** Chief Financial Officer.
Registration number: 04728199

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Company Statement of Financial Position

as at 30 June 2021

Assets	NOTE	30 June 2021 £'000	30 June 2020 £'000
Non-current assets			
Intangible assets	12	2,645	2,993
Investments in subsidiaries, joint ventures and associates	13	12,288	12,644
		14,933	15,637
Current assets			
Trade and other receivables	15	4,408	4,194
Income tax asset		6	6
Cash and cash equivalents	16	412	598
		4,826	4,798
Total assets		19,759	20,435
Equity and liabilities			
Equity			
Share capital	17	471	453
Share premium		13,600	12,634
Foreign currency translation reserve		63	63
Merger reserve		1,727	1,727
Retained earnings		3,693	5,238
Total equity		19,554	20,115
Non-current liabilities			
Deferred tax liabilities	8	9	9
Current liabilities			
Trade and other payables	19	196	311
Total liabilities		205	320
Total equity and liabilities		19,759	20,435

The parent company's profit for the financial year was £0.648m (2020: profit £2.791m) which includes a dividend of £4.332m (2020: £3.759m) received from its subsidiary companies.

Approved by the Board on 10 November 2021 and signed on its behalf by: **Elizabeth Dixon** Chief Financial Officer.
Registration number: 04728199

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	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 2020	453	12,634	397	2,205	12,767	28,456	7	28,463
Profit for the year	–	–	–	–	2,972	2,972	–	2,972
Exchange difference on translation of foreign operations	–	–	(600)	–	–	(600)	–	(600)
Total comprehensive income	–	–	(600)	–	2,972	2,372	–	2,372
Dividends	–	–	–	–	(3,017)	(3,017)	–	(3,017)
New share capital subscribed	18	966	–	–	–	984	–	984
Deferred tax through equity	–	–	–	–	(136)	(136)	–	(136)
Current tax through equity	–	–	–	–	593	593	–	593
Share-based payment transactions	–	–	–	–	824	824	–	824
At 30 June 2021	471	13,600	(203)	2,205	14,003	30,076	7	30,083
At 1 July 2019	446	11,427	83	2,205	9,191	23,352	7	23,359
Change in accounting policy	–	–	–	–	(242)	(242)	–	(242)
At 1 July 2019 (As restated)	446	11,427	83	2,205	8,949	23,110	–	23,117
Profit for the year	–	–	–	–	5,100	5,100	–	5,100
Exchange difference on translation of foreign operations	–	–	314	–	–	314	–	314
Total comprehensive income	–	–	314	–	5,100	5,414	–	5,414
Dividends	–	–	–	–	(2,621)	(2,621)	–	(2,621)
New share capital subscribed	7	1,207	–	–	–	1,214	–	1,214
Deferred tax through equity	–	–	–	–	904	904	–	904
Share-based payment transactions	–	–	–	–	435	435	–	435
At 30 June 2020	453	12,634	397	2,205	12,767	28,456	7	28,463

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Company Statement of Changes in Equity

for the year ended 30 June 2021

	Share capital £'000	Share premium £'000	Foreign currency translation £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2020	453	12,634	63	1,727	5,238	20,115
Profit for the year	–	–	–	–	648	648
Total comprehensive income	–	–	–	–	648	648
Dividends paid	–	–	–	–	(3,017)	(3,017)
New share capital subscribed	18	966	–	–	–	984
Share-based payment transactions	–	–	–	–	824	824
At 30 June 2021	471	13,600	63	1,727	3,693	19,554
At 1 July 2019	446	11,427	54	1,727	4,633	18,287
Profit for the year	–	–	–	–	2,791	2,791
Share-based payments	–	–	9	–	–	9
Total comprehensive income	–	–	9	–	2,791	2,800
Dividends paid	–	–	–	–	(2,621)	(2,621)
New share capital subscribed	7	1,207	–	–	–	1,214
Share-based payment transactions	–	–	–	–	435	435
At 30 June 2020	453	12,634	63	1,727	5,238	20,115

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

	NOTE	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		3,761	6,639
Adjustments to cash flows from non-cash items			
Depreciation of leased assets	9	772	692
Depreciation of plant, property and equipment	9	591	598
Amortisation of intangible assets	12	1,383	1,201
Impairment of goodwill	11	67	67
Share-based payments – IFRS 2		824	435
Movement on fair value of investment in Mobile ODT	13	807	–
Gain on fair value of investment Tristel Italia		–	(111)
Loss on disposal of property, plant and equipment		73	54
Lease interest	10	195	165
Finance income		(1)	(1)
		8,472	9,739
Working capital adjustments			
Decrease/(increase) in inventories	14	353	(1,655)
Decrease/(increase) in trade and other receivables	15	1,167	(805)
(Decrease)/increase in trade and other payables	19	(1,196)	1,007
Lease interest paid		(195)	(165)
Corporation tax paid		(1,925)	(1,140)
Net cash flow from operating activities		6,676	6,981
Cash flows from investing activities			
Interest received		1	1
Purchase of intangible assets	12	(608)	(610)
Purchase of investment in Italia/Ecomed		–	(595)
Purchase of property plant and equipment	9	(1,159)	(1,770)
Net cash used in investing activities		(1,766)	(2,974)
Cash flows from financing activities			
Payment of lease liabilities	10	(797)	(614)
Share issues		984	1,214
Dividends paid	20	(3,017)	(2,621)
Net cash used in financing activities		(2,830)	(2,021)
Net increase in cash and cash equivalents		2,080	1,986
Cash and cash equivalents at the beginning of the year		6,212	4,170
Exchange differences on cash and cash equivalents		(198)	56
Cash and cash equivalents at the end of the year	16	8,094	6,212

