**17 October 2018**

**Tristel plc**
**("Tristel", the "Company" or the "Group")**

**Final Results**
**Audited Results for the year ended 30 June 2018**

Tristel plc (AIM: TSTL), the manufacturer of infection prevention and contamination control products, announces its audited results for the year ended 30 June 2018.

**Financial Highlights**

- Turnover up 10% to £22.2m (2017: £20.3m)
- Overseas sales up 19% to £11.4m (2017: £9.6m), representing 51% of total sales (2017: 47%)
- EBITDA before share-based payments up 16% to £6.2m (2017: £5.3m). Unadjusted £5.5m (2017: £5.2m)
- Pre-tax profit before share-based payments up 15% to £4.7m (2017: £4.1m). Unadjusted £4m (2017: £4m)
- Pre-tax margin before share-based payments increased to 21% (2017: 20%). Unadjusted 18% (2017: 20%)
- Adjusted EPS 9.16p up 10% (2017: 8.34p)
- Basic EPS 7.62p down 5% due to share-based payments of £0.66m (2017: £0.12m)
- Dividend per share for the full year increased by 13.6% to 4.58p (2017: 4.03p)
- Net cash of £6.7m at year-end (2017: £5.1m). Company remains debt free

**Operational Highlights**

- Approval from USA Environmental Protection Agency (EPA) for foam-based product Duo
- Commercial collaboration concluded with Parker Laboratories Inc, USA, establishing manufacturing capability and national distribution network in USA
- Board transition plan progressing

**Paul Swinney, Chief Executive of Tristel plc, said:** *"We made solid progress during the year. Whilst sales growth was at the lower end of our target range, adjusted pre-tax profit and net margin exceeded both market expectations and our internal plan. Once again, the driver for top-line growth was our overseas activity which now accounts for more than half of the Group's business. Our plans to enter the United States market remain on track and continue to progress well. During the year we secured our first product approval and established our capability to manufacture and sell nationwide. We are waiting for additional approvals from the EPA for enhanced product claims for Duo and state registrations before we will start active promotion and marketing in the USA. We expect to intensify these activities in the second half of the current financial year. Our submission to the Food and Drug Administration for Duo is progressing well and we recently received very constructive feedback from the agency which will help guide us to its completion.*

*"Brexit looms. Our response to the uncertainty surrounding this event is to build inventory of all component parts and finished products. We have advised our continental customers to increase their stockholdings over the coming months in preparation for possible disruption to the supply chain. Based upon available advice, we believe that we will be able to CE mark our disinfectants and sell them within Europe irrespective of the outcome of the Brexit negotiation. The only certainty is that we will experience turbulence this year and our normally predictable pattern of trade will be disrupted to some extent. Notwithstanding this near-term uncertainty, the outlook for the Company remains very positive."*

**For further information:**


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Alice Lane (ECM)

# Chairman's Statement

We made solid progress during the year to 30 June 2018. Sales grew to £22.2m from £20.3m in 2017, an increase of 10%. For the first time in our history, overseas sales represented more than half of all worldwide sales (51% overseas versus 49% United Kingdom), with overseas sales forging ahead by 19% during the year, whilst UK sales advanced only marginally by 2%. This difference in the pace of growth reflects the high market penetration that Tristel enjoys in the United Kingdom.

Pre-tax profit before share-based payments was £4.7m which was ahead of market expectations and compared to £4.1m last year, an increase of 15%. Our pre-tax profit margin, before share-based payments, which is a key measure of our performance, was 21% (2017: 20.2%). Adjusted earnings per share (EPS), before share-based payments, were 9.16 pence, up from 8.34 pence last year. Basic EPS were 7.62 pence, a 5% decline from last year due to a share-based payment charge of £0.66m (2017: £0.12m). This charge is a non cash item and is a direct consequence of a higher share price as Tristel continues to grow its revenue and profits.

The Company has continued to be highly cash generative and on 30 June 2018 the cash balance was £6.7m (2017: £5.1m). In line with the Company's ordinary dividend policy, the Board is recommending that the final dividend is 2.98 pence (2017: 2.63 pence), an increase of 13.3%. Including the interim dividend of 1.60 pence (2017: 1.40 pence), and the proposed final dividend, the total dividend for the year will be 4.58 pence (2017: 4.03 pence), an increase of 13.6%.

