

**Tristel Plc**  
**Annual Report and Consolidated Financial Statements**  
**for the Year Ended 30 June 2022**

## **Tristel Plc**

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## **Tristel Plc**

### **Company Information**

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**Strategic Report for the Year Ended 30 June 2022**

**The Group**

The Company's core business is the sale to hospitals of its proprietary chlorine dioxide chemistry used for the decontamination of medical devices under the [Tristel](#) brand, and for the sporicidal disinfection of environmental surfaces under the [Cache](#) brand.

**Chairman's Statement**

**Strategy and growth**

The past three years have been impacted by Brexit and COVID-19 and the year ended 30 June 2022 was further affected by our response to these external forces, which was to rationalise our product range to focus solely on the hospital market. With Brexit behind us, the effects of COVID-19 receding, and the rationalisation decisively concluded during the year, we have entered the current financial year with a clear line of sight to resumption of consistent revenue and profits growth which we have achieved in the past.

I will speak to each of these events and how we now assess them:

Brexit impacted us by disrupting the normal steady buying patterns of hospitals in the United Kingdom, which is our largest geographical market, representing 35% of global sales in 2022. The UK healthcare system is dominated by the National Health Service which itself concentrates most of its procurement through one agency, the NHS Supply Chain.

On several occasions between 2019 and 2021 the NHS Supply Chain, at the Government's direction, stockpiled hospital consumables to safeguard against potential disruption to supply. The last occasion was in the first half of FY21 when approximately £0.9m of our products were purchased and held in strategic storage locations. This inventory was released to hospitals during the first half of FY22 which meant that our UK sales in FY22 were reduced by the same value. All these reserve inventories were released into the NHS system and used by UK hospitals by 30 June 2022, and we have entered the current financial year with a stable, predictable order pattern from our largest UK customer.

COVID-19 impacted global healthcare in a series of waves each of which reduced, to differing degrees in different countries, the provision of diagnostic examinations to patients. These examinations include ultrasound scans and endoscopies, the procedures where our products are primarily used. The reasons for the reduction in service levels were numerous: diversion of staff and beds to COVID patients; reduced access to hospitals; lower productivity because of the use of PPE and increased cleaning standards; the introduction of strict waiting room management protocols, and staff shortages in large part attributable to COVID sick absence. Staff shortages in hospitals worldwide is a continuing legacy of the pandemic.

During the second half of the year, a marked increase in service levels became apparent in all 14 countries in which we operate directly. Our Group's revenue performance in the second half showed a marked improvement over the first half, and also the second half of the previous year (H1 2022 £15.1m H2 2022 £16m vs H1 2021 £16.7m H2 2021 £14.3m.) We are confident that there is still a significant improvement in demand ahead of us as the global recovery in the provision of diagnostic services is far from complete.

The combination of Brexit and COVID-19 and their impact upon the business caused us to take a hard look at our product range during the final months of FY21. We had two portfolio brands – Crystel and Anistel – which were used in two different markets: clean room and personal care product manufacture (Crystel) and veterinary (Anistel). Both product ranges were UK focused, were largely based upon chemistries other than our proprietary chlorine dioxide, and sales were in decline. We concluded that the beginning of the year was the right time to focus on the hospital market with our product portfolio brands – Tristel and Cache – and ensure we had the rationalisation project completed during FY22.

The rationalisation was committed to at the end of FY21, largely completed by 31 December 2021, and wrapped up in the second half of FY22. The discontinued products generated revenue in FY22 of £1.5m and after all associated overheads, write-off of

## Strategic Report for the Year Ended 30 June 2022 (continued)

redundant inventory and internal reorganisation costs, they made a neutral profit contribution to the year. An impairment charge of £2.4m was recorded as all license rights, IP, and intangibles associated with the products were written down in their entirety.

### Group Revenue Breakdown

£m	2020-2021	2021-2022	Percentage change
Continuing products	28.6	29.6	+3%
Discontinued products	2.4	1.5	-38%
<b>Group Revenue from all products</b>	<b>31.0</b>	<b>31.1</b>	<b>+0%</b>

In conclusion, we have entered the current financial year with the impact of Brexit behind us, with the impact of the pandemic receding, and a more sharply focused business.

### Regulatory, business systems and investing in growth

As we noted last year, the regulatory environment in which we are operating is becoming ever more complicated and demanding.

In Europe, CE marking is required for medical device disinfectants. Post Brexit, the UK introduced UKCA Marking Certification, which came into effect on 1 January 2021, although CE marking will continue to be recognised in the UK until the end of 2022. From the beginning of 2023 only products with UKCA marking will be accepted in Great Britain.

In Europe, surface disinfectants must be approved under the Biocidal Products Regulation (BPR). Post-Brexit, the UK has mirrored the European BPR process with the GBBPR and will at some stage in the future create its own version of it.

The consequence of these developments is that we have to comply with parallel and sometimes competing regulatory frameworks where previously there was only one. Compliance can only be achieved by increasing overhead to attract the best Quality Assurance and Regulatory Affairs people in a highly competitive market for such skills. This is one cause of the upwards pressure on our business costs.

We continue to invest in the most appropriate systems for a business of our size and complexity. The organisation is deeply committed to a digital transformation programme across all facets of our operation. Equally, we invest heavily in our IT and cyber security infrastructure increasing spend to £0.8m in 2022 from £0.5m in the previous year.

### Overseas expansion

We continue to expand our global footprint through a combination of establishing our own subsidiaries and the appointment of national distributors. In April 2022 we took over the customer base built up by a distributor who had worked with us in Singapore for many years, and established a subsidiary with our own sales force.

In North America we made our De Novo submission to the FDA for Duo ULT in June 2022. We expect to receive a decision from the agency during the current financial year. With respect to the EPA approval that we received in June 2021, we re-started the state-by-state registration process during FY22 and will launch the product together with our USA partner Parker Laboratories at a series of ultrasound conferences during this Autumn. In Canada, we are launching Duo OPH for ophthalmic devices also in the Autumn of 2022.

**Strategic Report for the Year Ended 30 June 2022 (continued)**

**Our people**

I would like to thank our employees for their commitment throughout the year. There were plenty of difficulties to overcome from many directions, on top of which we tackled the largest product re-organisation we have ever undertaken.

I spoke in last year's Annual Report about our team being match fit for the better times ahead. Whilst these better times were slow to arrive, the team stuck patiently to the task, and delivered a great performance during the year.

**Results**

Our gross profit margin remained steady at 79% (2021: 80%). Overheads (excluding share-based payments, depreciation, amortisation and impairment) rose by 6% from £16.4m to £17.4m, principally due to the increase in headcount from 189 to 199. The associated increase in wages and salaries of £0.7m (excluding share-based payments) was partially offset by a reduction in travel and the number of medical conferences at which we exhibited.

Adjusted pre-tax profit (before share-based payments of £0.6m and the impairment charge of £2.4m) fell 17% from £5.4m to £4.5m. Unadjusted pre-tax profit (after share-based payment and the impairment charge) fell 60% from £3.8m to £1.5m. The adjusted pre-tax profit margin was 15% (2021: 17%) and the unadjusted margin was 5% (2021:12%).

Earnings per share (EPS) (adjusted for the add-back of the share-based payment charge, impairment of intangible assets and fair value movements on investments) was 8.40 pence. (2021 restated: 11.36 pence). Basic EPS was 1.96 pence (2021 restated: 7.86 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 2022 was £8.9m (2021: £8.1m).

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 and 2022, 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 (2021: 3.93 pence), reducing the dividend cover to 0.88 times from the standard 2 times. This final dividend will be paid to shareholders on the register on 18 November and the associated ex-dividend date is 17 November 2022.

**Outlook**

We are confident that we are going to resume the steady upward growth trajectory that characterised our financial performance over the fifteen-year period that followed our IPO in 2005 and ended with the pandemic. We can deliver this from our existing global footprint and our focus on the hospital market.

With the USA EPA approval and the Health Canada approval for Duo OPH – both of which we have – and hopefully an FDA approval for Duo ULT during FY23, we will be doing business in North America for the first time in our history. This will represent a step change in the growth possibilities for the Company.

**Dr Bruno Holthof**  
**Non Executive Chair**  
**24 October 2022**

## Strategic Report for the Year Ended 30 June 2022 (continued)

### Chief Executive's Report

#### Overview

The year ended 30 June 2022 was encouraging for the Group. The highlights were:

- The stockpiling by the NHS Supply Chain in the first half of FY21 unwound during the first half of FY22, and the second half of FY22 revealed the true level of demand from UK hospitals for our core products. Second half UK revenue of our core products was £5.7m compared to £3.9m in the first half. NHS stocking and de-stocking due to Brexit was purely a UK phenomenon, but with the UK accounting for 35% of Group sales, it had a material negative impact on the Group in the year.
- The effects of COVID were clearly receding by year-end and have continued to abate in the current financial year.
- The product range rationalisation was successfully executed during the year.

#### Financial targets

In October 2019 we set a financial plan for the three years to 30 June 2022. The three key financial targets of the plan were:

- sales growth in the range of 10% to 15% per annum as an annual average over the three years;
- the achievement in each year of an EBITDA margin (excluding share-based payment charge) of at least 25%, and
- to increase profit before tax (excluding share-based payments) year-on-year, independently of the other two targets.

These financial targets were set before the COVID-19 pandemic and the disruption to NHS purchasing patterns caused by Brexit. Although the past three years have been challenging, the business is now in a much stronger position and the Company is proud of its achievements over the period. For transparency, our performance against the targets set in 2019 has been:

Financial year	Revenue £m	Annual revenue growth	Average revenue growth	Adjusted EBITDA margin %	Increase in profit before tax (excluding SBP charge)
Ended 30.06.19 (base year)	26.2	-	-	-	-
Ended 30.6.20	31.7	21.0%	21.0%	30.9%	Yes
Ended 30.6.21 - restated	31.0	-2.2%	9.4%	27.1%	No
Ended 30.6.22	31.1	0.3%	6.4%	24.0%	No

We have re-set targets for the coming three years to FY25. They are:

- sales growth in the range of 10% to 15% per annum as an annual average over the three years;
- the achievement in each year of an EBITDA margin (excluding share-based payment charge) of at least 25%.

#### Our marketplace and technology

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, of which we have a proprietary formulation.

**Strategic Report for the Year Ended 30 June 2022 (continued)**

Our mission is most relevant to hospitals where the risk of transmission of infection between individuals is 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.

Our strategy focusses upon our proprietary chlorine dioxide chemistry and two principal applications for it: first, the high-level disinfection of medical devices under the Tristel brand (accounting for 85% of continuing product revenues in the year); and second, the disinfection of surfaces in hospitals under the Cache brand (accounting for 10% of continuing product revenues in the year). 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.

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: nasendoscopes used in Ear, Nose and Throat departments; laryngoscope blades 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 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 a legacy of COVID-19 will 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 segment our business to reflect our corporate strategy. 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.

The other segment, which we regard as non-core, represents a much-reduced number of products that were not discontinued in our rationalisation programme, and whose remaining product life span is relatively short.



**Strategic Report for the Year Ended 30 June 2022 (continued)**

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

£m	Brand	Revenue 2020-21	% of total	Revenue 2021-22	% of total
Medical device decontamination in hospitals	<i>Tristel</i>	24.0	77%	25.4	82%
Environmental surface disinfection in hospitals	<i>Cache</i>	4.0	13%	3.2	10%
Other – non-core	Various	0.6	2%	1.0	3%
Continuing products		28.6	92%	29.6	95%
Discontinued products	Various	2.4	8%	1.5	5%
<b>Group</b>		<b>31.0</b>	<b>100%</b>	<b>31.1</b>	<b>100%</b>

**Revenue by channel**

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:

	2020-21 Revenue	2021-22 Revenue	Year-on-Year change	Percentage change
<b>Hospital medical device decontamination: Tristel</b>				
EMEA direct	17.2	18.1	0.9	+5%
APAC direct	5.0	5.3	0.3	+6%
Worldwide distributors	1.8	2.0	0.2	+11%
<b>Tristel global</b>	<b>24.0</b>	<b>25.4</b>	<b>1.4</b>	<b>+6%</b>
<b>Hospital environmental surface disinfection: Cache</b>				
EMEA direct	2.3	2.5	0.2	9%
APAC direct	0.7	0.5	-0.2	-29%
Worldwide distributors	1.0	0.2	-0.8	-80%
<b>Cache global</b>	<b>4.0</b>	<b>3.2</b>	<b>-0.8</b>	<b>-20%</b>
Other revenue: various brands	0.6	1.0	0.4	67%
<b>Continuing products</b>	<b>28.6</b>	<b>29.6</b>	<b>1.0</b>	<b>3%</b>
<b>Discontinued products</b>	<b>2.4</b>	<b>1.5</b>	<b>-0.9</b>	<b>-38%</b>
<b>Group</b>	<b>31.0</b>	<b>31.1</b>	<b>0.1</b>	<b>0%</b>

## Strategic Report for the Year Ended 30 June 2022 (continued)

### Revenue by geography

The proportion of our revenue generated in overseas markets continued to increase and reached 65%. The history over the previous five years is shown in the table below.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Revenue split %</b>						
UK	53%	49%	45%	40%	37%	35%
Overseas	47%	51%	55%	60%	63%	65%
<b>Annual revenue growth %</b>						
UK	3%	2%	9%	7%	-10%	-3%
Overseas	43%	19%	26%	32%	3%	2%

We have fourteen subsidiaries selling directly into the hospital marketplace in the United Kingdom, Belgium, the Netherlands, France, Italy, Germany, Switzerland, Poland, Hong Kong, China, Malaysia, Singapore, Australia, and New Zealand. We have subsidiaries in the United States, Japan, India, and Ireland which are not yet active in terms of selling. We closed our Russian subsidiary early in the current financial year.