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the year ended 30 June 2021 *(continued)*

Net debt – liabilities from financing activities and other assets	Leases £'000	Cash £'000
Net debt as at 1 July 2019	(4,367)	4,170
Cash movement	–	1,986
Payment of lease liabilities	779	–
Lease interest	(165)	–
Acquisition – leases	(3,161)	–
Disposals – leases	(914)	–
Foreign exchange adjustments	(2)	56
Net debt at 30 June 2020	(6,002)	6,212
Cash movement	–	2,080
Payment of lease liabilities	992	–
Lease interest	(195)	–
Acquisition – leases	(702)	–
Disposals – leases	–	–
Foreign exchange adjustments	2	(198)
Net debt as at 30 June 2021	(5,905)	8,094

THE NOTES ON PAGES 52 TO 85 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Company Statement of Cash Flows

for the year ended 30 June 2021

	NOTE	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		648	2,791
Adjustments to cash flows from non-cash items			
Amortisation of intangible asset	12	454	402
Share-based payments – IFRS 2		373	–
Movement on fair value of investment in Mobile ODT	13	807	–
Gain on fair value of investment Tristel Italia	13	–	(111)
		2,282	3,082
Working capital adjustments			
(Increase) in trade and other receivables	15	(214)	(1,213)
(Decrease)/increase in trade and other payables	19	(115)	129
Net cash flow from operating activities		1,953	1,998
Cash flows from investing activities			
Interest received		–	–
Purchase of intangible assets	12	(106)	(133)
Purchase of investments		–	(595)
Net cash used in investing activities		(106)	(728)
Cash flows from financing activities			
Share issues		984	1,214
Dividends paid	20	(3,017)	(2,621)
Net cash used in financing activities		(2,033)	(1,407)
Net (decrease) in cash and cash equivalents		(186)	(137)
Cash and cash equivalents at the beginning of the period		598	727
Exchange differences on cash and cash equivalents		–	8
Cash and cash equivalents at the end of the period	16	412	598

THE NOTES ON PAGES 52 TO 85 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) in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS').

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 2021. 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 and losses on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are assessed for indications that an impairment of the asset transferred needs to be recognised in the Group financial statements. 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

Parent company exemption to disclose profit and loss account

The following company is exempt from the requirements of the UK Companies Act 2006 relating to the disclosure of a profit and loss account by virtue of s408(3) of the Act:

- Tristel plc – Registered number 04728199

Going concern

Management have considered the trading performance of the Group with underlying trends and expectations, including the potential impact of the COVID-19 pandemic, this forms the basis of the Group's current forecasts. The forecasts, including a reasonable worst case scenario in regards to COVID-19, in addition to the resources available to the group, leave management to believe that the Group will be able to meet its liabilities as they fall due for a period of at least 12 months from date of approval of the financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Interests in subsidiaries are accounted for at cost less accumulated impairment losses.

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.

1. Accounting policies *continued*

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

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

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

Step acquisitions

Prior to control being obtained, the Company accounts for its investment in the equity interests of an acquiree in accordance with the nature of the investment by applying the relevant standard, e.g. IAS 28 Investments in Associates and Joint Ventures (2011), IFRS 11 Joint Arrangements, IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. As part of accounting for the business combination, the Company remeasures any previously held interest at fair value and takes this amount into account in the determination of goodwill as noted above. Any resultant gain or loss is recognised in profit or loss or other comprehensive income as appropriate.

Since 30 June 2020 a number of standards, amendments to or interpretations of standards have been issued as shown by the following two tables:

- New currently effective requirements – this table lists the recent changes to the Standards that are required to be applied by an entity with an annual reporting period beginning on or after 1 January 2020.

Effective date	
1 April 2021	COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

- Forthcoming requirements – this table lists the recent changes to the Standards that are required to be applied for annual periods beginning after 1 January 2021 and that are available for early adoption in annual periods beginning on 1 January 2021.

Effective date	
1 January 2023	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8)
1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

None of the standards, interpretations, and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements. 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.

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 determined in the previous year that the application of IFRS 15 on 1 July 2018 did not had a material effect on the financial statements for the year ended 30 June 2019 and has therefore not restated comparative information.

1. Accounting policies *continued*

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.

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
- 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.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

1. Accounting policies *continued*

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

1. Accounting policies *continued*

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.

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 10 and 35 years.

Research and development

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

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

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

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

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 between 5 and 7 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.

1. Accounting policies *continued*

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.

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.
- '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 23.

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.

1. Accounting policies *continued*

Financial instruments

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); or
- 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; or
- 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; and
- 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; and
- 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 judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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 there are no key judgements areas or sources of estimation made in the preparation of the current year financial statements.

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 medical device decontamination products which are used primarily for infection control in hospitals. This segment generates approximately 77% of Company revenues (2020: 74%).

The second segment which constitutes 13% (2020: 15%) of the business activity, relates to the manufacture and sale of hospital environmental surface disinfection products.

The third segment – other revenues, addresses the pharmaceutical and personal care product manufacturing industries, veterinary and animal welfare sectors and has generated 10% (2020: 11%) 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, operating income and assets and liabilities cannot be allocated to individual segments.