We continued to invest for future growth during the year. We spent £0.5m on product development and testing (2017: £0.2m) and £0.2m on intellectual property protection (2017: £0.2m). Both these expenditures are held in intangible assets. We invested £0.981m in regulatory and product enhancement programmes where we have recognised this cost as an expense. Included in this cost is an amount of £0.5m (2017: £0.5m) relating to the United States. Our project to enter this market commenced in 2014. Since we first initiated this plan our cumulative investment in gaining regulatory approvals in the United States and establishing a commercial structure there has been £1.2m.

Whilst no revenues have yet been generated from the United States, significant progress has been made to build a commercial platform from which to enter the market. During the year we received our first regulatory approval from the Environmental Protection Agency (EPA) for our foam-based Duo product. Since the year-end we have made a second submission to the EPA to extend Duo's product claims as an intermediate level disinfectant, and are well advanced in generating the data for our first submission for a 510(K) approval from the Food and Drug Administration (FDA). This is also for Duo and will position the product as a high-level disinfectant. We have cemented a partnership with Parker Laboratories Inc, (Parker) which means we have put in place manufacturing capability and a national distribution network. We do not yet have employees in the United States but have established a subsidiary.

Our people are critical to our success and in this statement, my last address as Chairman, I would like to pay tribute to and thank all our employees who have given service to this Company during the past twenty-five years. At the forthcoming AGM in December I shall retire as Non-Executive Chairman and Director of the Company. I am honoured that your Board has invited me to assume the titular role of Honorary Life President and as the Company's largest shareholder I shall continue to follow Tristel's progress with keen interest.

We are working to appoint new Non-Executive Directors to bring fresh ideas and new experiences to our Board. To ensure continuity as these new appointments bed in, the Board has decided to propose to shareholders at the AGM that Paul Barnes be appointed interim Non-Executive Chairman for a one-year term. Paul has been a Non-Executive director since 2010 and will retire from the Board in December 2020.

This is a time of change, within our Company and in the world at large. However, many things remain the same: our core strategic objective continues to be to achieve consistent and sustainable growth of the business and the value of our shareholders' investment in the Company. We have entered the last year of a three-year financial plan established in October 2016 and the targets set then continue to be the measure and judge of our performance. The targets are to grow revenue within a range of 10% to 15% as an annual average over the three years to June 2019 whilst maintaining a minimum pre-tax margin of 17.5%. We are achieving these objectives and thereby creating the conditions for consistent and sustainable growth in earnings and dividends. Our core objective is grounded in the belief that, over time, share price growth will follow EPS growth and the cash returns we achieve for shareholders.

Tristel was founded in October 1993 and is now a twenty-five year old business. I very much believe that your Company has many more successful years ahead of it.

Francisco Soler
Chairman

# Chief Executive's Report

**Current year - Overview**
Group revenue was up 10%, adjusted pre-tax profit was up 15% and adjusted EPS was up 10%. We ended the year with cash of £6.7m. The Company is debt-free.

In October 2016, we set out our financial plan for the three years to 30 June 2019. Its objectives are sales growth in the range of 10% to 15% per annum as an annual average over the three years, which is a Key Performance Indicator (KPI) of the Company. A second KPI is to achieve a pre-tax profit margin (excluding share-based payment charges) of at least 17.5%. We can report that both these KPI's have been met in 2018, the second year of the current three-year plan.
We are proposing a final dividend of 2.98 pence per share (2017: 2.63 pence), making 4.58 pence (2017: 4.03 pence) in total for the year, an increase of 13.6%. If approved, the final dividend will be paid on 14 December 2018 to shareholders on the register at 16 November 2018. The corresponding ex-dividend date is 15 November 2018.

**Our business: What our marketplace looks like**
Our entire business is focussed on preventing the transmission of microbes from one object or person to another. We pursue this purpose because microbes can be a source of infection to humans and animals. They can cause illness or death and place a heavy cost on individuals and society. We achieve our purpose by applying a very powerful disinfectant - chlorine dioxide - to the target surface or medical instrument.

We are unique worldwide in using chlorine dioxide as a high-performance disinfectant for medical instruments. And we are one of a very few companies worldwide that can legitimately claim to be exclusively an infection prevention business.

Our mission is most relevant to hospitals where the risks of infection to individuals are highest. In the human healthcare market, we brand our products Tristel. The risk of cross infection is also relevant to veterinary practices, or animal hospitals, and in the animal healthcare market we brand our products Anistel. Finally, the control of microbial contamination is very relevant in critical manufacturing environments, for example cleanrooms, and in this market our products are branded Crystel.