During the year, in another nineteen countries, we sold products 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 1990's 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 21 approvals for 16 products in 5 countries during the year.

#### *Intellectual property protection*

On 30 June 2022, we held 137 patents granted in 33 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 have entered the public domain, via a number of peer-reviewed and published papers,
3. The certification by medical device manufacturers that our chemistry is compatible with their products. We enjoy official compatibility with the instrumentation of 56 medical device manufacturer, with respect to 1,449 of their individual models.

**Strategic Report for the Year Ended 30 June 2022 (continued)**

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**

*Health Canada*

In FY 21 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. Early in the current financial year we entered into a distribution agreement with Medical Ophthalmics Inc., Toronto for Duo OPH.

*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 received the third approval in FY21, which expands the product's efficacy claims to include mycobacteria, with all efficacy claims are within a contact time of two minutes. We recommenced the State-by-State registration programme during FY22, and we expect all registrations to be granted by 31 March 2023.

In September 2022 we announced that DUO has been launched in the United States through the Company's distribution partner Parker Laboratories Inc. at three conferences and trade shows.

*United States Food and Drug Administration (FDA)*

After more than five years of data generation, we lodged our De Novo submission for the high-level disinfectant Duo ULT with the FDA in June 2022. Our best intelligence is that De Novo submissions are typically decided upon by the Agency within twelve months.

**Outlook**

We have set objectives which are visible to everyone inside the Group, and we make them equally visible to all other stakeholders. The new financial year has started strongly with first quarter sales up 20% on the prior year – a sales run rate of £34m. We look forward to meeting these objectives and continuing the progress of the Group. We look to the future with confidence as Tristel continues to grow and expand its geographical reach.

**Paul Swinney**

**Chief Executive Officer**

**24 October 2022**

**Strategic Report for the Year Ended 30 June 2022 (continued)**

**Fair review of the business**

Sales for the year to 30 June 2022 remained stable at £31.1m. Sales in the United Kingdom fell by 2% and overseas grew by 2%. COVID-19 continued to periodically impact hospital service levels in many of the countries in which our products are used. In the first half of the year the final effects of Brexit were felt, as the UK's NHS Supply Chain released to hospital customers the previously stockpiled inventory.

During FY22, a number of non-core low margin products with declining sales were discontinued. The continuing product portfolio is designed for use in the healthcare setting, and centres around our proprietary products. We take into FY23 a smaller and simpler product portfolio, with a clear focus upon the hospital marketplace, with Brexit and (we hope) the worst of the COVID-19 finally behind us.

**Share-based payments**

The non-cash IFRS2 charge (share-based payment charge) for the year was £0.6m (2021: £0.8m). The 2022 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 22.

**Administrative expenses**

Administrative expenses increased by 6% during the year. Group headcount rose from 189 to 199 which increased wages and salary costs from £9.3m to £10m, an increase of £0.7m, or 8% (excluding the share-based payment charge, social security and pension costs).

Our employees are distributed around the globe as follows: 123 in the United Kingdom (2021: 117); 38 in Europe (2021: 36); and 38 in the Asia and Pacific region (2021: 36). All manufacturing takes place in the United Kingdom together with central corporate functions such as Quality Assurance, Regulatory Affairs, Product Development and Research.

The pandemic continued to curtail travel between our overseas offices and our manufacturing facility in the United Kingdom, and we cancelled international conferences. Travel costs remained low at £0.3m (£0.2m in the prior year).

Presenting our products at national and international medical conferences is our principal marketing activity and COVID-19 continued to result 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 to £0.5m.

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

Adjusted EBITDA (before share-based payment charge and impairments/fair value movements) decreased by 11% in the year to £7.5m (2021: £8.4m).

Unadjusted EBITDA increased by 1% for the year to £6.9m (2021: £6.8m).

The calculation of adjusted and unadjusted EBITDA is detailed in note 24.

**Profit before tax (adjusted and unadjusted)**

The combination of steady sales and an increase in costs has resulted in a decrease in profit. Profit before tax (adjusted for share-based payment charge and impairment / fair value movements) was £4.5m (2021: £5.4m), down by 17%. Unadjusted profit before tax decreased by 60% to £1.5m from £3.8m. Adjusted pre-tax profit margin was 15% (2021: 17%). Unadjusted pre-tax profit margin was 5% (2021: 12%).

**Strategic Report for the Year Ended 30 June 2022 (continued)**

**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 EPS and dividends were:

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
2022	8.40	2.62	3.93	3.00	9.55	0.88 times
2021 - restated	11.36	2.62	3.93	None	6.55	1.75 times
2020	12.35	2.34	3.84	None	6.18	2 times

The relationship between ordinary dividends and adjusted EPS can 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	Date announced	Date approved	Approximate payment date
Ordinary interim	Declared February	The Board February	April
Ordinary final	Recommended October	AGM by shareholders December	December
Special	Declared July 2022	The Board May 2022	August 2022

**Strategic Report for the Year Ended 30 June 2022 (continued)****Cash flow**

During the year, net cash flow from operating activities decreased to £5.553m. The components of the movement are:

£000's	Year ended 30 June 2022	Year ended 30 June 2021	Movement
Profit before tax	1,495	3,761	(2,266)
Share based payment expense	596	824	(228)
Depreciation and amortisation	2,710	2,746	(36)
Impairment charges and loss on disposal of intangible assets and goodwill	2,506	67	2,439
Loss on movement in fair value asset	-	807	(807)
Loss on disposal of plant, property and equipment	20	73	(53)
Finance costs	1	(1)	2
Working capital movements	(1,003)	324	(1,327)
Taxation	(772)	(1,925)	1,153
<b>Net cash flow from operating activities</b>	<b>5,553</b>	<b>6,676</b>	<b>(1,123)</b>

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 increases in trade and other receivables of £0.6m and an increase in stock holding.

## Strategic Report for the Year Ended 30 June 2022 (continued)

## Financial key performance indicators (KPI's)

The Board considers the primary financial KPIs to be:

	Total Revenue Growth	Non-UK Revenue as a Percentage of Total Revenue	Gross Profit Margin	Adjusted Pre-tax Profit Growth	Adjusted PBT Margin	Adjusted Basic Earnings per Share (EPS)	Return on capital employed
Measurement	Change in the current year revenue compared with the previous year.	The ratio of non-UK revenue to total revenue.	The ratio of gross profit to revenue.	The year on year increase in adjusted profit before tax (see note 24.)	The ratio of adjusted pre-tax profit to revenue (see note 24.)	Profit after tax, adjusted for share based payments, impairment of intangible assets and fair value movements in investments divided by the weighted average number of shares in issue during the period (see note 21.)	The ratio of EBIT to the sum of total assets less current liabilities (see note 24.)
Why is this important	To meet the strategic objective of delivering long term sustainable growth in EPS, consistent revenue growth must be achieved.	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.	Gross margin is a primary indicator of business performance and market competitiveness. A movement in gross margin generally reflects a change in the product mix, market pricing, or both.	The 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.	A movement in PBT margin indicates changes in profitability.	Adjusted Basic EPS is a widely used measures of Company performance. Adjusted Basic EPS forms the basis of the Group's current dividend policy and adjusted Basic EPS growth will translate directly into dividend growth.	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
Financial key performance indicator for 2021-22	0.3%	65%	79%	(16)%	15%	8.40 pence	5%
Financial key performance indicator for 2020-21	(2)%	63%	80%	(24)%	17%	11.36 pence (restated)	11%

**Strategic Report for the Year Ended 30 June 2022 (continued)**

**Financial key performance indicators (KPI's) (continued)**

In addition to financial KPIs, the Board measures and monitors various non-financial KPIs, including the maintenance of the Group's quality management system (QMS) and its certification required for the design, manufacture and sale of medical devices. The Group is regularly audited by its Notified Body. The level of success of these audits is measured by the number of major non-conformances raised. The Notified Body tests the Group's QMS and assesses the conformity of medical devices placed on the market. During the year, the Group underwent three audits of the Quality Managements System and two desktop reviews of device technical files, and no major non-conformances were reported. The company is compliant to the new versions of the following standards ISO13485:2016, ISO9001:2015 and is MDSAP certified.

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, operational performance and customer satisfaction are also measured.



**Strategic Report for the Year Ended 30 June 2022 (continued)**

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, including its cash flows and liquidity position. The strategic report also further describes the Group's objectives, policies and processes for financial risk management, including credit and liquidity risk, cash flow risk and exchange rate risk. The financial statements are prepared on the going concern basis which the directors believe to be appropriate for the following reasons:

The directors have prepared cash flow forecasts in order to assess going concern. The forecasts take account of potential and realistic changes in trading performance, and also include severe yet plausible downside scenarios. These scenarios include modelling reductions in revenue and margins and increasing costs and considering the consequent cash outflow that could result. The directors have also considered the current economic environment, and in particular, recent movements in foreign exchange rates, rising energy costs and inflation in these scenarios. The forecasts indicate that, taking account of severe yet plausible downside scenarios, the Group and Company are able to operate within the level of existing cash resources, which at 30 September 2022 were £9.2m for the group.

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 and business continuity plan is in place and updated 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 directly 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.

**COVID-19 risk**

The current COVID-19 risk to the business is that medical device sales do not return to the 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 business operates a backfill plan in case key personnel are absent for an extended period of time - stipulating how all essential functions can continue.
- IT: the increased level of home working 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.

**Strategic Report for the Year Ended 30 June 2022 (continued)**

**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.

Rising inflation impacts the business's ability to maintain profitability levels and stakeholder goodwill. Where cost increases cannot be absorbed via efficiencies and adaptations, customer price increases will be considered.

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.

**Section 172 Statement**

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:

**Strategic Report for the Year Ended 30 June 2022 (continued)**

**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, its 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.

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**  
**24 October 2022**

## **Tristel Plc**

### **Directors' Biographies at 30 June 2022**

#### **Bruno Holthof, Independent Non-Executive Chair, appointed 2019**

(Chair of Nomination Committee and Member of Remuneration Committee)

Bruno Holthof is Visiting Professor of Health Innovation at the University of Oxford and Investment Partner of the EQT Life Sciences Health Economics Fund.

Between 2015 and 2022, Bruno was the Chief Executive Officer (CEO) of Oxford University Hospitals. Before OUH, he was CEO of the Antwerp Hospital Network from January 2004 until September 2015. 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. Bruno is also member of the Board of Financière de Tubize, reference shareholder of UCB, a global biopharma company and independent non-executive chair of the Board of Copus, a human resources service company. He holds an MBA from the Harvard Business School and an MD/PhD from the University of Leuven.

Bruno brings the following skills to the Board:

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

#### **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 began her career with BDO in 1988 as a trainee accountant. She went on to spend 14 years at the Holiday Property Bond Group heading the UK Finance team, moving to Tristel in 2007. She was appointed to the Board of Tristel Solutions in 2009 and is now UK Managing Director. Liz has been Tristel plc's Chief Financial Officer since June 2010, and brings the following skills to Tristel's Board:

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

**Directors' Biographies at 30 June 2022 (continued)**

**Bart Leemans, Executive Director, appointed 2018**

Bart Leemans co-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 and co-founded various e-commerce businesses, including Eccent NV which he successfully exited via a trade sale.