	Hospital medical device decontamination £'000	Hospital environmental surface disinfection £'000	Other revenue £'000	2021 Total £'000
Revenue from external customers	24,003	4,018	2,977	30,998
Cost of material	(3,875)	(1,286)	(1,094)	(6,255)
Segment gross profit	20,128	2,732	1,883	24,743
Gross margin	84%	68%	63%	80%

Centrally incurred income and expenses not attributable to individual segments:

Depreciation and amortisation of non-financial assets	(2,813)
Other administrative expenses	(16,376)
Share-based payments	(824)
Other income	32
Segment operating profit	4,762

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

Finance income/(expense)	(194)
Movement on fair value asset	(807)
Total profit before tax	3,761

3. Segmental analysis *continued*

	Hospital medical device decontamination £'000	Hospital environmental surface disinfection £'000	Other revenues £'000	2020 Total £'000
Revenue from external customers	23,497	4,882	3,299	31,678
Cost of material	(4,499)	(1,132)	(800)	(6,431)
Segment gross profit	18,998	3,750	2,499	25,247
Gross margin	81%	77%	76%	80%

Centrally incurred income and expenses not attributable to individual segments:

Depreciation and amortisation of non-financial assets	(2,558)
Other administrative expenses	(15,449)
Share-based payments	(435)
Segment operating profit	6,805

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

Finance income/(expense)	(166)
Total profit before tax	6,639

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

	Hospital medical device decontamination £'000	Hospital environmental surface disinfection £'000	Other revenues £'000	2021 Total £'000
UK and Europe direct	16,895	3,253	2,269	22,417
APAC region direct	5,023	663	357	6,043
Worldwide distributors	2,085	102	351	2,538
Total revenues	24,003	4,018	2,977	30,998

	Hospital medical device decontamination £'000	Hospital environmental surface disinfection £'000	Other revenues £'000	2020 Total £'000
UK and Europe direct	16,768	3,891	2,528	23,187
APAC region direct	4,613	231	374	5,218
Worldwide distributors	2,116	760	397	3,273
Total revenues	23,497	4,882	3,299	31,678

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.

Hospital medical device decontamination revenues were derived from a large number of customers, but include £5.727m from a single customer which makes up 24% of this segment's revenue (2020: £6.487m, being 22%). Other revenues were derived from a number of customers, with the largest customer accountable for £0.251m, which represents 8% of revenue for that segment (2020: £0.160m, 19% from a single customer).

During the year 18.5% of the Group's total revenues were earned from a single customer (2020: 20.5%).

3. Segmental analysis *continued*

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

	Hospital medical device decontamination £'000	Hospital environmental surface disinfection £'000	Other revenues £'000	2021 Total £'000
Revenue recognised at a point in time	23,944	4,018	2,977	30,939
Revenue recognised over time	59	–	–	59
Total revenues	24,003	4,018	2,977	30,998

	Hospital medical device decontamination £'000	Hospital environmental surface disinfection £'000	Other revenues £'000	2020 Total £'000
Revenue recognised at a point in time	23,451	4,882	3,299	31,632
Revenue recognised over time	46	–	–	46
Total revenues	23,497	4,882	3,299	31,678

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

	2021 £'000	2020 £'000
UK	15,070	16,491
Europe	441	491
APAC region	635	844
Worldwide distributors	4,365	4,311
Non-current assets	20,511	22,137

4. Operating profit

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

	2021 £'000	2020 £'000
Cost of inventories recognised as an expense	5,698	6,015
Depreciation – owned assets	591	598
Depreciation – leased assets	772	692
Loss on disposal of property, plant and equipment	73	54
Patents, licences and proprietary technology amortisation	466	416
Development costs, customer and supplier relationship amortisation	745	641
Computer software and website amortisation	172	144
Impairment of goodwill	67	67
Movement in fair value investment	807	(111)
Auditor's remuneration	277	232
Foreign exchange loss	4	36
Research costs expensed	727	458

See note 13 for movement in the fair value of investments.

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

Reconciliation of EBITDA	2021 £'000	2020 £'000
Earnings before, interest, tax, depreciation and amortisation	6,768	9,363
Depreciation, amortisation and impairments	(2,813)	(2,558)
Net finance (cost)/income	(194)	(166)
Profit before tax	3,761	6,639
Taxation	(789)	(1,539)
Profit for the year	2,972	5,100
Reconciliation of adjusted pre-tax profit		
Profit before tax	3,761	6,639
Share-based payment	824	435
Movement in fair value asset	807	–
Adjusted pre-tax profit	5,392	7,074
Revenue for the year	30,998	31,678
Pre-tax profit margin	12%	21%
Adjusted pre-tax profit margin	17%	22%

Net finance cost/income	2021 £'000	2020 £'000
Interest income on bank deposits	1	1
Interest on lease liabilities	(195)	(167)
Net finance cost/income	(194)	(166)

5. Staff costs

Group

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

	2021 £'000	2020 £'000
Wages and salaries	9,269	9,076
Social security costs	1,408	697
Share-based payment expenses	824	435
Other pension costs	366	342
	11,867	10,550

A charge of £824,000 (2020: £435,000) 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.

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

	2021 Group Number	2020 Group Number
Executive Directors	3	3
Non-Executive Directors	5	4
Sales, marketing and distribution	69	59
Administration and support	54	46
Production	58	52
	189	164

6. Directors' remuneration

The Directors' remuneration for the year was as follows:

	2021 £'000	2020 £'000
Remuneration	860	1,052
Contributions paid to money purchase schemes	93	93
Directors' gain on share options	3,837	677
	4,790	1,822

The outstanding share options held by Directors at the year end total 800,000 (2020: 1,163,629). See table on page 25 and 26 for details of options and Directors' gains.

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

	2021 Number	2020 Number
Received or were entitled to receive shares under long-term incentive schemes	3	4
Exercised share options	4	1
Accruing benefits under money purchase pension scheme	3	3

In respect of the highest paid Director:

	2021 £'000	2020 £'000
Remuneration	272	273
Company contributions to money purchase pension schemes	38	28
Gain on exercise of options	1,951	677
	2,261	978

During the year the highest paid Director exercised share options.