A hospital is a vast, multi-faceted organisation. We are not only unique in providing chlorine dioxide as a high-performance disinfectant within hospitals, but we are also unique in our focus upon specific clinical departments within them. We target clinical departments that carry out diagnostic procedures with small heat-sensitive medical instruments. These include: the nasendoscope used in Ear, Nose and Throat departments; the laryngoscope blade used in emergency medicine; tonometers used in ophthalmology, and ultrasound probes used in both women and men's health. In these departments, we are the only simple to implement, affordable, high-performance disinfection method available. Consequently, in geographical markets in which we have been present for some time, we hold truly dominant market positions.

Brexit looms. Our response to the uncertainty surrounding this event is to build inventory of all component parts and finished products. We have advised our continental customers to increase their stockholdings over the coming months in preparation for possible disruption to the supply chain. Based upon available advice, we believe that we will be able to CE mark our disinfectants and sell them within Europe irrespective of the outcome of the Brexit negotiation. The only certainty is that we will experience turbulence this year and our normally predictable pattern of trade will be disrupted to some extent. Notwithstanding this near-term uncertainty, the outlook for the Company remains very positive.

**Exploring new territories with chlorine dioxide**
In June 2017 we made our first equity investment in Mobile ODT (MODT), the Israeli company that combines smartphone technology with hand-held medical devices to make diagnostics available at the point-of-care. We have expanded our commercial collaboration with MODT to include a version of our Duo product labelled for use with MODT's mobile colposcope and branded Duo EVE in association with MODT's EVA colposcope system. After our 30 June year-end, we have also become MODT's distributor for EVA in the United Kingdom, Australia and New Zealand.

**How We Service Our Market**
Over 95% of our revenues are of repeat consumable products that perform a vital function in hospitals. Their use is for the most part non-discretionary. Our products are typically small packaged goods, requiring no after sales service, other than comprehensive training. Capital sales, service and maintenance do not feature, therefore, in a significant way in our revenue model.

We sell our products directly to end-users in those markets in which we have established a direct operational presence, and through distributors in markets where we have no presence.

*Our revenues - by sales channel*

| **£000's** | | | **2017-18** | **2016-17** | **Year on year change** | **Percentage change** |
|---|---|---|---|---|---|---|
| Human Healthcare | Direct sales | UK | 8,912 | 8,910 | 2 | 0% |
| | | EU | 4,087 | 3,237 | 850 | 26% |
| | | ROW | 3,961 | 3,580 | 381 | 11% |
| | Sales to distributors | EU | 1,559 | 1,358 | 201 | 15% |
| | | ROW | 1,350 | 1,022 | 328 | 32% |
| Contamination Control | Direct sales | UK | 1,258 | 1,129 | 129 | 11% |
| | | EU | 34 | 18 | 16 | 89% |
| | | ROW | 44 | 8 | 36 | 444% |
| | Sales to distributors | EU | 96 | 132 | (36) | (27)% |
| | | ROW | - | 1 | (1) | (100)% |
| Animal Healthcare | Direct sales | UK | 96 | 114 | (18) | (16)% |
| | | EU | 3 | 5 | (2) | (40)% |
| | | ROW | 195 | 180 | 15 | 8% |
| | Sales to distributors | UK | 569 | 522 | 47 | 9% |
| | | EU | 56 | 57 | (1) | (1)% |
| | **Group sales** | | **22,220** | **20,273** | **1,947** | **10%** |

*Our revenues - by technology*

The majority of our sales are of chlorine dioxide (CI02) based products; but we do formulate, manufacture and sell products utilising other disinfectant chemistries. These include quaternary ammonium compounds, peracetic acid and alcohol. In 2018, £3.8m of our sales were of non-chlorine dioxide chemistries representing 17% of the total (2017: £3.6m representing 18%). As our chlorine dioxide product sales increase at a faster pace than non-chlorine dioxide product sales, and as we continue to find ways to persuade customers to switch to chlorine dioxide as a superior disinfection technology, we expect this percentage to continue to decline.