Bart holds a Master of 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 is the Managing Director of Tristel's Belgian and French subsidiaries. He 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 Nomination Committee)

David Orr joined Tristel's Board in October 2015 and was Chair 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 in a manufacturing environment
- A practical and highly experienced approach to risk management
- A focus on integrity and fairness

**Tom Jenkins Non-Executive Director, appointed 2017**

(Member of Audit 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

**Directors' Biographies at 30 June 2022 (continued)**

**Isabel Napper, Senior Independent Non-Executive Director, appointed 2020**

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

Isabel Napper qualified as a lawyer in 1984 and was a partner at 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**

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

Caroline Stephens served as a senior executive at Johnson & Johnson 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 & advisor to a mix of health, digital and tech start-ups and scale-ups, including joining the EMEA Board of 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 for the year ended 30 June 2022**

### **Introduction**

#### **Committee members**

Isabel Napper, Chair  
Bruno Holthof  
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
- 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 [tristelgroup.com/invest/governance/](https://tristelgroup.com/invest/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 2022.

#### **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 that the policy not only aligns the interests of the Executive Directors with those of shareholders but also links to the future strategy of the business.

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

1. 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
2. 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
3. Link remuneration packages to the Group's long-term performance through bonus schemes and share option plans
4. Set performance measures which are easy to measure and clear
5. Set an appropriate balance between fixed and variable pay
6. Provide post-retirement benefits through payment into private pension arrangements and/or salary supplements

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 year. 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' bonus scheme pays out if pre-tax profit exceeds the Company's budget, in proportion to the budget overage.

**Directors' Remuneration Report for the year ended 30 June 2022 (continued)**

*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. The Committee is advised by independent remuneration consultants on the provisions of proposed plans and the Committee consults with major shareholders and shareholder representatives prior to being put to shareholder vote at AGM. The main terms of the LTIP put in place in December 2020 are set out in the Company's website at [tristelgroup.com/invest/agm/](https://tristelgroup.com/invest/agm/) in the 2020 section. No new share options were granted to the Executive Directors in this financial year.

**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 in light of best practice do not participate in any incentive or share option schemes.

**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. Executive Management has discretion to award share options 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 [isabelnapper@tristel.com](mailto:isabelnapper@tristel.com).

**Remuneration Committee advice**

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



**Directors' Remuneration Report for the year ended 30 June 2022 (continued)**

**Annual Remuneration Statement**

On behalf of the Board, I am pleased to present our Remuneration Report for 2022.

The Directors received the following remuneration during the year to 30 June 2022:

	Salary and fees	Taxable Benefits	2022 Total (excl. pension)	Retirement provision 2022	Total Fixed Remuneration 2022	2021 Total (excl. pension)	Retirement provision 2021
	£000	£000	£000	£000	£000	£000	£000
<b>Executive</b>							
Paul Swinney	250	21	271	38	309	2,223	38
Elizabeth Dixon	185	11	196	28	224	1,921	28
Bart Leemans	180	-	180	27	207	180	27
<b>Non-Executive</b>							
Paul Barnes	-	-	-	-	-	76	-
David Orr	35	-	35	-	35	139	-
Tom Jenkins	35	-	35	-	35	35	-
Bruno Holthof	70	-	70	-	70	70	-
Isabel Napper	35	-	35	-	35	35	-
Caroline Stephens	35	-	35	-	35	18	-
<b>Aggregate emoluments</b>	<b>825</b>	<b>32</b>	<b>857</b>	<b>93</b>	<b>950</b>	<b>4,697</b>	<b>93</b>

## Directors' Remuneration Report for the year ended 30 June 2022 (continued)

### Base salary

In light of the disruption caused by COVID-19 upon the performance of the business, the Executive Directors again volunteered not to accept any increase in salary or salary benefits for the financial year 2022.

As stated above, an important part of the Group's remuneration policy is the alignment of Executive Directors' salaries with those at comparable AIM companies. With this factor in mind and given that the Executive Directors have not accepted salary increases for two consecutive years, the Remuneration Committee was keen to ensure that their salaries did not fall behind those of peers. In setting the salary award for 2023 the Committee therefore took into consideration a number of benchmarking surveys available from external organisations. Those surveys highlighted the fact that the Executive Directors' pay had fallen below the comparable AIM median.

The Committee consequently recommended an increase for the financial year 2023. However, at their own behest the CEO and CFO volunteered to defer the implementation of the increase until the second half of the financial year. Their 2023 increase will therefore not take effect until 1<sup>st</sup> January 2023, unless it is established that the Group is performing in line with its agreed internal budget, in which case the deferred amount will be paid.

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 2022.

### Pensions and other benefits

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

### Directors' share options

Details of options held by the Directors are as follows:

	Original grant	Unexercised options at 1 July 2021	Total options unexercised at 30 June 2022	Exercise price	Earliest date of exercise	Date of expiry
<b>Executive</b>						
Paul Swinney	500,000	500,000	500,000	1.00p	30/06/2024	04/01/2031
Elizabeth Dixon	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
<b>Total number of Board share options</b>	<b>800,000</b>	<b>800,000</b>	<b>800,000</b>			

Share options held by the Directors at 30 June 2022 are subject to vesting conditions as set out in the Company's website at [tristelgroup.com/invest/agm/](http://tristelgroup.com/invest/agm/) in the 2020 section.

## Tristel Plc

### Directors' Remuneration Report for the year ended 30 June 2022 (continued)

#### Directors' shareholdings

The interests of the Directors in the shares of the Company at 30 June 2022 and 30 June 2021 were:

Ordinary 1p shares	30 June 2022	30 June 2021
<b>Executive</b>		
Paul Swinney	712,350	700,000
Elizabeth Dixon	269,000	242,333
Bart Leemans	954,627	954,627
<b>Non-Executive</b>		
David Orr	51,614	50,391
Isabel Napper	2,000	2,000
Caroline Stephens	1,971	-

The market price of the Company's shares as at 30 June 2022 was 335.5p. The range during the year was 292p to 660p. (Source - London Stock Exchange).

**Isabel Napper**

**Remuneration Committee Chair**

**24 October 2022**

## **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, ensuring a strong mix of skills, knowledge, experience and diversity; alongside a review of the members of each committee to the Board and the level of independence held, the latter resulting in changes to the Committee memberships.
- A Board effectiveness review and implementation of changes
- Setting of personal objectives for Executive Management
- An update to Board reporting enabling improved insight into the business activities
- A review and update to the Executive Management succession plan

## **Corporate Governance Code**

The QCA Code is based upon the principle that companies need to deliver growth in long-term shareholder value. This requires an efficient, effective, and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies. It is constructed around ten 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.

## Chairman's Corporate Governance Report (continued)

### ***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 October 2022 the primary goals were re-set, as:

#### *Corporate*

- Maximise Company's value to all stakeholders

#### *Medical device decontamination (Tristel brand):*

- Through technological innovation maintain our position as the gold standard manual process for High Level Decontamination of medical devices.

#### *Healthcare surfaces disinfection (Cache brand):*

- To become the global market leader in sporicidal surface disinfection

Secondary objectives and goals 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 it 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.

## Chairman's Corporate Governance Report (continued)

### *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 and improve its sustainability profile. During the year a number of activities were undertaken in this regard:

- Engagement of a sustainability and ESG consultant starting in the 2022-23 financial year. The multi-workstream project will examine our carbon emissions and develop an ESG strategy going forward. This will include:
  - Internal and external stakeholder insights
  - Analysis of our operating environment
  - Framework and target setting
  - Operational review
  - Determination of operational boundaries
  - Data collection and authentication
  - Carbon footprint calculation

This investment in time and resource will set a strong ESG foundation for future success and enable sustainability to sit at the heart of the company's activities.

- A second calculation of the Company's carbon emissions.
- Continued consideration of the carbon profile of our key products and research into alternative and environmentally friendlier packaging options for the Company's products.
- Continued 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:

- Support of local small businesses, particularly those struggling during the COVID-19 pandemic, wherever possible.
- Sponsorship of local amateur sports teams and charities connected to the company or its local community.

**Chairman's Corporate Governance Report (continued)**

***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 documented, with high-risk situations immediately acted upon. Health & safety risk assessments are a high priority given the nature of the business as a chemical manufacturer and are completed on a continual basis. Operational risks and uncertainties are discussed daily within the business in departmental meetings. A business Continuity and Disaster Recovery plan has been updated in the year with scenario planning events take place periodically. Financial risks are considered by the Board at each Board meeting. The Board is provided with global sales and cash information daily, allowing it to quickly respond in fast-moving situations.

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. The information 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. Isabel Napper is the Senior Independent Non-Executive Director and Caroline Stephens an Independent Non-Executive Director, and Bruno Holthof who is the 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. Tom Jenkins is no longer considered to be independent by virtue of his employer, the British Growth Fund's shareholding in Tristel plc.

The Board no longer complies with the QCA Code's requirement that at least half of the Board should be independent Non-Executive Directors, however, it is recognised that the non-independent directors bring great specialist, analytical and entrepreneurial attributes to the Board, adding viewpoints and competencies that further enrich it.

The Executive team consists of Tristel's Chief Executive Paul Swinney and Chief Financial Officer Liz Dixon, who are married, and Bart Leemans. Bart 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 9 years. At each Annual General Meeting, at the discretion of the Nominations Committee, all directors are put forward for re-election.

## Chairman's Corporate Governance Report (continued)

### ***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 in part via reference to the Company's achievement of its strategic goals. The performance of the Chair is assessed annually by the Senior Independent Non Executive Director. The performance of the CEO and CFO is assessed annually by the Chair. The performance of other Executive Directors is assessed annually by the CEO. And the performance of the NEDs is assessed annually by the Chair.

Over the course of the past four 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 change and put their trust in new products. 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. During the year the monthly KPI reporting expanded to include a number of additional measures, focussing upon operational performance, financial performance and Quality Management System adherence. Periodically, normally annually, a corporate risk register is presented to the Board and mitigating actions agreed.



## Chairman's Corporate Governance Report (continued)

### ***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 has historically performed 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 role has been passed to Heidi Allard, Group Financial Controller. The Company Secretary is supported and guided in this role by the CFO and the Company's legal advisors.

#### **Board and committee attendance**

The Board met eight times during the 2021-22 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 he or she has arising from the information pack circulated prior to the meeting are provided to the Chair.

<b>2021-22</b>	<b>Eligible to attend</b>	<b>Attended</b>
Bruno Holthof	9	9
Paul Swinney	8	8
Elizabeth Dixon	7	7
Bart Leemans	7	7
David Orr	9	9
Tom Jenkins	11	11
Isabel Napper	11	10
Caroline Stephens	11	11

#### **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 Independent Non-Executive Directors chaired by Isabel Napper SINED.

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.

## Chairman's Corporate Governance Report (continued)

### Audit Committee

The Audit Committee operates under terms of reference which are reviewed annually and comprises all Independent Non-Executive Directors except the Chair of the Board, in line with QCA guidelines.

The Audit Committee is chaired by Caroline Stephens INED. Tom Jenkins held the role of Audit Committee Chair until the current financial year, at which point Caroline Stephens took over the role. Tom Jenkins, who is a qualified Accountant is no longer considered independent, by virtue of his employer's shareholding, however, he has remained on the Audit Committee to ensure that it continues to contain the relevant knowledge and experience required for its proper functioning. The committee meets 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 2021-22 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
- Consider the performance and value for money of the Company's external auditors
- Approve the appointment of 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, comprises all Non-Executive Directors and the CEO and is chaired by Bruno Holthof, Non Executive Chair of the Board.

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 has not historically engaged external consultants to evaluate the effectiveness of the Board; instead it has carried 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 significant actions arising from the Committee were:

- The QCA Mazars Board effectiveness questionnaire was utilised to perform a Board evaluation process and resulting actions were put in place
- Executive Management objectives were agreed and implemented
- Plans were put in place to enable the NEDs to continue to improve their market awareness and knowledge
- It was recognised that Tom Jenkins should step down from his SINED role and be replaced by Isabel Napper, because of Tom's loss of independent status, resulting from his employer British Growth Fund holding a substantial shareholding in the Company.
- It was agreed that Caroline Stephens would replace Tom Jenkins as Audit Committee Chair.
- A CEO succession plan was agreed.

### **Chairman's Corporate Governance Report (continued)**

The performance of the Board and its individual Directors is in part viewed in the context of the Company's achievement of its strategic goals. During the 2021-22 year these were:

- To meet the Company's profit target.
- To increase sales by between 10% and 15% per annum on average over the three years to 30 June 2022.
- To increase the Company's value to shareholders.

Despite the Company failing to reach its goals due to two particularly challenging years as a consequence of factors outside of the Board's control, the Chair concludes that the Board has performed effectively during 2021-22.

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.tristelgroup.com](http://www.tristelgroup.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.

**Bruno Holthof**  
**Non Executive Chair**  
**24 October 2022**

## **Tristel Plc**

### **Directors' Report for the Year Ended 30 June 2022**

The directors present their report and the consolidated financial statements for the year ended 30 June 2022.