7. Auditors' remuneration

	2021 £'000	2020 £'000
Audit of these financial statements	190	152
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	87	80
	277	232

Other fees to auditors	2021 £'000	2020 £'000
Taxation compliance services	35	35
	35	35

8. Income tax

Tax charged in the income statement:

	2021 £'000	2020 £'000
Current taxation		
Overseas tax	1,187	1,223
UK corporation tax	133	265
UK corporation tax adjustment to prior periods	(156)	(5)
	1,164	1,483
Deferred tax		
Arising from origination and reversal of temporary differences	(290)	(152)
UK deferred tax adjustment to prior periods	–	286
Tax rate effect	(85)	(78)
	(375)	56
Tax expense in the income statement	789	1,539

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 – higher than the standard rate of corporation tax in the UK) of 19% (2020 – 19%).

The differences are reconciled below:

	2021 £'000	2020 £'000
Profit before tax	3,761	6,639
Corporation tax at standard rate	715	1,261
Adjustment in respect of prior years	(156)	281
Income not taxable	–	(21)
Expenses not deductible for tax purposes	68	23
(Decrease) from effect of patent box	–	(134)
Increase/(decrease) from effect of foreign tax rates	307	342
Tax losses not utilised and other differences	64	–
Remeasurement of deferred tax due to changes in tax rate	(85)	(118)
Enhanced relief on qualifying scientific research expenditure	(124)	(95)
Total tax charge	789	1,539

In May 2021, changes to the tax law were substantively enacted in the UK, including an increase in the corporate tax rate from 19% to 25% from April 2023. This change resulted in a gain of £85,000 related to the remeasurement of deferred tax assets and liabilities (from 19% to 25%) of the Group being recognised during the year ended 30 June 2021.

At 30 June 2021 there were taxable losses in Tristel China of £250,000 (unrecognised deferred tax asset of £47,500) which has not resulted in the recognition of a deferred tax asset as the Group does not have access to utilise these losses.

Current tax liability	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Corporation tax at 30 June	(170)	1,182	(6)	(6)

8. Income tax *continued*

Deferred tax – Group

2021	Asset £'000	Liability £'000	Net deferred tax £'000
Accelerated tax depreciation	–	(136)	(136)
Acquired in business combinations	–	(501)	(501)
Share-based payment	1,730	–	1,730
IFRS 16 transition	75	–	75
	1,805	(637)	1,168

2020	Asset £'000	Liability £'000	Net deferred tax £'000
Accelerated tax depreciation	–	(105)	(105)
Acquired in business combinations	–	(510)	(510)
Share-based payment	1,487	–	1,487
IFRS 16 transition	57	–	57
	1,544	(615)	929

Deferred tax movements during the current year:

	At 1 July 2020 £'000	Recognised in income £'000	Recognised in equity £'000	At 30 June 2021 £'000
Accelerated tax depreciation	(105)	(31)	–	(136)
Recognition of intangibles	(510)	9	–	(501)
IFRS 16 transition	57	18	–	75
Share-based payment	1,487	379	(136)	1,730
Net tax assets/(liabilities)	929	375	(136)	1,168

Deferred tax movements during the prior year:

	At 1 July 2019 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired in business combinations £'000	At 30 June 2020 £'000
Accelerated tax depreciation	(97)	(8)	–	–	(105)
Recognition of intangibles	(453)	78	–	(135)	(510)
IFRS 16 transition	–	–	57	–	57
Share-based payment	709	160	618	–	1,487
Share-based payment prior year	–	(286)	286	–	–
Net tax assets/(liabilities)	159	(56)	961	(135)	929

8. 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 2019	(97)	(453)	709	159	(9)
Arising on acquisition	–	(135)	–	(135)	–
Credited to the income statement for the year	(8)	78	160	230	–
Credited to equity for the year	–	–	675	675	–
Balance at 30 June 2020	(105)	(510)	1,544	929	(9)
Credited to the income statement for the year	(31)	9	397	375	–
Credited to equity for the year	–	–	(136)	(136)	–
Balance at 30 June 2021	(136)	(501)	1,805	1,168	(9)

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

Net deferred tax asset/(liability)	Group £'000	Company £'000
Deferred tax liability	(637)	(9)
Deferred tax asset	1,805	–
Balance at 30 June 2021	1,168	(9)

Net deferred tax asset/(liability)	Group £'000	Company £'000
Deferred tax liability	(615)	(9)
Deferred tax asset	1,544	–
Balance at 30 June 2020	929	(9)

9. Property, plant and equipment

Group	Improvements to property £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Other property, plant and equipment £'000	Total £'000
Cost or valuation					
At 1 July 2019	2,075	103	390	1,717	4,285
Additions	1,205	192	58	315	1,770
Acquired through business combinations	–	–	–	2	2
Disposals	(54)	(1)	(14)	(34)	(103)
Foreign exchange movements	–	–	10	6	16
At 30 June 2020	3,226	294	444	2,006	5,970
At 1 July 2020	3,226	294	444	2,006	5,970
Additions	627	68	93	371	1,159
Disposals	–	(4)	(92)	(4)	(100)
Transfers	(245)	245	–	–	–
Foreign exchange movements	2	(3)	(16)	(10)	(27)
At 30 June 2021	3,610	600	429	2,363	7,002
Depreciation					
At 1 July 2019	1,455	72	200	1,092	2,819
Charge for year	115	42	61	380	598
Eliminated on disposal	(30)	–	–	(17)	(47)
Foreign exchange movements	–	–	7	6	13
At 30 June 2020	1,540	114	268	1,461	3,383
At 1 July 2020	1,540	114	268	1,461	3,383
Charge for the year	167	71	64	289	591
Eliminated on disposal	–	–	(68)	(2)	(70)
Transfers	(16)	16	–	–	–
Foreign exchange movements	(1)	–	(15)	(5)	(21)
At 30 June 2021	1,690	201	249	1,743	3,883
Carrying amount					
At 30 June 2021	1,920	399	180	620	3,119
At 30 June 2020	1,686	180	176	545	2,587
At 1 July 2019	620	31	190	625	1,466

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

9. Property, plant and equipment *continued*

Right of use assets

The Group leases many assets including land and buildings, vehicles and plant and machinery. Information about leases for which the Group is a lessee is presented below.