| **£000's** | | | **2017-18** | **2016-17** | **Year on year change** | **Percentage change** |
|---|---|---|---|---|---|---|
| Human Healthcare | Direct sales | CI02 | 16,167 | 14,877 | 1,290 | 9% |
| | | Other | 793 | 850 | (57) | (7)% |
| | Sales to distributors | CI02 | 1,995 | 1,715 | 280 | 16% |
| | | Other | 914 | 665 | 249 | 37% |
| Contamination Control | Direct sales | CI02 | 148 | 47 | 101 | 215% |
| | | Other | 1,188 | 1,082 | 106 | 10% |
| | Sales to distributors | CI02 | 56 | 36 | 20 | 56% |
| | | Other | 40 | 123 | (83) | (67)% |
| Animal Healthcare | Direct sales | CI02 | 30 | 1 | 29 | 2800% |
| | | Other | 264 | 298 | (34) | (11)% |
| | Sales to distributors | CI02 | 5 | 5 | - | 0% |
| | | Other | 620 | 574 | 46 | 8% |
| | **Group sales** | | **22,220** | **20,273** | **1,947** | **10%** |

*Our revenues - by portfolio and geographical split*

Revenues increased by 10% in the year. UK sales grew by 2% and overseas sales by 19%. Overseas sales are made via two channels: through the Company’s wholly-owned subsidiaries in Germany, Poland, Russia, Hong Kong, China, Australia, New Zealand and via third party distributors. Overseas subsidiary sales increased by 18% to £8.32m in the year, whilst overseas sales to distributors increased by 19% to £3.06m.

**Our Strategic Assets**

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

- Our chlorine dioxide chemistry, about which there are three critically important elements:
    1. The formulation is proprietary;
    2. We remain the only company using chlorine dioxide for the decontamination of medical instruments in the world, which gives us a genuine point of difference from all other infection prevention companies;
    3. The length of time that we have enjoyed this position has allowed us to collate a significant body of knowledge, including published scientific data, the testimony of almost two decades of safe use, a significant global footprint of regulatory approvals and a library of proven compatibility with hundreds of medical instruments, all of which would take a newcomer significant time and cost to match.
- Intellectual property protection - at 30 June 2018, we held 250 patents granted in 36 countries providing legal protection for our products;
- Our people - who hold an unrivalled body of knowledge relating both to infection prevention and to chlorine dioxide.

**Our proprietary chlorine dioxide chemistry**

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

With this same chemistry, we have also established a bridgehead in hospital surface disinfection, the veterinary market, and the contamination control market. We are developing a number of new products that could be "game-changers" in these disinfection applications.

Our research and development programme has centred around our chlorine dioxide portfolio, both in terms of chemistry and delivery methods. The key chemistry improvements that are sought relate to an increase in microbial efficacy, a reduction in hazards and improved efficiency of manufacture. In parallel, packaging and delivery forms are being developed that enhance and simplify the user experience.

Our regulatory programme succeeded in attaining 43 approvals for 16 products in 20 countries during the year.

**Our intellectual property protection**

We have 250 patents granted in 36 countries. The progress that the Company has made during the past four years in building its patent portfolio is demonstrated below:

| **Year to 30 June** | CI02 foam | CI02 hand disinfectant | Trigger spray technology | CI02 decontaminati on device | CI02 wipes system | Total Granted patents |
|---|---|---|---|---|---|---|
| **2018** | 12 | 44 | 113 | 54 | 27 | 250 |
| **2017** | 12 | 40 | 101 | 49 | 27 | 229 |
| **2016** | 12 | 37 | 52 | 29 | 26 | 156 |
| **2015** | 11 | 35 | 2 | 23 | 26 | 97 |

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

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

• Consistent revenue growth - during the past five years, revenue has grown from £13.5m to £22.2m - an increase of 64%. The compound annual growth rate in revenue since the Company went public in 2005 has been 15%. Our three year target is to grow revenues in the range of 10% to 15% on average each year up to 30 June 2019.

• Maintaining the profitability of the Company - during the year the Company achieved a (before share based payments) pre-tax margin of 21%. The benchmark (before share based payments) pre-tax margin we set for the plan period was 17.5%.

The corollary to achieving these targets is that we are likely to be highly cash generative given the operational cash requirements of the business. If the Board considers that there are no earnings enhancing opportunities to invest excess cash, a special dividend will be paid to shareholders.

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

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

We have received approval for Duo from the EPA as an intermediate level disinfectant and will commence manufacture and marketing on a limited scale during the year ending 30 June 2019.

We are preparing a submission to the FDA for Duo as a high-level disinfectant. The intended use patterns will be for intra-cavity ultrasound probes, nasendoscopes, and lastly certain ophthalmic devices. If successful, this will position us in three of the clinical areas in which we are most successful in other geographical markets. We expect to submit the application for 510(K) approval during the financial year ending 30 June 2019.

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

**Focus**
We have set objectives which are visible to everyone inside the Company, and we make them equally visible to all other stakeholders.