#### **Results and dividends**

There was a profit for the year after taxation amounting to £ 1.6m (2021: £3.0m).

A final dividend of £1.9m (3.93p per share) was paid during the year in respect of the year ended 30 June 2021. (2020: £1.8m (3.84p per share)). An interim dividend of £1.2m (2.62p per share) was paid during the year in respect of the year ended 30 June 2022 (2021: £1.2m, 2.62p per share); a special dividend of 3.00p was declared on 18 July 2022 and paid to shareholders on 10 August 2022. The Directors recommend a final dividend of 3.93p per share (2021: 3.93p per share). If approved, the total distribution of dividends for the year ended 30 June 2022 will be £4.5m (2020: £3.1m).

A review of the Group's performance for the year ended 30 June 2022 is contained in the Chairman's Statement on pages 2 to 3 and the Chief Executive's Report on pages 5 to 9.

#### **Directors' of the company**

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

BLM Holthof  
PC Swinney  
EA Dixon  
BVM Leemans  
DWE Orr  
TAJ Jenkins  
IJS Napper  
CJ Stephens

The Group provides Directors and Officers indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2022 the policy cost £67,500 (2021: £9,100).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 21 to 25.

#### **Corporate governance**

Tristel plc is committed to maintaining high standards of corporate governance and has applied strong and appropriate policies, given the size of the Group, its current stage of development and the constitution of the Board. Further details are provided in the Corporate Governance Report set out on pages 26 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 25.

#### **Substantial shareholdings**

Except for the Directors' interests in the shares of the Company, as given in the Directors' remuneration report on page 25, the Directors are aware of the following who were interested in 3% or more of the Company's equity at 30 June 2022:

**Directors' Report for the Year Ended 30 June 2022 (continued)**

	<b>No. of shares</b>	<b>% of issued share capital</b>
Charles Stanley Stockbrokers	5,139,359	10.88%
Liontrust Asset Management	5,024,016	10.64%
Montanaro Investment Managers	3,001,514	6.36%
Aviva Investors	2,982,626	6.32%
Investec Wealth & Investment	2,514,952	5.33%
Hargreaves Lansdown Stockbrokers (EO)	2,231,490	4.73%
Interactive Investor	2,077,827	4.40%
Unicorn Asset Management	1,935,329	4.10%
BGF	1,722,000	3.65%
Danske Bank Asset Management	1,611,995	3.41%
Allianz Global Investors	1,435,003	3.04%

**Principal risks and uncertainties**

Reference to this topic can be found within the Strategic report on pages 2 to 18.

Reference to the Groups primary research and development advancements can be found within the Chief Executive's report on page 6.

**Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements**

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 UK-adopted international accounting standards 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 UK-adopted international accounting standards
- 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.

**Directors' Report for the Year Ended 30 June 2022 (continued)**

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 the 10 May 2019. In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 24 October 2022 and signed on its behalf by:

**Elizabeth Dixon**  
**Chief Financial Officer**

# 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 2022 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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 other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
<b>Materiality:</b> Group financial statements as a whole	£194,000 (2021: £265,000) 4.9% (2021: 5%) of normalised total profit before tax from continuing operations
Key audit matters	Vs 2021
Recurring risks for the Group and the parent Company	
Revenue recognition in the correct year	↔
Recoverability of Parent company's investments in Tristel Belgium, Tristel France, Tristel Netherlands and Tristel Italia srl	↔

## 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 2021):

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRISTEL PLC

## (continued)

	The risk	Our response
<p><b>Revenue recognition in the correct year</b></p> <p>£31.123 million (2021: £30.998 million)</p> <p>Refer to page 58 for the accounting policy and page 68 for the financial disclosure.</p>	<p><b>Existence of sales at year end</b> We consider the risk in relation to inclusion of revenue in the year ended 30 June 2022 rather than the year ending 30 June 2023 relates specifically to recognition for the 2 weeks before the year end.</p> <p>Revenue is the most material balance in the financial statements and there is a risk that revenue may be overstated due to increased shareholder pressure to maintain EPS, share price and ensure dividends can continue to be distributed.</p>	<p>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.</p> <p><b>Our procedures included:</b></p> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>— We selected a sample of sales invoices before the 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.</li> <li>— 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.</li> </ul>
<p><b>Recoverability of Parent company's investments in Tristel Belgium, Tristel France, Tristel Netherlands and Tristel Italia srl</b></p> <p>Included within investments of £13.097 million (2021: £12.661 million)</p> <p>Refer to page 61 for the accounting policy and page 94 for the financial disclosures.</p>	<p><b>Low risk, high value</b></p> <p>The carrying amount of the parent company's investments in these subsidiaries represents 40% (2021: 38%) of the parent company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its 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.</p> <p>This key audit matter previously included all the Parent company's investments, however in the current year the risk has been isolated to those investments we consider are at the highest risk of impairment.</p>	<p>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.</p> <p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>— <b>Tests of detail:</b> Comparing the carrying amount of investments to the net assets of the relevant subsidiary included within the Group consolidation, to identify whether the net asset value, being an approximation of their minimum recoverable amount, was in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.</li> <li>— <b>Comparing valuations:</b> Where the carrying amount of the investment exceeded the net asset value of the relevant subsidiary, comparing the carrying amount of the investment with the expected value of the business based on a value in use model for the subsidiary.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRISTEL PLC (continued)

## 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 £194,000 (2021: £265,000), determined with reference to a benchmark of normalised total profit before tax from continuing operations of £3,934,000 (2021: £5,320,000), of which it represents 4.9% (2021: 5%).

We normalised total profit before tax from continuing operations by excluding adjustments that do not represent the normal, continuing operations of the Group, and additionally in 2021 by averaging over three years. In 2022 the item we adjusted for was the intangible asset impairment disclosed in note 12 (2021: movement in fair value asset disclosed in note 4)

Materiality for the parent company financial statements as a whole was set at £139,000 (2021: £190,000), determined with reference to a benchmark of company total assets, of which it represents 0.7% (2021: 1.0%).

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% (2021: 75%) of materiality for the financial statements as a whole, which equates to £145,000 (2021: £198,000) for the group and £104,000 (2021: £142,500) 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 £9,700 (2021: £13,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 17 (2021: 16) reporting components, we subjected 6 to full scope audits for group purposes (2021: 7 to full scope audits for group purposes and 1 to specified risk-focused audit procedures, as the latter was not financially significant enough to require a full scope audit for group purposes but did represent specific individual risks that needed to be addressed).

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

	<b>Number of components 2022 (2021)</b>	<b>Group revenue 2022 (2021)</b>	<b>Total profits and losses that made up Group profit before tax 2022 (2021)</b>	<b>Group total assets 2022 (2021)</b>
Audits for Group reporting purposes	6 (7)	82% (86%)	85% (81%)	85% (89%)
Specific risk-focused audit procedures	nil (1)	nil% (nil %)	nil% (nil %)	nil% (1%)

The remaining 18% (2021: 14%) of total group revenue, 15% (2021: 19%) of total profits and losses that made up Group profit before tax and 15% (2021: 11%) of total group assets is represented by 11 (2021: 8) reporting components, none of which individually represented more than 9% (2021: 8%) 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRISTEL PLC

## (continued)

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 materiality's, which ranged from £78,000 to £160,000 (2021: £64,000 to £190,000), having regard to the mix of size and risk profile of the Group across the components.

The work on 4 of the 6 components (2021: 5 of the 7 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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 risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were lower than expected trading volumes and cost inflation.

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 (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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRISTEL PLC

## (continued)

### 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, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors, including the EPS target for management remuneration.
- 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 the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as valuation of goodwill and investments; and
- the risk that revenue is overstated through recording revenue in the wrong period.

We did not identify any additional fraud risks.

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

We also 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 employees;
- assessing whether the judgments made in making accounting estimates are indicative of potential bias; and
- examined a sample of employee expense claims and vouched those to supporting documentation to assess the validity of those claims.

#### *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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRISTEL PLC

## (continued)

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, money laundering, 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRISTEL PLC (continued)

## **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](http://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.

**Matthew Radwell (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Botanic House

100 Hills Road

Cambridge

CB2 1AR

24 October 2022

**Consolidated Income Statement for the Year Ended 30 June 2022**

		<b>2022</b>	<b>Restated*</b>
	<b>Note</b>	<b>£ 000</b>	<b>2021</b>
			<b>£ 000</b>
Revenue	3	31,123	30,998
Cost of sales		(6,464)	(6,255)
Gross profit		24,659	24,743
Share based payments	22	(596)	(824)
Depreciation, amortisation and impairments		(2,777)	(2,813)
Administrative expenses, excluding share based payments, depreciation, amortisation and impairment		(17,325)	(16,376)
Other operating income		167	32
Impairment of intangibles	12	(2,439)	-
Operating profit	4	1,689	4,762
Movement in fair value of investments	13	-	(807)
Finance income		1	1
Finance costs		(195)	(195)
Net finance cost		(194)	(194)
Profit before tax		1,495	3,761
Income tax expense	8	(568)	(105)
Profit for the year		927	3,656
<b>Profit attributable to :</b>			
Owners of the company		927	3,656

**Earnings per share from total and continuing operations attributable to equity holders of the parent**

		<b>2022</b>	<b>Restated*</b>
			<b>2021</b>
Basic - pence	21	1.96	7.86
Diluted - pence	21	1.94	7.77

The above results were derived from continuing operations.

\*In the current year, the consolidated income statement has been restated, see note 26.

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2022

	2022 £ 000	Restated* 2021 £ 000
Profit for the year	927	3,656
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation gains/(losses)	138	(600)
Total comprehensive income for the year	1,065	3,056
<b>Total comprehensive income attributable to:</b>		
Owners of the company	1,065	3,056

\*In the current year, total comprehensive income has been restated, see note 26.

**Tristel Plc**  
**(Registration number: 04728199)**  
**Consolidated Statement of Financial Position as at 30 June 2022**

		<b>30 June</b>	<b>Restated*</b>
		<b>2022</b>	<b>30 June</b>
	<b>Note</b>	<b>£ 000</b>	<b>2021</b>
			<b>£ 000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	2,791	3,119
Right of use assets	9	5,209	5,423
Goodwill	11	5,242	5,265
Intangible assets	12	4,138	6,704
Deferred tax assets	8	1,493	2,489
		<u>18,873</u>	<u>23,000</u>
<b>Current assets</b>			
Inventories	14	4,420	4,266
Trade and other receivables	15	5,851	5,255
Income tax receivable	8	713	170
Cash and cash equivalents	16	8,883	8,094
		<u>19,867</u>	<u>17,785</u>
Total assets		<u>38,740</u>	<u>40,785</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	473	471
Share premium		13,996	13,600
Foreign currency translation reserve		(65)	(203)
Merger reserve		2,205	2,205
Retained earnings		12,371	14,687
		<u>28,980</u>	<u>30,760</u>
Equity attributable to owners of the company			
Non-controlling interests		7	7
		<u>28,987</u>	<u>30,767</u>
<b>Non-current liabilities</b>			
Lease liabilities	10	4,997	5,276
Deferred tax liabilities	8	720	637
		<u>5,717</u>	<u>5,913</u>
<b>Current liabilities</b>			
Trade and other payables	19	3,222	3,476
Lease liabilities	10	814	629
		<u>4,036</u>	<u>4,105</u>
Total liabilities		<u>9,753</u>	<u>10,018</u>
Total equity and liabilities		<u>38,740</u>	<u>40,785</u>

\* In the current year, right of use assets have been disclosed separately from property, plant and equipment in accordance with IFRS 16.47. The prior year right of use assets of £5,423,000 have been restated to reflect the same split.

Deferred tax assets, income tax receivable, income tax liability and retained earnings have also been restated. See note 26.

The notes on pages 55 to 111 form an integral part of these financial statements.



**Tristel Plc**

**(Registration number: 04728199)**

**Consolidated Statement of Financial Position as at 30 June 2022 (continued)**

Approved by the Board on 24 October 2022 and signed on its behalf by:

Elizabeth Dixon  
Finance Director

**Tristel Plc**

**(Registration number: 04728199)**

**Company Statement of Financial Position as at 30 June 2022**

	Note	30 June 2022 £ 000	30 June 2021 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	12	353	2,645
Investments in subsidiaries, joint ventures and associates	13	13,097	12,288
		<u>13,450</u>	<u>14,933</u>
<b>Current assets</b>			
Trade and other receivables	15	8,165	4,408
Income tax asset	8	6	6
Cash and cash equivalents	16	1,146	412
		<u>9,317</u>	<u>4,826</u>
Total assets		<u>22,767</u>	<u>19,759</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	473	471
Share premium		13,996	13,600
Foreign currency translation reserve		63	63
Merger reserve		1,727	1,727
Retained earnings		6,271	3,693
Total equity		<u>22,530</u>	<u>19,554</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	9	9
<b>Current liabilities</b>			
Trade and other payables	19	228	196
Total liabilities		<u>237</u>	<u>205</u>
Total equity and liabilities		<u>22,767</u>	<u>19,759</u>

Approved by the Board on 24 October 2022 and signed on its behalf by:

Elizabeth Dixon  
Finance Director

The parent company's profit for the financial year was £5.073m (2021: profit £0.648m) which includes a dividend of £7.515m (2021: £4.332m) received from its subsidiary companies.