2021	Property £'000	Vehicles £'000	Office equipment £'000	Total £'000
Balance at 1 July 2020	5,233	66	194	5,493
Additions	515	187	–	702
Depreciation	(644)	(76)	(52)	(772)
Balance at 30 June 2021	5,104	177	142	5,423

	2021 £'000
Property, plant and equipment owned	3,119
Right of use assets, except for investment property	5,423
	8,542

Company

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

10. Lease liabilities

Maturity analysis – contractual undiscounted cash flows	2021 £'000	2020 £'000
Less than one year	808	1,161
One to five years	2,594	2,721
More than five years	3,640	4,213
Total undiscounted lease liabilities at 30 June	7,042	8,095

Lease liabilities included in the statement of financial position at 30 June	2021 £'000	2020 £'000
Current	629	817
Non-current	5,276	5,185
	5,905	6,002

Amounts recognised in profit or loss	2021 £'000	2020 £'000
Interest on lease liabilities	195	165
Amounts recognised in the statement of cashflows		
Total cash outflow for leases	992	779

11. Goodwill

Group Goodwill

Additions to Goodwill in the previous year relate to the acquisition of Tristel Italia Srl, our Italian distributor (see below). The activity is separately identifiable as the operation of Tristel Italia and forms a single cash-generating unit within hospital medical device decontamination. The aim of the acquisition was to gain full control of the Italian market for Tristel products and to shape the strategy for further development of sales, whilst bringing the distributor margin in house.

Management felt that a direct presence in a significant market, such as Italy would facilitate further growth, both in sales and profit before tax. This was considered during the valuation of the CGU and gave rise to the reported goodwill, shown below.

The balance of the acquired goodwill is in respect of Scorcher Idea Limited, formerly Tristel Technologies Limited, AshMed Pty and Tristel Belgium, Tristel France and Tristel Netherlands.

	Goodwill £'000
Cost or valuation	
At 1 July 2019	5,463
Acquired through business combinations	439
Foreign exchange movements	104
At 30 June 2020	6,006
At 1 July 2020	6,006
Foreign exchange movements	(294)
At 30 June 2021	5,712
Impairment	
At 1 July 2019	313
Impairment	67
At 1 July 2020	380
Impairment	67
At 30 June 2021	447
Carrying amount	
At 30 June 2021	5,265
At 30 June 2020	5,626

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 pre-tax weighted average cost of capital which was calculated at 14%. 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 5-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. Cashflows 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. Where sensitivity analysis has been carried out, it has been via the reduction of expected revenue growth rate and increase in expected cost growth rate.

11. Goodwill *continued*

Scorcher Idea Limited

On 30 April 2010 the activities of Scorcher Idea Limited (formerly NTL) were hived over to Tristel Solutions Limited. The relevant revenue lines are now separately identifiable within Hospital medical device decontamination and form a single cash-generating unit within the Group's management reporting. For Scorcher, the rate used to discount the forecast cash flows for goodwill is 14%. With a zero sales growth rate, the net present value of future cashflows exceeds the carrying value of £0.30m by £2.3m. 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.

Ashmed

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 £0.465m and a gain on settlement of the distribution agreement of £0.041m. The separate intangibles were recognised in full along with a deferred tax liability arising on the transaction of £0.242m. The total acquisition related costs amount to £0.059m and were included in Administrative expenses in the Consolidated Income Statement for the year ended 30 June 2017. 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 14%. 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 future cashflows exceeds the carrying value of £1.18m by £4.49m, as such no impairment has been recorded.

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. Each entity is considered to be a separate cash-generating unit. The Group was acquired for a 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 30-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 total goodwill of £4.1m (Belgium £2.2m, France £1.6m and The Netherlands £0.3m). 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. The current value of goodwill is £4.1m.

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 pre-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 14%. Growth rates are based upon industry growth forecasts within the CGU and on recent history and expectations of future changes in the market. Cashflows over five years were considered and beyond this period cashflows were extrapolated using a terminal growth rate of 1% as applied to value in use calculation, which is prudent when compared to the compound annual growth rate in the global infection control market. The net present value of future cashflows for each cash-generating unit exceeds its carrying value (Group total of £6.18m), by £14.80m as such no impairment has been recorded.

Tristel Italia Srl

In July 2019, the Group acquired Tristel Italia Srl, its Italian distributor's business for a total consideration of £0.708m, of which an initial amount of £0.595m was paid in cash. The remaining payment (the 'deferred consideration') is payable in two tranches and is dependant on the sales amounts in financial year 2020 and 2021 exceeding set targets. A payment of £0.036m was made at the end of August 2020 following the successful partial completion of the first tranche.