We look forward to meeting these objectives in the current financial year and continuing the progress of the Company. We look to the future with confidence as Tristel continues to grow and expand its geographical reach.

Paul Swinney
Chief Executive Officer
16 October 2018

**Tristel plc**

**Consolidated Income Statement & Consolidated Statement of Comprehensive Income**

For the year ended 30 June 2018

| | Note | 2018<br>£ 000 | 2017<br>£ 000 |
|---|---|---|---|
| Revenue | | 22,220 | 20,273 |
| Cost of sales | | (5,040) | (4,598) |
| Gross profit | | 17,180 | 15,675 |
| Share based payments | | (665) | (121) |
| Depreciation, amortisation and impairments | | (1,564) | (1,310) |
| Administrative expenses | | (10,971) | (10,342) |
| Operating profit | | 3,980 | 3,902 |
| Net finance income | | 2 | 4 |
| Other income | | - | 41 |
| Share of profit of equity accounted investees | | 24 | 19 |
| Profit before tax | | 4,006 | 3,966 |
| Income tax expense | 4 | (734) | (549) |
| Profit for the year | | 3,272 | 3,417 |
| **Profit attributable to:** | | | |
| Owners of the company | | 3,272 | 3,417 |
| **Earnings per share from total and continuing operations attributable to equity holders of the parent** | | | |
| | | **2018** | **2017** |
| Basic - pence | 6 | 7.62 | 8.06 |
| Diluted - pence | 6 | 7.33 | 7.80 |

| | Note | 2018<br>£ 000 | 2017<br>£ 000 |
|---|---|---|---|
| Profit for the year | | 3,272 | 3,417 |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation (losses)/gains | | (112) | 47 |
| Total comprehensive income for the year | | 3,160 | 3,464 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the company | | 3,160 | 3,464 |

**Tristel plc**
**Consolidated Balance Sheet**
As at 30 June 2018

| | Note | 30 June 2018 £ 000 | 30 June 2017 £ 000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 1,328 | 1,409 |
| Goodwill | | 998 | 1,065 |
| Intangible assets | | 5,954 | 5,924 |
| Investments | | 589 | 589 |
| Deferred tax asset | | 399 | - |
| | | 9,268 | 8,987 |
| **Current assets** | | | |
| Inventories | | 2,279 | 2,292 |
| Trade and other receivables | | 4,332 | 3,745 |
| Cash and cash equivalents | | 6,661 | 5,088 |
| | | 13,272 | 11,125 |
| Total assets | | 22,540 | 20,112 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 7 | 432 | 427 |
| Share premium | | 11,058 | 10,705 |
| Foreign currency translation reserve | | (66) | 46 |
| Merger reserve | | 478 | 478 |
| Retained earnings | | 6,518 | 4,399 |
| Equity attributable to owners of the company | | 18,420 | 16,055 |
| Non-controlling interests | | 7 | 7 |
| Total equity | | 18,427 | 16,062 |
| **Non-current liabilities** | | | |
| Deferred tax liability | | 205 | 175 |
| **Current liabilities** | | | |
| Trade and other payables | | 3,201 | 3,147 |
| Income tax liability | | 707 | 728 |
| | | 3,908 | 3,875 |
| Total liabilities | | 4,113 | 4,050 |
| Total equity and liabilities | | 22,540 | 20,112 |

Approved by the Board on 16 October 2018 and signed on its behalf by:

EA Dixon
Director

**Tristel plc**
**Consolidated Statement of Changes in Equity**
For the year ended 30 June 2018

| | Share capital £ 000 | Share premium £ 000 | Foreign currency translation £ 000 | Other reserves £ 000 | Retained earnings £ 000 | Total £ 000 | Non- controlling interests £ 000 | Total equity £ 000 |
|---|---|---|---|---|---|---|---|---|
| At 1 July 2017 | 427 | 10,705 | 46 | 478 | 4,399 | 16,055 | 7 | 16,062 |
| Exchange difference on translation of foreign operations | - | - | (112) | - | - | (112) | - | (112) |
| Profit | - | - | - | - | 3,272 | 3,272 | - | 3,272 |
| Total comprehensive income | - | - | (112) | - | 3,272 | 3,160 | - | 3,160 |
| Dividends paid | - | - | - | - | (1,818) | (1,818) | - | (1,818) |
| New share capital subscribed | 5 | 353 | - | - | - | 358 | - | 358 |
| Share based payment transactions | - | - | - | - | 665 | 665 | - | 665 |
| Total transactions with owners | 5 | 353 | - | - | (1,153) | (795) | - | (795) |
| At 30 June 2018 | 432 | 11,058 | (66) | 478 | 6,518 | 18,420 | 7 | 18,427 |