The notes on pages 55 to 111 form an integral part of these financial statements.

**Tristel Plc**

**Consolidated Statement of Changes in Equity for the Year Ended 30 June 2022**

		Share capital	Share premium	Foreign currency translation	Merger reserve	Retained earnings	Total	Non- controlling interests	Total equity
	Note	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 July 2021 – restated *		471	13,600	(203)	2,205	14,687	30,760	7	30,767
Profit for the year		-	-	-	-	927	927	-	927
Exchange difference on translation of foreign operations		-	-	138	-	-	138	-	138
Total comprehensive income		-	-	138	-	927	1,065	-	1,065
Dividends	20	-	-	-	-	(3,091)	(3,091)	-	(3,091)
New share capital subscribed	17	2	396	-	-	-	398	-	398
Deferred tax through equity	8	-	-	-	-	(795)	(795)	-	(795)
Current tax through equity	8	-	-	-	-	47	47	-	47
Share based payment transactions	22	-	-	-	-	596	596	-	596
At 30 June 2022		473	13,996	(65)	2,205	12,371	28,980	7	28,987

\* See note 26 for restatement.

The notes on pages 55 to 111 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2022 (continued)

					Restated*	Restated*		Restated*
		Share capital	Share premium	Foreign currency translation	Merger reserve	Retained earnings	Non- controlling interests	Total equity
	Note	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 July 2020		453	12,634	397	2,205	12,767	7	28,463
Profit for the year – restated *		-	-	-	-	3,656	-	3,656
Exchange difference on translation of foreign operations		-	-	(600)	-	-	-	(600)
Total comprehensive income		-	-	(600)	-	3,656	-	3,056
Dividends	20	-	-	-	-	(3,017)	-	(3,017)
New share capital subscribed	17	18	966	-	-	-	-	984
Deferred tax through equity	8	-	-	-	-	(136)	-	(136)
Current tax through equity	8	-	-	-	-	593	-	593
Share based payment transactions	22	-	-	-	-	824	-	824
At 30 June 2021		471	13,600	(203)	2,205	14,687	7	30,767

\*The consolidated statement of changes in equity has been restated, see note 26.

The notes on pages 55 to 111 form an integral part of these financial statements.

**Tristel Plc**

**Company Statement of Changes in Equity for the Year Ended 30 June 2022**

		Share capital	Share premium	Foreign currency translation	Merger reserve	Retained earnings	Total
	Note	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 July 2021		471	13,600	63	1,727	3,693	19,554
Profit for the year		-	-	-	-	5,073	5,073
Exchange difference		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	5,073	5,073
Dividends paid	20	-	-	-	-	(3,091)	(3,091)
New share capital subscribed	17	2	396	-	-	-	398
Share based payment transactions	22	-	-	-	-	596	596
At 30 June 2022		473	13,996	63	1,727	6,271	22,530
		Share capital	Share premium	Foreign currency translation	Merger reserve	Retained earnings	Total
		£ 000	£ 000	£ 000	£ 000	£ 000	£ 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	20	-	-	-	-	(3,017)	(3,017)
New share capital subscribed	17	18	966	-	-	-	984
Share based payment transactions	22	-	-	-	-	824	824
At 30 June 2021		471	13,600	63	1,727	3,693	19,554

The notes on pages 55 to 111 form an integral part of these financial statements.

**Consolidated Statement of Cash Flows for the Year Ended 30 June 2022**

		<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>			
Profit before tax		1,495	3,761
Adjustments to cash flows from non-cash items			
Depreciation of leased assets	9	973	772
Depreciation of plant, property & equipment	9	632	591
Impairment of goodwill	11	67	67
Amortisation of intangible assets	12	1,105	1,383
Impairment of intangibles	12	2,439	-
Share based payments - IFRS 2	22	596	824
Movement on fair value asset	13	-	807
Loss on disposal of property, plant and equipment		20	73
Lease interest	10	193	195
Other interest		2	-
Finance income		(1)	(1)
		<u>7,521</u>	<u>8,472</u>
Working capital adjustments			
(Increase)/decrease in inventories	14	(154)	353
(Increase)/decrease in trade and other receivables	15	(596)	1,167
(Decrease) in trade and other payables	19	(253)	(1,196)
Lease interest paid		(193)	(195)
Corporation tax paid		(772)	(1,925)
<b>Net cash flow from operating activities</b>		<u>5,553</u>	<u>6,676</u>
<b>Cash flows from investing activities</b>			
Interest received		1	1
Purchase of intangible assets	12	(898)	(608)
Purchase of property plant and equipment	9	(305)	(1,159)
<b>Net cash used in investing activities</b>		<u>(1,202)</u>	<u>(1,766)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(930)	(797)
Share issues	17	398	984
Dividends paid	20	(3,091)	(3,017)
<b>Net cash used in financing activities</b>		<u>(3,623)</u>	<u>(2,830)</u>
<b>Net increase in cash and cash equivalents</b>		<u>728</u>	<u>2,080</u>
Cash and cash equivalents at the beginning of the year		8,094	6,212
Exchange differences on cash and cash equivalents		61	(198)
Cash and cash equivalents at the end of the year	16	<u>8,883</u>	<u>8,094</u>

The notes on pages 55 to 111 form an integral part of these financial statements.

**Consolidated Statement of Cash Flows for the Year Ended 30 June 2022 (continued)**

**Net Funds - liabilities from financing activities and other assets**

	<b>Leases</b>	<b>Cash</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net funds at 30 June 2020</b>	(6,002)	6,212	210
Cash movement	-	1,882	1,882
Payment of lease liabilities	992	-	992
Lease interest	(195)	-	(195)
Acquisition - leases	(702)	-	(702)
Foreign exchange adjustments	2	-	2
<b>Net funds as at 30 June 2021</b>	<b>(5,905)</b>	<b>8,094</b>	<b>2,189</b>
Cash movement		789	789
Payment of lease liabilities	1,123	-	1,123
Lease interest	(193)	-	(193)
Acquisition - leases	(858)	-	(858)
Foreign exchange adjustments	22	-	22
<b>Net funds as at 30 June 2022</b>	<b>(5,811)</b>	<b>8,883</b>	<b>3,072</b>

Company Statement of Cash Flows for the Year Ended 30 June 2022

		2022	2021
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Profit before tax		5,073	648
Adjustments to cash flows from non-cash items			
Amortisation of intangible asset	12	120	454
Share based payments - IFRS 2		(213)	373
Impairment of intangibles	12	2,172	-
Movement in fair value asset	13	-	807
		<u>7,152</u>	<u>2,282</u>
Working capital adjustments			
Increase in trade and other receivables	15	(3,757)	(214)
Increase/(decrease) in trade and other payables	19	32	(115)
<b>Net cash flow from operating activities</b>		<u>3,427</u>	<u>1,953</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	12	-	(106)
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(106)</u>
<b>Cash flows from financing activities</b>			
Share issues	17	398	984
Dividends paid	20	(3,091)	(3,017)
<b>Net cash used in financing activities</b>		<u>(2,693)</u>	<u>(2,033)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>734</u>	<u>(186)</u>
Cash and cash equivalents at the beginning of the year		412	598
Exchange differences on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	16	<u>1,146</u>	<u>412</u>

The notes on pages 55 to 111 form an integral part of these financial statements.



Notes to the Financial Statements for the Year Ended 30 June 2022

**1 Accounting policies**

**Basis of accounting**

These financial statements have been prepared in accordance with UK adopted international accounting standards and in accordance with the provisions of the Companies act 2006.

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 2022. Subsidiaries are entities over which the Group has rights or is exposed to variable returns from its involvement with the investee and has the power to affect those returns by controlling the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

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

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

**Audit exemption**

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

- Tristel International Limited - Registered number 07874262
- Scorch Idea Limited - Registered number 04602679

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, including its cash flows and liquidity position. The strategic report also further describes the Group's objectives, policies and processes for financial risk management, including credit and liquidity risk, cash flow risk and exchange rate risk.

The financial statements are prepared on the going concern basis which the directors believe to be appropriate for the following reasons

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**1 Accounting policies (continued)**

The directors have prepared cash flow forecasts in order to assess going concern. The forecasts take account of potential and realistic changes in trading performance, and also include severe yet plausible downside scenarios. These scenarios include modelling reductions in revenue and margins and increasing costs, and considering the consequent cash outflow that could result. The directors have also considered the current economic environment, and in particular, recent movements in foreign exchange rates, rising energy costs and inflation in these scenarios. The forecasts indicate that, taking account of severe yet plausible downside scenarios, the Group and Company are able to operate within the level of existing cash resources, which at 30 September 2022 were £9.2m for the group.

Consequently, the directors are confident that that Group and Company will continue to have sufficient funds to continue to meet their liabilities as they fall due for at least the next 12 months from the date of approval of the financial statements and therefore, they have prepared the financial statements on a 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.

**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. 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.

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**1 Accounting policies (continued)**

**Changes in accounting policy**

Since 30 June 2021 a number of standards, amendments to or interpretations of standards have been issued as shown by the following two tables, as follows:

**Adoption of new and revised standards**

The following accounting standards, interpretations and amendments have been adopted by the Group in the year ended 30 June 2022:

Amendments to the following standards:
IFRS 4 Insurance Contracts – Deferral of IFRS 9
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

These amended standards did not have a material effect on the Group.

**Accounting standards not yet adopted by the Group**

The following accounting standards, interpretations and amendments have been issued by the IASB but had either not been adopted by the UK or were not yet effective in the UK at 30 June 2022:

IFRS 17 Insurance Contracts
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 16 Property, Plant and Equipment
IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IFRS 3 Business Combinations
IFRS 16 Leases: COVID-19 Related Rent Concessions
IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
Amendments to Annual Improvements 2018–2020

The Directors do not expect the standards above to have a material effect and have chosen not to adopt any of the above standards and interpretations earlier than required.

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**1 Accounting policies (continued)**

**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.

There are no significant judgements made in concluding when a customer obtains control of the goods and services and this revenue is recognised at a point in time on transfer of control.

**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, such as share option relief, in which case the related deferred tax is also charged or credited directly to equity.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**1 Accounting policies (continued)**

**Property, plant and equipment**

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

- Improvements to property - Straight line over the lease term of 10 years
- Other property, plant and equipment - Straight line over 3 and 5 years
- Furniture, fittings and equipment - Straight line over 4 and 5 years
- Motor vehicles - Straight line over 4 years

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

**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
- 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.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**1 Accounting policies (continued)**

**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.

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**1 Accounting policies (continued)**

**Investments and other financial assets**

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

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

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

**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.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**1 Accounting policies (continued)**

**Intangible assets**

Customer and Supplier relationships

IFRS 3 - Business Combinations (as revised in 2008) requires an acquirer to recognise the identifiable intangible assets of the acquiree separately from goodwill. Customer and supplier relationships have been recognised as an intangible asset where they meet either the contractual-legal criterion or the separable criterion in IAS 38 Intangible Assets. Contractual customer relationships are always recognised separately from goodwill because they meet the contractual-legal criterion.

Patents, trademarks, licences and proprietary technology

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

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

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



Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**1 Accounting policies (continued)**

**Goodwill**

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

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit acquired. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. The details of these assumptions are set out in note 11.

**Cash and cash equivalents**

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

**Trade and other receivables**

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

**Inventories**

Inventories are valued on a first-in, first-out basis at the lower of cost and net realisable value. Cost includes materials and direct labour and overheads. 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.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**1 Accounting policies (continued)**

**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 currency translation 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 22.

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.

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**1 Accounting policies (continued)**

**Financial instruments**

**Initial recognition**

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, 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.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**1 Accounting policies (continued)**

**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.

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**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 judgments and estimates**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The carrying value and recoverable amount of the goodwill relating to Tristel Belgium and Tristel Netherlands are considered key estimates as a result of the historic revenue growth rates. Further details are set out in note 11 under the Ecomed section which includes Tristel Belgium, Tristel France and Tristel Netherlands.

The sensitivities of the other cash generating units have been considered and no impairment has been identified. There is no reasonable possible change to the assumptions that would result in a material impairment and therefore further sensitivity analysis is not necessary on these CGUs.