The transaction gave rise to goodwill of £0.439m. The separate intangibles were recognised in full along with a deferred tax liability of £0.135m. The previous 20% holding was fair valued upon acquisition of the remaining 80% and an increase in the investment of £0.111m was recognised through profit and loss. The total acquisition related costs amount to £0.060m and were included in Administrative expenses in the Consolidated Income Statement for the year ended 30 June 2020.

11. Goodwill *continued*

For Tristel Italia, 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 pre-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 14%. Growth rates are based upon industry growth forecasts within the CGU and on recent history and expectations of future changes in the market. Cashflows over five years were considered and beyond this period cashflows 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 future cashflows exceeds the carrying value of £0.96m by £2.27m, as such no impairment has been recorded.

Company
The Company has no goodwill.

12. Intangible assets

Group	Patents, licences and proprietary technology £'000	Customer and supplier relationships £'000	Computer software and website £'000	Development of marketable products £'000	Total £'000
Cost or valuation					
At 1 July 2019	5,856	2,790	595	5,003	14,244
Additions	93	–	88	429	610
Acquired through business combinations	–	569	–	–	569
Foreign exchange movements	3	55	–	–	58
At 30 June 2020	5,952	3,414	683	5,432	15,481
At 1 July 2020	5,952	3,414	683	5,432	15,481
Additions	113	–	119	376	608
Foreign exchange movements	–	(170)	–	–	(170)
At 30 June 2021	6,065	3,244	802	5,808	15,919
Amortisation					
At 1 July 2019	2,346	642	200	3,463	6,651
Amortisation charge	416	299	144	342	1,201
Foreign exchange movements	–	5	–	–	5
At 30 June 2020	2,762	946	344	3,805	7,857
At 1 July 2020	2,762	946	344	3,805	7,857
Amortisation charge	466	314	172	431	1,383
Foreign exchange movements	–	(25)	–	–	(25)
At 30 June 2021	3,228	1,235	516	4,236	9,215
Carrying amount					
At 30 June 2021	2,837	2,009	286	1,572	6,704
At 30 June 2020	3,190	2,468	339	1,627	7,624

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 14%. 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 reduction of expected revenue growth rate and increase in expected cost growth rate.

The Directors believe that there have been no impairment indicators during the year to 30 June 2021.

Notes to the Financial Statements for the year ended 30 June 2021

continued

12. Intangible assets *continued*

Company	Patents, licences and proprietary technology £'000	Total £'000
Cost		
At 30 June 2019	5,294	5,294
Additions	133	133
At 30 June 2020	5,427	5,427
Additions	106	106
At 30 June 2021	5,533	5,533
Amortisation		
At 30 June 2019	2,032	2,032
Charge for year	402	402
At 30 June 2020	2,434	2,434
Charge for year	454	454
At 30 June 2021	2,888	2,888
Net book value		
30 June 2021	2,645	2,645
30 June 2020	2,993	2,993

13. Investments

Group	2021 £'000	2020 £'000
At 1 July	807	807
Movement in fair value investment	(807)	–
At 30 June	–	807

The Directors have taken the decision to reduce the fair value of the investment in MobileODT to zero for the year to 30 June 2021. The decrease in the fair value of the investment was recorded through profit and loss. This outcome is based upon an unsuccessful bid to sell the business, a lack of investors willing to fundraise further and limited cash resource in the business.

	Principal activity	Registered office	2021 Proportion of ownership interest and voting rights held	2020 Proportion of ownership interest and 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 2021 are detailed below:

Name of subsidiary	Principal activity	Country of registration	2021 Proportion of ownership interest and voting rights	2020 Proportion of ownership interest and voting rights
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%
Tristel Italia srl * (15)	Supply of infection control products	Italy	100%	20%
Tristel Malaysia SDNBHD * (16)	Supply of infection control products	Malaysia	100%	–
Tristel Ireland Limited (17)	Dormant	Ireland	100%	–

* indicates direct investment of the Company

** Management considers that control is held as use of the intellecual property (IP) owned by the entity is restricted by Tristel plc. See below for the total net assets of the Company.

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
(15) Centro Colleoni - Palazzo Astrolabio - 20864 Agrate Brianza
(16) Unit A-25-3A, Tower A, Pinnacle Petaling Jaya, Selangor D.E
(17) Fieldfisher LLP, Suite 508 the Capel Building, Mary's Abbey, Dublin, D07 N4c6

13. Investments *continued*

Medichem International Limited	2021 £'000	2020 £'000
Assets	18	18
Liabilities	4	4
Net assets	14	14
Group's share in %	50	50
Group's share in Medichem International Limited	7	7

Company	Shares in Group undertakings and associate £'000	Other investments £'000	Total £'000
Cost			
At 30 June 2019	10,950	807	11,757
Capital contributions as a result of share-based payments	435	–	435
Investment in Tristel Italia srl	885	–	885
At 30 June 2020	12,270	807	13,077
Capital contributions as a result of share-based payments	451	–	451
Movement in fair value asset	–	(807)	(807)
At 30 June 2021	12,721	–	12,721
Impairment			
At 30 June 2019	433	–	433
Movement in the year	–	–	–
At 30 June 2020	433	–	433
Movement in the year	–	–	–
At 30 June 2021	433	–	433
Net book value			
30 June 2021	12,288	–	12,288
30 June 2020	11,837	807	12,644

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 £451,000 (2020: £435,000).

14. Inventories

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Raw materials and consumables	2,503	1,922	–	–
Finished goods	1,763	2,697	–	–
	4,266	4,619	–	–

Included in the above is a stock provision of £116,000 (2020: 6,000) held in respect of both raw materials and finished goods.