| | Share capital £ 000 | Share premium £ 000 | Foreign currency translation £ 000 | Other reserves £ 000 | Retained earnings £ 000 | Total £ 000 | Non- controlling interests £ 000 | Total equity £ 000 |
|---|---|---|---|---|---|---|---|---|
| At 1 July 2016 | 421 | 10,411 | (1) | 478 | 3,648 | 14,957 | 7 | 14,964 |
| Profit for the year | - | - | - | - | 3,417 | 3,417 | - | 3,417 |
| Exchange difference on translation of foreign operations | - | - | 47 | - | - | 47 | - | 47 |
| Total comprehensive income | - | - | 47 | - | 3,417 | 3,464 | - | 3,464 |
| Dividends paid | - | - | - | - | (2,787) | (2,787) | - | (2,787) |
| New share capital subscribed | 6 | 294 | - | - | - | 300 | - | 300 |
| Share based payment transactions | - | - | - | - | 121 | 121 | - | 121 |
| Total transactions with owners | 6 | 294 | - | - | (2,666) | (2,366) | - | (2,366) |
| At 30 June 2017 | 427 | 10,705 | 46 | 478 | 4,399 | 16,055 | 7 | 16,062 |

**Tristel plc**
**Consolidated Statement of Cash Flows**
For the year ended 30 June 2018

| | 2018 | 2017 |
|---|---|---|
| | £'000 | £'000 |
| **Cash flows from operating activities** | | |
| Profit before tax | 4,006 | 3,966 |
| Adjustments to cash flows from non-cash items | | |
| Depreciation of plant, property & equipment | 548 | 564 |
| Amortisation of intangible asset | 950 | 679 |
| Impairment of intangible asset | 67 | 67 |
| Gain on settlement of pre-existing agreement | - | (41) |
| Share based payments - IFRS 2 | 665 | 121 |
| Profit on disposal of property, plant and equipment | (17) | (16) |
| Loss on disposal of intangible asset | - | - |
| Unrealised loss on foreign exchange | (78) | - |
| Finance income | (2) | (4) |
| | 6,139 | 5,336 |
| Working capital adjustments | | |
| Decrease/(increase) in inventories | 13 | (294) |
| Increase in trade and other receivables | (587) | (1) |
| Increase/(decrease) in trade and other payables | 54 | (235) |
| Corporation tax paid | (1,124) | (454) |
| **Net cash flow from operating activities** | 4,495 | 4,352 |
| **Cash flows from investing activities** | | |
| Interest received | 2 | 4 |
| Purchase of intangible assets | (997) | (419) |
| Purchase of trade and assets | - | (994) |
| Purchase of investments | - | (589) |
| Purchase of property plant and equipment | (516) | (585) |
| Proceeds from sale of property plant and equipment | 63 | 45 |
| **Net cash used in investing activities** | (1,448) | (2,538) |
| **Cash flows from financing activities** | | |
| Share issues | 358 | 300 |
| Dividends paid | (1,818) | (2,787) |
| **Net cash used in financing activities** | (1,460) | (2,487) |
| **Net increase/(decrease) in cash and cash equivalents** | 1,587 | (673) |
| Cash and cash equivalents at the beginning of the period | 5,088 | 5,715 |
| Exchange differences on cash and cash equivalents | (14) | 46 |
| Cash and cash equivalents at the end of the period | 6,661 | 5,088 |

## 1. ACCOUNTING POLICIES

**Basis of accounting**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

There have been no new financial reporting standards effective for the year which have impacted the accounting policies stated below. Tristel plc, the Group's ultimate parent company, is a limited liability company incorporated and domiciled in the United Kingdom.

**Basis of consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2018. 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.

**EU adopted IFRSs not yet applied**

As of 30 June 2018, the following Standards and Interpretations are in issue but not yet effective and have not been adopted early by the Group:

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

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the Group, except for IFRS 16. Under IFRS 16, the majority of lease obligations of the group, currently accounted for as operating leases, will be recognised as assets on the statement of financial position with a corresponding liability.