There are not considered to be any key accounting judgements within the Group.

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**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 82% of Company revenues (2021: 77%).

The second segment which constitutes 10% (2021: 13%) of the business activity, relates to the manufacture and sale of hospital environmental surface disinfection products.

The third segment addresses the pharmaceutical and personal care product manufacturing industries, veterinary and animal welfare sectors and has generated 8% (2021: 10%) of the Company's revenues this year. A number of the products contained within this segment were discontinued during the year.

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

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

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 3 Segmental Analysis (continued)

	Hospital medical device decontamination	Hospital environmental surface disinfection	Other revenue	Total 2022
	£000	£000	£000	£000
Revenue				
From external customers	25,422	3,178	2,523	31,123
Cost of material	(4,060)	(1,292)	(1,112)	(6,464)
Segment gross profit	21,362	1,886	1,411	24,659
Gross margin	84%	59%	56%	79%
Centrally incurred income and expenses not attributable to individual segments:				
Depreciation and amortisation of non-financial assets				(2,777)
Other administrative expenses				(17,325)
Share-based payments				(596)
Other income				167
Impairment of intangible assets				(2,439)
Segment operating profit				1,689
Segment operating profit can be reconciled to Group profit before tax as follows:				
Finance (expense)				(194)
Total profit before tax				1,495

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 3 Segmental Analysis (continued)

	Hospital medical device decontamination	Hospital environmental surface disinfection	Other revenues	Total 2021
	£000	£000	£000	£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 (expense)				(194)
Movement on fair value of investments				(807)
Total profit before tax				3,761



## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 3 Segmental Analysis (continued)

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

	Hospital medical device decontamination	Hospital environmental surface disinfection	Other revenues	Total 2022
	£000	£000	£000	£000
UK & Europe direct	17,990	2,534	1,737	22,261
APAC region direct	5,303	484	506	6,293
Worldwide distributors	2,129	160	280	2,569
Total Revenues	25,422	3,178	2,523	31,123
	Hospital medical device decontamination	Hospital environmental surface disinfection	Other revenues	Total 2021
	£000	£000	£000	£000
UK & 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

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.

Revenues derived from the UK (the largest CGU stated above) for 2022 were £13.610m (2021: £13.906m). Revenues from all overseas subsidiaries total £17.513m (2021: £17.092m.)

Hospital medical device decontamination revenues were derived from a large number of customers but include £4.572m from a single customer which makes up 18% of this segment's revenue (2021: £5.727m, being 24%). Hospital environmental surface disinfection revenues were derived from a number of customers but include £1.636m from a single customer which makes up 51% of this segment's revenue (£0.930, being 23%). Other revenues also were derived from a number of customers, with the largest customer accountable for £0.124m, which represents 5% of revenue for that segment (2021: £0.251m, 8% from a single customer).

During the year 20% of the Group's total revenues were earned from a single customer (2021: 22%).

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 3 Segmental Analysis (continued)

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

	Hospital medical device decontamination	Hospital environment surface disinfection	Other revenue	Total 2022
	£000	£000	£000	£000
Revenue recognised at a point in time	25,375	3,178	2,523	31,076
Revenue recognised over time	47	-	-	47
Total Revenues	25,422	3,178	2,523	31,123
	Hospital medical device decontamination	Hospital environment surface disinfection	Other revenues	Total 2021
	£000	£000	£000	£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

The Group has no material contract assets or contract liabilities.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**3 Segmental Analysis (continued)**

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

**Geography**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
UK	13,362	15,070
Europe	690	441
APAC region	686	635
Worldwide distributors	2,642	4,365
Non-current assets	<u>17,380</u>	<u>20,511</u>

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**4 Operating profit and net finance costs**

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

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Cost of inventories recognised as an expense	5,951	5,698
Depreciation - owned assets	632	591
Depreciation - leased assets	973	772
Loss on disposal of property, plant & equipment	20	73
Patents, licences and proprietary technology amortisation	143	466
Development of marketable products amortisation	556	431
Customer and supplier relationship amortisation	320	314
Computer software and website amortisation	86	172
Impairment of goodwill	67	67
Impairment of intangibles	2,439	-
Movement on fair value asset	-	807
Auditor's remuneration – audit services	331	277
Foreign exchange loss	76	4
Research costs expensed	614	727

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 4 Operating profit and net finance costs (continued)

	2022	2021
	£000	£000
<b>Net finance (cost)</b>		
Interest income on bank deposits	1	1
Interest on lease liabilities	(193)	(195)
Other interest	(2)	-
Net finance (cost)	<u>(194)</u>	<u>(194)</u>

## 5 Staff costs

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

	2022	2021
	£ 000	£ 000
Wages and salaries	9,873	9,269
Social security costs	795	1,408
Share-based payment expenses	596	824
Other pension costs	328	366
	<u>11,592</u>	<u>11,867</u>

A charge of £596,000 (2021: £824,000) 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:

	2022	2021
	No.	No.
Executive Directors	3	3
Non-Executive Directors	5	5
Sales, marketing and distribution	78	69
Administration and support	55	54
Production	58	58
	<u>199</u>	<u>189</u>

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**6 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	857	860
Contributions paid to money purchase schemes	93	93
Directors' gain on share options	-	3,837
	<u>950</u>	<u>4,790</u>

The outstanding share options held by Directors at the year end total 800,000 (2021: 800,000). See table on page 24 for details.

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Received or were entitled to receive shares under long term incentive schemes	3	3
Exercised share options	-	4
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	272	272
Company contributions to money purchase pension schemes	38	38
Gain on exercise of options	-	1,951
	<u>310</u>	<u>2,261</u>

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**7 Auditors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of these financial statements	250	190
Audit of the financial statements of subsidiaries of the company pursuant to legislation	81	87
	<u>331</u>	<u>277</u>
<b>Other fees to auditors</b>		
Taxation compliance services	-	35
	<u>-</u>	<u>35</u>

**8 Income tax**

		<b>Restated*</b>
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Current taxation</b>		
Overseas tax	284	1,187
UK corporation tax	-	133
UK corporation tax adjustment to prior periods	-	(156)
	<u>284</u>	<u>1,164</u>
<b>Deferred tax</b>		
Arising from origination and reversal of temporary differences	114	(974)
UK deferred tax adjustment to prior periods	314	-
Tax rate effect	(144)	(85)
	<u>284</u>	<u>(1,059)</u>
Tax expense in the income statement	<u>568</u>	<u>105</u>

\* See note 26 for restatement.

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 8 Income tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

		Restated*
	2022 £ 000	2021 £ 000
Profit before tax	1,495	3,761
Corporation tax at standard rate	284	715
Adjustment in respect of prior years	314	(156)
Expenses not deductible for tax purposes	66	68
Increase from effect of foreign tax rates	25	307
Utilisation of previously recognised tax losses and recognised tax losses carried forward	118	(620)
Tax rate differences	(144)	(85)
Enhanced relief on qualifying scientific research expenditure	(95)	(124)
Total tax charge	568	105

\* See note 26 for restatement.

## Current Tax Asset

	2022	2021	2022	2021
	Group	Group	Company	Company
	£000	£000	£000	£000
Corporation Tax at 30 June	(713)	(170)	(6)	(6)

During the year £47,000 (2021: £593,000) of corporation tax receivable was recognised through equity in relation to share options exercised.



## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 8 Income tax (continued)

## Deferred tax

## Group

	Asset	Liability	Net deferred tax
	£000	£000	£000
<b>2022</b>			
Accelerated tax depreciation	-	(267)	(267)
Acquired in business combinations	-	(453)	(453)
Share-based payment	768	-	768
IFRS 16 transition	34	-	34
Taxable losses	691	-	691
	<u>1,493</u>	<u>(720)</u>	<u>773</u>
	Asset	Liability	Net deferred tax
	£000	£000	£000
<b>2021</b>			
Accelerated tax depreciation	-	(136)	(136)
Acquired in business combinations	-	(501)	(501)
Share-based payment	1,730	-	1,730
IFRS 16 transition	75	-	75
Taxable losses – restated *	684	-	684
	<u>2,489</u>	<u>(637)</u>	<u>1,852</u>

Share options for which the exercise price is more than the current market value of the shares at the Statement of financial position date would give rise to a deferred tax liability of £949,000. This liability remains unrecognised in the financial statements as the probability of an employee exercising a share option at a price higher than the market value is remote.

\* See note 26 for restatement.

Deferred tax movements during the current year:

Group	At 1 July 2021	Recognised in income	Recognised in equity	At 30 June 2022
	£000	£000	£000	£000
Accelerated tax depreciation	(136)	(131)	-	(267)
Acquired in business combinations	(501)	48	-	(453)
IFRS 16 transition	75	(41)	-	34
Share based payment	1,730	(167)	(795)	768
Taxable losses	684	7	-	691
Net tax assets/(liabilities)	<u>1,852</u>	<u>(284)</u>	<u>(795)</u>	<u>773</u>

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 8 Income tax (continued)

Deferred tax movements during the prior year:

Group	At 1 July 2020	Recognised in income	Recognised in equity	At 30 June 2021
	£000	£000	£000	£000
Accelerated tax depreciation	(105)	(31)	-	(136)
Acquired in business combinations	(510)	9	-	(501)
IFRS 16 transition	57	18	-	75
Share based payment	1,487	379	(136)	1,730
Tax losses – restated *	-	684	-	684
Net tax assets/(liabilities)	929	1,059	(136)	1,852

## Recognised deferred tax (liability)/asset

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

Group	Fixed asset timing differences	Deferred tax on acquired intangibles	Other temporary differences	Total	Company fixed asset timing differences
	£000	£000	£000	£000	£000
<b>Balance at 30 June 2020</b>	(105)	(510)	1,544	929	(9)
Credited/(charged) to the Income Statement for the year – restated *	(31)	9	1,081	1,059	-
Credited to equity for the year	-	-	(136)	(136)	-
Balance at 30 June 2021 – restated *	(136)	(501)	2,489	1,852	(9)
Credited/(charged) to the Income Statement for the year	(131)	48	(201)	(284)	-
Credited to equity for the year	-	-	(795)	(795)	-
Balance at 30 June 2022	(267)	(453)	1,493	773	(9)

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

\* See note 26 for restatement.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

8 Income tax (continued)

Net deferred tax asset/(liability)	Group	Company
	£000	£000
Deferred tax liability	(720)	(9)
Deferred tax asset	1,493	-
<b>Balance at 30 June 2022</b>	<b>773</b>	<b>(9)</b>
Net deferred tax asset/(liability)	Group	Company
	£000	£000
Deferred tax liability	(637)	(9)
Deferred tax asset – restated *	2,489	-
<b>Balance at 30 June 2021 – restated *</b>	<b>1,852</b>	<b>(9)</b>

\* See note 26 for restatement.

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 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
<b>Cost or valuation</b>					
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
At 1 July 2021	3,610	600	429	2,363	7,002
Additions	30	36	25	214	305
Disposals	-	-	(18)	(10)	(28)
Foreign exchange movements	1	1	14	8	24
At 30 June 2022	3,641	637	450	2,575	7,303
<b>Depreciation</b>					
At 1 July 2020	1,540	114	268	1,461	3,383
Charge for 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
At 1 July 2021	1,690	201	249	1,743	3,883
Charge for year	173	104	47	308	632
Disposals	-	-	-	(8)	(8)
Foreign exchange movements	-	2	(2)	5	5
At 30 June 2022	1,863	307	294	2,048	4,512
<b>Carrying amount</b>					
At 30 June 2022	1,778	330	156	527	2,791
At 30 June 2021	1,920	399	180	620	3,119
At 1 July 2020	1,686	180	176	545	2,587

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**9 Property, plant and equipment (continued)**

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

**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.

	<b>Property</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
Balance at 1 July 2021	5,104	177	142	5,423
Additions	345	323	86	754
Depreciation	(736)	(156)	(81)	(973)
Foreign exchange	7	(2)	-	5
Balance at 30 June 2022	4,720	342	147	5,209

**Company**

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

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

10 Lease liabilities

	2022	2021
	£000	£000
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	1,061	1,161
One to five years	2,682	2,721
More than five years	3,281	4,213
<b>Total undiscounted lease liabilities at 30 June</b>	<b>7,024</b>	<b>8,095</b>
<b>Lease liabilities included in the statement of financial position at 30 June</b>		
Current	814	629
Non-current	4,997	5,276
	<b>5,811</b>	<b>5,905</b>
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts recognised in profit or loss</b>		
Interest on lease liabilities	193	195
<b>Amounts recognised in the statement of cashflows</b>		
Total cash outflow for leases	1,123	992

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 11 Goodwill

## Group Goodwill

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

	<b>Goodwill £ 000</b>
<b>Cost or valuation</b>	
At 1 July 2020	6,006
Foreign exchange movements	(294)
At 30 June 2021	5,712
At 1 July 2021	5,712
Foreign exchange movements	44
At 30 June 2022	5,756
<b>Impairment</b>	
At 1 July 2021	447
Impairment	67
At 30 June 2022	514
<b>Carrying amount</b>	
At 30 June 2022	5,242
At 30 June 2021	5,265

The impairment of £67,000 in Tristel Technologies Limited goodwill is included in depreciation, amortisation and impairments in the consolidated income statement.