15. Trade and other receivables

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Trade receivables	3,804	4,746	–	–
Provision for impairment of trade receivables	(24)	(19)	–	–
Net trade receivables	3,780	4,727	–	–
Receivables from related parties	–	–	4,281	4,065
Prepayments	1,333	1,199	121	35
Other receivables	142	496	6	94
	5,255	6,422	4,408	4,194

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

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

Current	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Impairment provision brought forward	(19)	(27)	–	–
Decrease/(increase) in provision	(5)	8	–	–
Impairment provision carried forward	(24)	(19)	–	–

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. There is minimum risk and no history of credit losses with related parties.

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

In the other revenue sector, the distribution model means that the debt is allocated amongst multiple customers, thereby reducing the credit risk. Credit risk is predominantly within the hospital medical device and environmental surface disinfection segments.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for all customers as at 30 June 2021:

Grade	Internal credit rating	Weighted average loss rate %	Gross carrying amount £'000	Impairment loss allowance £'000
Low risk	AAA-A	0%	3,243	–
Fair risk	BBB-B	0%	398	–
Substandard	CCC	0%	58	–
Doubtful	CC-C	0%	39	–
Loss	D	45%	53	24
			3,791	24

Loss rates are calculated with reference to the probability of a receivable being written off based on credit risk characteristics such as geographic location.

The trade and other receivables classified as financial instruments are disclosed in note 22. The Company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is also disclosed in the financial risk review note.

16. Cash and cash equivalents

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Cash at bank	8,094	6,212	412	598

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	2021 Number '000	2021 £'000	2020 Number '000	2020 £'000
Ordinary of £0.01 each	47,094	470.94	45,297	452.97

	Number	£'000
30 June 2020	45,296,533	453
Issued during the year	1,797,910	18
30 June 2021	47,094,443	471

1,797,910 ordinary shares of 1 pence each, related to the exercise of 1,797,910 share options issued during the year (2020: 733,210). The weighted average exercise price was 51.00 pence (2020: 107.56p).

18. 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 £366,000 (2020: £342,000), with £37,000 (2020: £32,000) outstanding at the year end.

19. Trade and other payables

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Trade payables	1,428	2,198	18	72
Accruals	1,134	1,794	175	127
Social security and other taxes	583	237	3	–
Other payables	331	443	–	112
	3,476	4,672	196	311

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.

20. Dividends

Amounts recognised as distributions to equity holders in the year:

Ordinary shares of 1p each	2021 £'000	2020 £'000
Final dividend for the year ended 30 June 2020 of 3.84p (2019: 3.50p) per share	1,785	1,562
Interim dividend for the year ended 30 June 2021 of 2.62p (2020: 2.34p) per share	1,232	1,059
	3,017	2,621
Proposed final dividend for the year ended 30 June 2021 of 3.93p (2020: 3.84p) per share	1,851	1,737
Company		
Dividend received from subsidiaries	(4,332)	(3,759)

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.

21. Earnings per share

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

	2021 £'000	2020 £'000
Retained profit for the financial year attributable to equity holders of the parent	2,972	5,100

	Shares Number '000	Shares Number '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	46,539	44,831
Share options	494	2,033
	47,033	46,864
Earnings per ordinary share		
Basic	6.39p	11.38p
Diluted	6.32p	10.88p

A total of 260,000 options of ordinary shares were anti-dilutive at 30 June 2021 (130,000 at 30 June 2020). The Group also presents an adjusted basic earnings per share figure which excludes the share-based payments charge:

	2021 £'000	2020 £'000
Retained profit for the financial year attributable to equity holders of the parent	2,972	5,100
Adjustments		
Share-based payments	824	435
Net adjustments	824	435
Adjusted earnings	3,796	5,535
Adjusted basic earnings per ordinary share	8.16p	12.35p

22. 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.

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:

	2021 Group carrying amount £'000	2020 Group carrying amount £'000	2021 Company carrying amount £'000	2020 Company carrying amount £'000
Cash and cash equivalents	8,094	6,212	412	598
Trade and other receivables excluding prepayments and VAT	3,922	5,099	4,287	4,075
	12,016	11,311	4,699	4,673

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

	2021 Group carrying amount £'000	2020 Group carrying amount £'000	2021 Company carrying amount £'000	2020 Company carrying amount £'000
United Kingdom	2,497	3,385	4,287	4,075
Rest of the World	1,425	1,714	–	–
	3,922	5,099	4,287	4,075

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £24,000 (2020: £19,000) have been provided against but no other receivables were considered to be impaired.

22. 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	2021 £'000	2020 £'000
Not past due	2,452	2,481
Past due 0-30 days	995	1,074
Past due 31-120 days	363	1,544
Past due 120 days +	112	–
	3,922	5,099

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 2021					
Non-derivative financial liabilities					
Trade and other payables (excluding taxes)	2,893	2,893	2,893	–	–
	2,893	2,893	2,893	–	–
30 June 2020					
Non-derivative financial liabilities					
Other payables – contingent liability	112	112	–	–	112
Trade and other payables (excluding taxes)	4,323	4,323	4,323	–	–
	4,435	4,435	4,323	–	112

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 2021					
Non-derivative financial liabilities					
Trade and other payables (excluding taxes)	196	196	196	–	–
	196	196	196	–	–
30 June 2020					
Non-derivative financial liabilities					
Other payables – contingent liability	112	112	–	–	112
Trade and other payables (excluding taxes)	199	199	199	–	–
	311	311	199	–	112

Notes to the Financial Statements for the year ended 30 June 2021

continued

22. 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:

Non-current assets: assets held at fair value through profit and loss	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Mobile ODT	–	807	–	807
	–	807	–	807

Current assets: loans and receivables at amortised cost	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Cash and cash equivalents	8,094	6,212	412	598
Trade and other receivables	3,922	5,099	4,287	4,075
	12,016	11,311	4,699	4,673

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

Current liabilities	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Contingent liability	–	112	–	112
Trade and other payables	2,893	4,323	196	199
	2,893	4,435	196	311

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 2021, the average interest rate earned on the temporary closing balances was 0.1% (2020: 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 £4k within these financial statements, shown on page 63 within note 4. This balance consists of an £2k profit originating upon the translation of overseas profits and a £2k profit 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 risk 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.