**Standards effective from 1 January 2018**

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2018:

• IFRS 9 Financial instruments (effective 1 January 2018)
• IFRS 15 Revenue from contracts with customers (effective 1 January 2018)

**IFRS 15** - 'Revenue from contracts with customers' will be adopted for the financial year commencing 1 July 2018. Currently revenue is recognised on product sales when the Group has transferred to the buyer the significant risks and rewards of ownership, which is generally when the customer has taken undisputed delivery of the goods. Under IFRS 15 the company must evaluate contracts with customers to determine the distinct performance obligations and consider the appropriate timing of revenue recognition based on when control of the product sales has passed to the buyer. Whilst the new financial reporting standard represents significant new guidance, the implementation of this guidance is not expected to have a significant impact on the timing or amount of revenue recognised by the Group in any year.

There have been no new financial reporting standards, interpretations and amendments effective for the first time from 1 July 2017 which have had a material effect on the financial statements.

**2. PUBLICATION NON-STATUTORY ACCOUNTS**

The financial information set out in this Audited Preliminary Announcement does not constitute the Group's statutory accounts for the years ended 30 June 2018 or 2017, as defined in Section 435 of the Companies Act 2006, but is derived from those accounts. Statutory accounts for the year ended 30 June 2017 have been delivered to the Registrar of Companies, and those for 2018 will be delivered in due course. The auditors Grant Thornton UK LLP have reported on those accounts; their reports were (1) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Board of Tristel plc approved the release of this audited Preliminary Announcement on 16 October 2018.

## 3. SEGMENTAL ANALYSIS

Management considers the Company's revenue lines to be split into three operating segments, which span the different Group entities. The operating segments consider the nature of the product sold, the nature of production, the class of customer and the method of distribution. The Company's operating segments are identified initially from the information which is reported to the chief operating decision maker.

The first segment concerns the manufacture and sale of infection control and hygiene products that includes the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals. This segment generates approximately 90% of Company revenues (2017: 89%).

The second segment which constitutes 4% (2017: 4%) of the business activity, relates to the manufacture and sale of disinfection and cleaning products, principally into veterinary and animal welfare sectors ("Animal healthcare"). During prior years all sales for this segment were made to a distributor who supplied the end user.

The third segment addresses the pharmaceutical and personal care product manufacturing industries ("Contamination control"), and has generated 6% (2017: 7%) of the Company's revenues this year.

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

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

| | Human Healthcare | Animal Healthcare | Contamination Control | Total 2018 |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Revenue** | | | | |
| **From external customers** | **19,869** | **919** | **1,432** | **22,220** |
| **Cost of material** | **4,161** | **369** | **510** | **5,040** |
| **Segment gross profit** | **15,708** | **550** | **922** | **17,180** |
| **Gross margin** | **79%** | **60%** | **64%** | **77%** |
| Centrally incurred income and expenses not attributable to individual segments: | | | | |
| Depreciation and amortisation of non-financial assets | | | | **1,564** |
| Other administrative expenses | | | | **10,971** |
| Share-based payments | | | | **665** |
| **Segment operating profit** | | | | **3,980** |
| Segment operating profit can be reconciled to Group profit before tax as follows: | | | | |
| Finance income | | | | **2** |
| Results from equity accounted associate | | | | **24** |
| **Total profit before tax** | | | | **4,006** |

### 3. SEGMENTAL ANALYSIS - Continued

| | Human Healthcare £000 | Animal Healthcare £000 | Contamination Control £000 | Total 2017 £000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| **From external customers** | 18,107 | 878 | 1,288 | 20,273 |
| **Cost of material** | 3,881 | 223 | 494 | 4,598 |
| **Segment gross profit** | 14,226 | 655 | 794 | 15,675 |
| **Gross margin** | 79% | 75% | 62% | 77% |
| Centrally incurred income and expenses not attributable to individual segments: | | | | |
| Depreciation and amortisation of non-financial assets | | | | 1,310 |
| Other administrative expenses | | | | 10,342 |
| Share based payments | | | | 121 |
| **Segment operating profit** | | | | 3,902 |
| Segment operating profit can be reconciled to Group profit before tax as follows: | | | | |
| Finance income | | | | 4 |
| Results from equity accounted associate | | | | 19 |
| Other income | | | | 41 |
| **Total profit before tax** | | | | 3,966 |

