



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."

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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 (ClO₂) 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

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	ClO2 foam	ClO2 hand disinfectant	Trigger spray technology	ClO2 decontamination device	ClO2 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 £ 000	2017 £ 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 £ 000	2017 £ 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	-
		<u>9,268</u>	<u>8,987</u>
Current assets			
Inventories		2,279	2,292
Trade and other receivables		4,332	3,745
Cash and cash equivalents		6,661	5,088
		<u>13,272</u>	<u>11,125</u>
Total assets		<u>22,540</u>	<u>20,112</u>
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		<u>18,420</u>	<u>16,055</u>
Non-controlling interests		<u>7</u>	<u>7</u>
Total equity		<u>18,427</u>	<u>16,062</u>
Non-current liabilities			
Deferred tax liability		205	175
Current liabilities			
Trade and other payables		3,201	3,147
Income tax liability		707	728
		<u>3,908</u>	<u>3,875</u>
Total liabilities		<u>4,113</u>	<u>4,050</u>
Total equity and liabilities		<u>22,540</u>	<u>20,112</u>

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)
	<u>6,139</u>	<u>5,336</u>
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	<u>4,495</u>	<u>4,352</u>
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	<u>(1,448)</u>	<u>(2,538)</u>
Cash flows from financing activities		
Share issues	358	300
Dividends paid	(1,818)	(2,787)
Net cash used in financing activities	<u>(1,460)</u>	<u>(2,487)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,587</u>	<u>(673)</u>
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	<u>6,661</u>	<u>5,088</u>

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

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 £ 000	2017 £ 000
Profit before tax	<u>4,006</u>	<u>3,966</u>
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	<u>734</u>	<u>549</u>

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
	<u>1,818</u>	<u>2,787</u>
Proposed final dividend for the year ended 30 June 2018 of 2.98p (2017: 2.63p) per share	<u>1,287</u>	<u>1,115</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.

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.