<b>Cash Generating Unit (CGU)</b>	<b>Goodwill carrying value £ 000</b>	<b>Total CGU carrying value £ 000</b>	<b>Value in Use £ 000</b>	<b>Headroom £ 000</b>
Scorchers Idea Limited	265	265	265	-
Ashmed	438	1,525	9,999	8,474
Ecomed - Belgium	2,133	3,773	9,782	6,009
Ecomed - France	1,652	2,235	10,123	7,888
Ecomed – The Netherlands	313	739	2,740	2,001
Tristel Italia	441	1,089	9,772	8,683
	<u>5,242</u>			

**11 Goodwill (continued)**

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 (CGU's) 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, these are detailed individually below. Management estimates discount rates using the CGUs pre-tax weighted average cost of capital. 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.

**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 12.06%. With sales decline at a rate of 15% year on year (the average rate over the past 4 years), the net present value of future cashflows of £0.27m is less than the carrying value of £0.33m. Based on the expectation that revenue will decline at a rate of at least 20% year on year, an impairment of £0.067m 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 13.43%. 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. Based on a revenue growth rate of 5%, the net present value of future cashflows exceeds the carrying value of £1.525m by £8.474m, as such no impairment has been recorded.



Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

11 Goodwill (continued)

**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 thirty-day period to 15 November 2018. A balancing payment of £0.5m was made in cash in January 2019 following completion.

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

The transaction gave rise to 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 11.32% for Tristel Belgium, 11.49% for Tristel France and 10.52% for Tristel Netherlands. 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, for Tristel Belgium a revenue growth rate of 7%, for Tristel France a revenue growth rate of 10% and Tristel Netherlands a revenue growth rate of 7% 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 for each cash generating unit exceeds its carrying value (Group total of £6.747m), by £15.898m as such no impairment has been recorded.

Although significant headroom is shown in all three entities based on the above extrapolated cashflows, management has considered the sales decline shown in Belgium and Netherlands in the current year and sensitised the recoverable value calculation to show zero sales growth over the five-year period and an increasing cost base of between 4% and 7%, assuming all other assumptions remain unchanged. Under these conditions, the net present value of future cashflows for Belgium exceeds its carrying value of £3.773m, by £1.478m, the net present value of future cashflows for The Netherlands exceeds its carrying value of £0.739m, by £0.412m and as such no impairment has been recorded. Management has further sensitised the growth rates, cost base and discount rate for Tristel Belgium and Tristel Netherlands. For an impairment to be recognised in Tristel Belgium, the revenue growth would need to be zero and the cost base increasing by 11% year on year or alternatively, the discount rate to increase to 27%. For an impairment to be recognised in Tristel Netherlands, the revenue growth would need to be zero and the cost base increasing by 12% year on year or alternatively, the discount rate to increase to 33%.

**11 Goodwill (continued)**

**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.

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 13.07%. 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. Based on a revenue growth rate of 18%, the net present value of future cashflows exceeds the carrying value of £1.1m by £8.683m, as such no impairment has been recorded.

**Company**

The Company has no goodwill.

## 12 Intangible assets

### Group

	Patents, licences and proprietary technology £ 000	Customer & supplier relationships £ 000	Computer software and website £ 000	Development of marketable products £ 000	Total £ 000
<b>Cost or valuation</b>					
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
At 1 July 2021	6,065	3,244	802	5,808	15,919
Additions	200	-	116	582	898
Foreign exchange movements	-	45	-	-	45
At 30 June 2022	6,265	3,289	918	6,390	16,862
<b>Amortisation</b>					
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
At 1 July 2021	3,228	1,235	516	4,236	9,215
Amortisation charge	143	320	86	556	1,105
Impairment	2,210	-	50	179	2,439
Foreign exchange movements	-	(35)	-	-	(35)
At 30 June 2022	5,581	1,520	652	4,971	12,724
<b>Carrying amount</b>					
At 30 June 2022	684	1,769	266	1,419	4,138
At 30 June 2021	2,837	2,009	286	1,572	6,704

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 CGU's is between 10-12%. 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.

During the year, the group have recorded an impairment charge of £2.439m relating to intangible assets (licenses, intellectual property and development costs) associated with the discontinuation of the Crystel and Anistel product ranges, which form part of the other revenue operating segment. Both product ranges were based on chemistries other than the group's proprietary chlorine dioxide technology, and sales were in decline. The full £2.439m carrying value of these assets has been impaired as the products have been discontinued and the group is no longer making sales of these products. The recoverable amount was determined based on value in use. Given the discontinuation of sales that these assets are used for the recoverable amount was determined to be zero and application of a discount rate was not considered necessary. The fair value less costs of disposal is not considered to be materially different to the recoverable amount when applying value in use.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

12 Intangible assets (continued)

Company

	Patents, licences and proprietary technology	Total
	£000	£000
<b>Cost</b>		
At 30 June 2020	5,427	5,427
Additions	106	106
At 30 June 2021	5,533	5,533
Additions	-	-
At 30 June 2022	5,533	5,533
<b>Amortisation</b>		
At 30 June 2020	2,434	2,434
Charge for year	454	454
At 30 June 2021	2,888	2,888
Charge for year	120	120
Impairment	2,172	2,172
At 30 June 2022	5,180	5,180
<b>Net book value</b>		
30 June 2022	353	353
30 June 2021	2,645	2,645

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 13 Investments

## Group and company

	2022	2021
	£000	£000
At 1 July	-	807
Fair value loss	-	(807)
<b>At 30 June</b>	<b>-</b>	<b>-</b>

The Directors took 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. These circumstances have been reassessed by the Directors at 30 June 2022 with no changes identified and have concluded that the fair value of the investment continues to be £nil.

	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	Proportion of ownership interest and voting rights held 2021
MobileODT Ltd	Manufacture of intelligent visual diagnostic tools	Israel	3%	3%

## Group subsidiaries

Group subsidiaries as at 30 June 2022 are detailed on the following page:

**Tristel Plc**  
**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**  
**13 Investments (continued)**

Name of subsidiary	Principal activity	Country of registration	Proportion of ownership interest and voting rights	Proportion of ownership interest and voting rights
			2022	2021
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%	100%
Tristel France * (11)	Supply of infection control products	France	100%	100%
Tristel Netherlands * (12)	Supply of infection control products	The Netherlands	100%	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%	100%
Tristel Malaysia SDNBHD * (16)	Supply of infection control products	Malaysia	100%	100%
Tristel Ireland Limited (17)	Dormant	Ireland	100%	100%
Tristel Private Limited (18)	Supply of infection control products	Singapore	100%	-

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**13 Investments (continued)**

\* indicates direct investment of the company

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

Registered office address:

- (1) Unit 1B, Lynx Business Park, Fordham Road, Snailwell, Cambridgeshire, CB8 7NY
- (2) 23 Birch Avenue, Judea, Tauranga, Bay Of Plenty, 3110
- (3) 16/F Oriental Century Plaza, 345 Xian Xi Road, Chang Ning District, Shanghai 200336
- (4) 21st Floor, 168 Electric Road, Hong Kong
- (5) Karl-Marx-Allee 90A, 10243 Berlin
- (6) 40/328 Reserve Road, Cheltenham, Victoria, 3192
- (7) Pl. Piłsudskiego 1, 00-078 Warszawa, Poland
- (8) 2 Lords Court, Basildon, England, SS13 1SS
- (9) Sandgrube 29, CH - 9050 Appenzell, Schweiz
- (10) Smallandlaan 14 B, Anvers , 2660
- (11) 130, Boulevard de la Liberté, Lille, 59000
- (12) Binderij 7 R, Amstelveen, 1185
- (13) 2-25 Sudacho, Kanda, Chiyoda-ku, Tokyo, Japan
- (14) 335, Udyog Vihar Phase-IV, Gurugram, Haryana-122015
- (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
- (18) Unit 14-04, 2 Venture Drive, Singapore, 608526

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 13 Investments (continued)

## Company

	Shares in Group undertakings	Other investments	Total
	£000	£000	£000
<b>Cost</b>			
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
Capital contributions as a result of share-based payments	809	-	809
At 30 June 2022	13,530	-	13,530
<b>Impairment</b>			
At 30 June 2020	433	-	433
Movement in the year	-	-	-
At 30 June 2021	433	-	433
Movement in the year	-	-	-
At 30 June 2022	433	-	433
<b>Net book value</b>			
30 June 2022	13,097	-	13,097
30 June 2021	12,288	-	12,288

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 current year charge of £809,000 (2021: £451,000).



## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 14 Inventories

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Raw materials and consumables	2,507	2,503	-	-
Finished goods	1,913	1,763	-	-
	4,420	4,266	-	-

Included in the above is a stock provision of £207,000 (2021: 116,000) held in respect of both raw materials and finished goods.

## 15 Trade and other receivables

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Net trade receivables	4,592	3,780	-	-
Receivables from related parties	-	-	7,994	4,281
Prepayments	1,086	1,333	140	121
Other receivables	173	142	31	6
	5,851	5,255	8,165	4,408

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.

Receivables from related parties are interest free and repayable on demand.

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

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 15 Trade and other receivables (continued)

## Current

	2022	2021	2022	2021
	Group	Group	Company	Company
	£000	£000	£000	£000
Impairment provision brought forward	(24)	(19)	-	-
Increase in provision	(3)	(5)	-	-
Impairment provision carried forward	(27)	(24)	-	-

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 2022 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 2022:

Grade	Internal credit rating	Weighted average loss rate %	Gross carrying amount £000	Impairment loss allowance
Grade: Low risk	AAA-A	0%	4,018	-
Grade: Fair risk	BBB-B	0%	394	-
Grade: Substandard	CCC	0%	35	-
Grade: Doubtful	CC-C	0%	62	-
Grade: loss	D	33%	83	27
			4,592	27

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 25. The company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 16 Cash and cash equivalents

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank	8,883	8,094	1,146	412

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

	<b>2022</b>		<b>2021</b>	
	<b>No. 000</b>	<b>£ 000</b>	<b>No. 000</b>	<b>£ 000</b>
Ordinary of £0.01 each	47,244	472.44	47,094	470.94

  

	<b>Number</b>	<b>£000</b>
30 June 2021	47,094,443	471
Issued during the year	155,550	2
30 June 2022	47,249,993	473

155,550 ordinary shares of 1 pence each, related to the exercise of 155,550 share options were issued during the year (2021: 1,797,910). The weighted average exercise price was 3.15 pence (2021: 51.00p).

During the year 1,306 ordinary shares of 1 pence each were issued at a premium of £396,000 (2021: 966,000) which is recorded in the share premium account.

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**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 £328,000 (2021: £366,000), with £40,000 (2021: £37,000) outstanding at the year end.

**19 Trade and other payables**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables	1,048	1,428	28	18
Accruals	1,587	1,134	196	175
Social security and other taxes	332	583	4	3
Other payables	255	331	-	-
	<u>3,222</u>	<u>3,476</u>	<u>228</u>	<u>196</u>

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:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2021 of 3.93p (2020: 3.84p) per share	1,854	1,785
Interim dividend for the year ended 30 June 2022 of 2.62p (2021: 2.62p) per share	1,237	1,232
	<u>3,091</u>	<u>3,017</u>
Proposed final dividend for the year ended 30 June 2022 of 3.93p (2021: 3.93p) per share	1,856	1,851
Special dividend for the year ended 30 June 2022 of 3.00p per share (2021: nil)	1,417	-
<b>Company</b>		
Dividend received from subsidiaries	<u>(7,515)</u>	<u>(4,332)</u>

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.

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**21 Earnings per share**

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

	<b>Restated*</b>	
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Retained profit for the financial year attributable to equity holders of the parent	927	3,656
	<b>Shares</b>	<b>Shares</b>
	<b>'000</b>	<b>'000</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	47,187	46,539
Share options	582	494
	<u>47,769</u>	<u>47,033</u>
Earnings per ordinary share		
Basic	1.96p	7.86p
Diluted	1.94p	7.77p

The Group also presents an adjusted basic earnings per share figure which excludes the share-based payments charge:

	<b>Restated*</b>	
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Retained profit for the financial year attributable to equity holders of the parent	927	3,656
Adjustments:		
Fair value movement on investments	-	807
Impairment of intangible assets	2,439	-
Share based payments	596	824
Net adjustments	<u>3,035</u>	<u>1,631</u>
Adjusted earnings	<u>3,962</u>	<u>5,287</u>
Adjusted basic earnings per ordinary share	<u>8.40p</u>	<u>11.36p</u>

\* See note 26 for restatement.