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

Capital risk management *continued*

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

Capital for the period is summarised as follows:

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Total equity	30,083	28,463	19,554	20,115
Cash and cash equivalents	(8,094)	(6,212)	(412)	(598)
Capital	21,989	22,251	19,142	19,517
Total equity	30,083	28,463	19,554	20,115
Borrowings	5,905	6,002	–	–
Overall financing	35,988	34,465	19,554	20,115
Capital to overall financing ratio	0.6110	0.6456	0.9789	0.9703

23. Share-based payments

During the year ended 30 June 2021 the Group had 113 share-based payment arrangements, under four schemes. Grants in the year are detailed below:

	General Employee Scheme	Executive Directors Scheme	General Employee Scheme
Grant date	18-Oct-20	04-Jan-21	22-Feb-21
Vesting period ends	18-Oct-20	30-Jun-24	22-Feb-21
Share price at date of grant	500.00p	533.00p	618.00p
Volatility	42.30%	45.00%	41.71%
Option life	10 years	3 years	10 years
Expected dividend yield	1.45%	1.16%	1.45%
Risk free investment rate	0.10%	0.11%	0.10%
Fair value at grant date	1.300p	5.110p/2.867p	1.584p
Exercise price at date of grant	500.00p	1.00p	618.00p

The Executive Director 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. The extent to which one half of the Ordinary shares comprising each option may vest will be dependent on the Company's (TSL) adjusted profit before tax for the financial year ending 30 June 2024. The fair value of these options at grant date of 2.867p has been calculated using the Black Scholes method. The extent to which the other half of the Ordinary shares comprising each option may vest will be dependent on the Company's (TSL) share price growth performance from the average share price over the period 19 October 2020 to (and including) 13 December (the 'base price') to the average share price over the last three months of the financial year to 30 June 2024. The fair value of these options at grant date of 5.110p has been calculated using the Monte Carlo method. 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.

23. Share-based payments *continued*

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 employment of the Company the option is forfeited.

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

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

Fair values for the share option schemes have been determined using the Black-Scholes model, except for the Executive Director Scheme, where fair values have been calculated via the Monte Carlo method.

A reconciliation of option movements over the year to 30 June 2021 is shown below:

	Executive Director 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 2019	–	–	716,220	1.00p	990,000	1.00p	1,116,950	194.75p
Granted	–	–	–	–	–	–	410,000	330.50p
Exercised	–	–	(219,210)	1.00p	–	–	(475,500)	229.68p
Outstanding at 30 June 2020	–	–	497,010	1.00p	990,000	1.00p	1,051,450	259.50p
Granted	800,000	1.00p	–	–	–	–	320,000	543.88p
Exercised	–	–	(492,010)	1.00p	(990,000)	1.00p	(312,900)	286.03p
Outstanding at 30 June 2021	800,000	1.00p	5,000	1.00p	–	–	1,058,550	319.02p
Exercisable at 30 June 2020	–	–	–	–	–	–	1,051,450	259.50p
Exercisable at 30 June 2021	–	–	5,000	1.00p	–	–	1,058,550	319.02p

The total charge at 30 June 2021 relating to employee share-based payment plans, in accordance with IFRS 2, was £824,000 (2020: £435,000) all of which related to equity-settled share-based payment transactions.

The range of exercise prices for the General Employee Scheme options outstanding at the end of the period is 53.75p and 617.00p. The majority of the options are held between 150.00p and 617.00p. The weighted average of the remaining contractual life of options at the end of the period is seven years.

24. Related party transactions

All amounts quoted are gross of VAT.

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 £355,000 were payable (2020: £567,000). At 30 June 2021, the Group owed Manor Packaging Limited £41,000 (2020: £108,000).

Transactions between the Group and Bart Leemans
During the year, the Group paid £36,000 (2020: £15,000) for warehouse space owned by Vicella, a management company owned by Bart Leemans, an Executive Director in the Company. At 30 June 2021, the Group owed Vicella £36,000 (2020: £15,000). Bart Leemans was remunerated for his services as Director through Vicella for the amounts as shown in the Directors remuneration report on page 24.

Transactions between the parent company and subsidiaries
During the year, the parent company, Tristel plc had various expenses paid for on its behalf by its subsidiaries. These are detailed below including the balances outstanding at the year end. The parent company received dividends from its subsidiaries during the year, these are disclosed in total on the face of the parent company balance sheet on page 46.

Subsidiary	Transaction type	2021 £	Outstanding at year end £
Tristel New Zealand	Services and assets	56,443	56,443
Tristel Solutions	Services and expenses	55,452	55,452

Other transactions with Directors
Dividends were paid to Directors as follows:

	2021 £	2020 £
Paul Swinney	44,696	27,823
Elizabeth Dixon	15,655	2,628
Paul Barnes	–	21,029
David Orr	3,255	1,646
Bart Leemans	61,669	55,750

Key management personnel
Key management compensation:

	2021 £'000	2020 £'000
Salaries and other short term employee benefits	1,395	1,840
Post-employment benefits	125	71
Share-based payments	399	120
	1,919	2,031

The key management figures given above includes Directors.

TRISTEL PLC

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