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

| | Human Healthcare £000 | Animal Healthcare £000 | Contamination Control £000 | Total 2018 £000 |
|---|---|---|---|---|
| **United Kingdom** | 8,912 | 665 | 1,258 | 10,835 |
| **Germany** | 3,989 | - | 34 | 4,023 |
| **Rest of World** | 6,973 | 254 | 135 | 7,362 |
| **Total Revenues** | 19,874 | 919 | 1,427 | 22,220 |

| | Human Healthcare £000 | Animal Healthcare £000 | Contamination Control £000 | Total 2017 £000 |
|---|---|---|---|---|
| **United Kingdom** | 8,910 | 636 | 1,129 | 10,675 |
| **Germany** | 3,048 | 62 | 150 | 3,260 |
| **Rest of World** | 6,149 | 180 | 9 | 6,338 |
| **Total Revenues** | 18,107 | 878 | 1,288 | 20,273 |

## 4. TAXATION

**The taxation charge represents:**

| | 2018<br>£ 000 | 2017<br>£ 000 |
|---|---|---|
| **Current taxation** | | |
| Overseas tax | 850 | 575 |
| UK corporation tax | 255 | 149 |
| UK corporation tax adjustment to prior periods | (2) | 12 |
| | 1,103 | 736 |
| **Deferred taxation** | | |
| Arising from origination and reversal of temporary differences | (369) | (187) |
| Tax expense in the income statement | 734 | 549 |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 – lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.75%).

The differences are reconciled below:

| | 2018<br>£ 000 | 2017<br>£ 000 |
|---|---|---|
| Profit before tax | 4,006 | 3,966 |
| Corporation tax at standard rate | 761 | 783 |
| Adjustment in respect of prior years | (2) | 12 |
| Income not taxable | - | (8) |
| Expenses not deductible for tax purposes | 24 | 58 |
| Tax losses not utilised and other temporary differences | (32) | (147) |
| Tax rate differences | 115 | 5 |
| Enhanced relief on qualifying scientific research expenditure | (132) | (154) |
| Total tax charge | 734 | 549 |

5. **DIVIDENDS**

Amounts recognised as distributions to equity holders in the year:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Ordinary shares of 1p each | | |
| Final dividend for the year ended 30 June 2017 of 2.63p (2016:2.19p) per share | 1,130 | 928 |
| Interim dividend for the year ended 30 June 2018 of 1.60p (2017: 1.40p) per share | 688 | 594 |
| Special dividend of 3p per share paid on the 8 August 2016 | - | 1,265 |
| | 1,818 | 2,787 |
| Proposed final dividend for the year ended 30 June 2018 of 2.98p (2017: 2.63p) per share | 1,287 | 1,115 |

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.

6. **EARNINGS PER SHARE**

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

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Retained profit for the financial year attributable to equity holders of the parent | 3,272 | 3,417 |
| | Shares | Shares |
| | '000 | '000 |
| | Number | Number |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 42,956 | 42,418 |
| Share options | 1,688 | 1,399 |
| | 44,644 | 43,817 |
| Earnings per ordinary share | | |
| Basic | 7.62p | 8.06p |
| Diluted | 7.33p | 7.80p |

A total of 430,000 options of ordinary shares were anti-dilutive at 30 June 2018 (260,000 at 30 June 2017.) Contingent options would be dilutive but are excluded. The Group also presents an adjusted basic earnings per share figure which excludes the share-based payments charge:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Retained profit for the financial year attributable to equity holders of the parent | 3,272 | 3,417 |
| Adjustments: | | |
| Share based payments | 665 | 121 |
| Net adjustments | 665 | 121 |
| Adjusted earnings | 3,937 | 3,538 |
| Adjusted basic earnings per ordinary share | 9.16p | 8.34p |

7. **CALLED UP SHARE CAPITAL**

**Allotted, called up and fully paid shares**

| | 30 June 2018 No. 000 | 30 June 2018 £'000 | 30 June 2017 No. 000 | 30 June 2017 £'000 |
|---|---|---|---|---|
| Ordinary of £0.01 each | 43,192 | 432 | 42,749 | 427 |

| | Number | £'000 |
|---|---|---|
| 30 June 2017 | 42,749,417 | 427 |
| Issued during the year | 442,716 | 5 |
| 30 June 2018 | 43,192,133 | 432 |

442,716 ordinary shares of 1 pence each, related to the exercise of 442,716 share options issued during the year (2017: 584,216), for a total consideration of £358,000, being £5,000 equity and £353,000 share premium. The weighted average exercise price was 80.80 pence.

8. ANNUAL REPORT

The annual report and financial statements will be available on the Company's website www.tristel.com from 17 October 2018. Printed copies will be posted to shareholders prior to the Company's Annual General Meeting taking place on 12 December 2018 in Snailwell, Newmarket.