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**22 Share based payments**

During the year ended 30 June 2022 the Group had 158 share-based payment arrangements, under four schemes. Grants in the year are detailed below:

	General employee scheme	General employee scheme
Grant date	18-Oct-21	21-Feb-22
Vesting period ends	18-Oct-21	21-Feb-22
Share price at date of grant	488.00p	335.00p
Volatility	42.07%	42.22%
Option life	10 years	10 years
Expected dividend yield	1.05%	2.11%
Risk free investment rate	0.25%	0.50%
Fair value at grant date	1.304p	0.844p
Exercise price at date of grant	488.00p	335.00p

The Executive Director Scheme is part of the remuneration package of the Executive Directors of the Parent company. 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 Group's 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 Group's 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. Management do not consider the adjusted profit before tax condition is deemed to be achievable and as such no share option charge relating to that condition has been recognised. The prior year charge in respect of this element has been reversed through the current year income statement.

Senior Management Scheme (1) is part of the remuneration package of the Executive Directors, Non-executive Directors and Senior Management of the Company's parent Tristel Plc. Options under this scheme will vest if certain conditions defined in the programme are met or vest immediately upon grant. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

Senior Management Scheme (2) is part of the remuneration package of the Executive Directors and Non-executive Directors of the Company's parent Tristel Plc. Options under this scheme will vest if certain conditions defined in the programme are met or vest immediately upon grant. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

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

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 22 Share based payments (continued)

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 2022 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 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
Granted	-	-	-	-	-	-	400,000	453.58p
Forfeited/lapsed	-	-	-	-	-	-	(20,000)	494.00p
Exercised	-	-	(5,000)	1.00p	-	-	(155,550)	255.35p
Outstanding at 30 June 2022	800,000	1.00p	-	-	-	-	1,283,000	365.96p
Exercisable at 30 June 2021	-	-	5,000	1.00p	-	-	1,058,550	319.02p
Exercisable at 30 June 2022	-	-	-	-	-	-	1,258,000	365.96p

The total charge at 30 June 2022 relating to employee share-based payment plans, in accordance with IFRS 2, was £596,000 (2021: £824,000) 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 evenly 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.

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**23 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 £404,000 were payable (2021: £355,000). At 30 June 2022, the Group owed Manor Packaging Limited £20,000 (2021: £41,000).

**Transactions between the Group and Bart Leemans**

During the year, the Group paid £29,000 (2021: £36,000) for warehouse space owned by Vicella, a management company owned by Bart Leemans, an executive director in the Company. At 30 June 2022, the Group owed Vicella £29,000 (2021: £36,000). Bart Leemans was remunerated for his services as director through Vicella for the amounts as shown in the directors remuneration report on page 23.

**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 Statement of financial position on page 44.

Subsidiary	Transaction type	2022	Outstanding at Year end	2021	Outstanding at Year end
		£	£	£	£
Tristel New Zealand	Services and assets	-	-	56,443	56,443
Tristel Solutions	Services and expenses	30,788	30,788	55,452	55,452
Tristel Solutions	Licence fee	175,846	175,846	-	-

**Other transactions with Directors**

Dividends were paid to Directors as follows:

	2022	2021
	£	£
Paul Swinney	46,277	44,696
Elizabeth Dixon	16,004	15,655
David Orr	3,301	3,255
Bart Leemans	62,528	61,669
Caroline Stephens	52	-
Isabel Napper	131	-



## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 23 Related party transactions (continued)

## Key management compensation

	2022 £ 000	2021 £ 000
Salaries and other short term employee benefits	1,224	1,395
Post-employment benefits	114	125
Share-based payments	329	399
	<u>1,667</u>	<u>1,919</u>

The key management figures given above includes Executive Directors.

## 24 Non- GAAP measures

## Income statement reconciliation

The group presents adjusted profit measures (operating profit/EBIT, Profit after tax, Profit before tax and EBITDA) by making adjustments for costs and profits, which management believes to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings. Such items may include, but are not limited to, share based payments expense, impairments, fair value movements on investments and restructuring. In addition, the group presents EBITDA and adjusted EBITDA (adjusted in the same manner) as management believes that this is an important metric for the shareholders. The group uses adjusted measures to evaluate performance and as a method to provide shareholders with clear and consistent reporting. See below reconciliation of operating profit (EBIT), profit before tax, net profit and EBITDA to the respective adjusted measures.

Adjusted profit measures	Notes	Specific adjusting items			2022 Adjusted £000
		2022 Statutory £000	1	2	
Operating profit (EBIT)		1,689	2,439	596	4,724
Net finance costs	4	(194)			(194)
Profit before tax		1,495	2,439	596	4,530
Income tax expense	8	(568)	(610)		(1,178)
Profit attributable to equity shareholders		<u>927</u>	<u>1,829</u>	<u>596</u>	<u>3,352</u>
Effective tax rate		<u>38%</u>	<u>25%</u>	<u>0%</u>	<u>26%</u>
Profit before tax margin		<u>5%</u>			<u>15%</u>
Profit for the year		927	1,829	596	3,352
Income tax credit/(expense)		568	610	-	1,178
Net finance cost		194	-	-	194
Depreciation, amortisation and impairments		5,216	(2,439)	-	2,777
EBITDA		<u>6,905</u>	<u>-</u>	<u>596</u>	<u>7,501</u>
Revenue for the year		31,123	-	-	31,123
EBITDA margin		22%	-	-	24%

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 24 Non- GAAP measures (continued)

	2022
ROCE	Statutory £000
Total assets	38,740
Current liabilities	(4,036)
Capital employed	34,704
EBIT	1,689
ROCE	5%

Adjusted profit measures	Notes	Specific adjusting items			2021 Adjusted £000
		2021 Statutory £000	2	3	
Operating profit (EBIT)		3,955	824	807	5,586
Net finance costs	4	(194)			(194)
Profit before tax		3,761	824	807	5,392
Income tax expense - restated	8	(105)			(105)
Profit attributable to equity shareholders		<u>3,656</u>	<u>824</u>	<u>807</u>	<u>5,287</u>
Effective tax rate		<u>2.9%</u>	<u>0%</u>	<u>0%</u>	<u>2%</u>
Profit before tax margin		<u>12%</u>			<u>17%</u>
Profit for the year		3,656	824	807	5,287
Income tax expense		105	-	-	105
Net finance cost		194	-	-	194
Depreciation, amortisation and impairments		<u>2,813</u>	<u>-</u>	<u>-</u>	<u>2,813</u>
EBITDA		<u>6,768</u>	<u>824</u>	<u>807</u>	<u>8,399</u>
Revenue for the year		30,998	-	-	30,998
EBITDA margin		22%	-	-	27%

24 Non- GAAP measures (continued)

	2021 Statutory £000
<b>ROCE</b>	
Total assets - restated	40,785
Current liabilities	(4,105)
Capital employed	36,680
EBIT	3,955
ROCE	11%

Specific adjusting items are as follows:

1. Impairment of intangibles in relation to the current year product rationalisation project (see note 12.)
2. Share based payment charges under IFRS 2 (see note 22.)
3. Movement in fair value of investments in relation to the prior year decision to reduce the fair value of the investment in Mobile ODT to zero (see note 13.)

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

25 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:

	2022	2021	2022	2021
	Group	Group	Company	Company
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
	£000	£000	£000	£000
Cash and cash equivalents	8,883	8,094	1,146	412
Trade and other receivables excluding prepayments and VAT	4,765	3,922	7,818	4,287
	<u>13,648</u>	<u>12,016</u>	<u>8,964</u>	<u>4,699</u>

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**25 Financial risk management and impairment of financial assets (continued)**

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

	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>Carrying amount</b>	<b>Carrying amount</b>	<b>Carrying amount</b>	<b>Carrying amount</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
United Kingdom	2,227	2,497	7,818	4,287
Rest of the World	2,538	1,425	-	-
	<u>4,765</u>	<u>3,922</u>	<u>7,818</u>	<u>4,287</u>

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £27,000 (2021: £24,000) have been provided against but no other receivables were considered to be impaired.

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

**Group**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Not past due	3,783	2,452
Past due 0-30 days	495	995
Past due 31-120 days	291	363
Past due 120 days +	196	112
	<u>4,765</u>	<u>3,922</u>

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 25 Financial risk management and impairment of financial assets (continued)

## Liquidity risk

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

Group	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	More than 12 months
	£000	£000	£000	£000	£000
<b>30 June 2022</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables (excluding taxes)	2,596	2,596	2,596	-	-
	<u>2,596</u>	<u>2,596</u>	<u>2,596</u>	<u>-</u>	<u>-</u>
<b>30 June 2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables (excluding taxes)	2,893	2,893	2,893	-	-
	<u>2,893</u>	<u>2,893</u>	<u>2,893</u>	<u>-</u>	<u>-</u>
<b>Company</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>More than 12 months</b>
	£000	£000	£000	£000	£000
<b>30 June 2022</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables (excluding taxes)	224	224	224	-	-
	<u>224</u>	<u>224</u>	<u>224</u>	<u>-</u>	<u>-</u>
<b>30 June 2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables (excluding taxes)	196	196	196	-	-
	<u>196</u>	<u>196</u>	<u>196</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 25 Financial risk management and impairment of financial assets (continued)

	2022	2021	2022	2021
	Group	Group	Company	Company
	£000	£000	£000	£000
<b>Current assets: loans and receivables at amortised cost</b>				
Cash and cash equivalents	8,883	8,094	1,146	412
Trade and other receivables	4,765	3,922	7,818	4,287
	<u>13,648</u>	<u>12,016</u>	<u>8,964</u>	<u>4,699</u>
All of the above relate to the IFRS 9 category 'loans and receivables'.				
	2022	2021	2022	2021
	Group	Group	Company	Company
	£000	£000	£000	£000
<b>Current liabilities</b>				
Contingent liability	-	-	-	-
Trade and other payables	2,596	2,893	228	196
	<u>2,596</u>	<u>2,893</u>	<u>228</u>	<u>196</u>

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 2022, the average interest rate earned on the temporary closing balances was 0.1% (2021: 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 £76k within these financial statements, shown on page 74 within note 4. This balance consists of a £26k loss originating upon the translation of overseas profits and a £40k loss from the revaluation of cash and open trade balances at the year end.

## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

**25 Financial risk management and impairment of financial assets (continued)****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 shareholder, issue new shares or sell assets.

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

Capital for the period is summarised as follows:

	<b>Restated</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total equity	28,944	30,767	22,530	19,554
Cash and cash equivalents	(8,883)	(8,094)	(1,146)	(412)
Capital	20,061	22,673	21,384	19,142
Total equity	28,944	30,767	22,530	19,554
Borrowings	5,811	5,905	-	-
Overall financing	34,755	36,672	22,530	19,554
Capital to overall financing ratio	<b>0.5772</b>	<b>0.6183</b>	<b>0.9491</b>	<b>0.9789</b>



## Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

## 26 Prior year restatement

During the current year, it was identified that deferred tax assets relating to unrecognised taxable losses of £3,600,000 in the UK had not been recognised in the prior year. Based on the circumstances in the prior year, these should have been recorded as a deferred tax asset at 19%, equating to £684,000. The prior year financial statements have been restated for this adjustment. In addition, in the prior year an income tax receivable for £170,000 was inappropriately classified as an income tax liability. The prior year comparatives have been restated to correctly reclassify the balance as an income tax receivable.

	2021 Previously reported	2021 Restatement	2021 Restated
	£000	£000	£000
<b>Consolidated income statement</b>			
Profit before tax	3,761	-	3,761
Income tax expense	(789)	684	(105)
Profit for the year	2,972	684	3,656
<b>Consolidated statement of comprehensive income</b>			
Foreign currency translation losses	(600)	-	(600)
Profit and total comprehensive income for the year	2,372	684	3,056
<b>Consolidated statement of financial position at 30 June 2021</b>			
Deferred tax asset	1,805	684	2,489
Non-current assets	22,316	684	23,000
Income tax receivable	-	170	170
Current assets	17,615	170	17,785
Total assets	39,931	854	40,785
Income tax liability	(170)	170	-
Current liabilities	3,935	170	4,105
Total liabilities	9,848	170	10,018
Retained earnings	14,003	684	14,687
Total equity	30,083	684	30,767