Tristel™

19 October 2020

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

Final Results
Results for the year ended 30 June 2020

Tristel plc (AIM: TSTL), the manufacturer of infection prevention and contamination control products, announces its audited results for the year ended 30 June 2020. The Group has delivered a solid performance, achieving both growth in revenue and pre-tax profit, coupled with high cash generation.

Financial Highlights

- Turnover up 21% to £31.7m (2019: £26.2m)
- Overseas sales up 32% to £19m (2019: £14.4m), representing 60% of total sales (2019: 55%)
- Gross margin increased to 80% from 79% in 2019
- Pre-tax profit before share-based payments up 27% to £7.1m (2019: £5.6m). Unadjusted £6.6m (2019: £4.7m)
- Pre-tax margin before share-based payments increased to 22% (2019: 21%). Unadjusted 21% (2019: 18%)
- EPS before share-based payments up 11% to 12.35p (2019: 11.08p). Unadjusted up 25% to 11.38p (2019: 9.14p)
- Dividend per share for the full year increased by 12% to 6.18p (2019: 5.54p)
- Strong operating cashflow of £7m (2019: £5.5m)
- Net cash of £6.2m (2019: 4.2m)

Operational Highlights

- Successful integration of Tristel Italia srl, acquired for £0.6m in July 2019
- Additional 23,000 sq. ft. warehouse and office building completed and occupied
- Progress towards North American market entry, with continuing data generation for FDA submission, a supplemental submission made to the EPA to improve label claims for two products already approved, and first submission made to Canada Health
- Regulatory approval received in India for Tristel Duo for Ultrasound. The Company is in late stage negotiations with GE Healthcare India and Genworks Health, a Wipro GE investee company, for the two companies to distribute Duo and other approved Tristel products throughout the country. National distribution agreement signed with GE Healthcare Russia for ultrasound market

Paul Swinney, Chief Executive of Tristel plc, said: *"We delivered another very sound performance in a year turned on its head by COVID-19, the impact of which was a reduction of £0.5m in medical device decontamination sales and an increase of £2m in hospital surface disinfectant sales.*

During the first quarter of the current financial year we have experienced a gradual recovery in demand for our medical device products in all our markets as hospitals resume levels of non-COVID care. Since February, we have acquired a significant number of hospital customers for our surface disinfectant products. We expect this build-up of our hospital surface disinfection business to continue throughout this and future years. It is a key strategic focus of the Company

All our twelve overseas subsidiaries had record years. Together with the contribution of our 35 international distributors, 60% of global revenue was generated outside of the United Kingdom - the highest level ever. Our Malaysian subsidiary started trading in July and we will commence sales in India this year. We have made our first submission for regulatory approval to Health Canada, and we are progressing well with our FDA submission. International expansion will continue to be a key growth driver for the Group.

We must recognise that further lockdowns, whether in the UK or in any of our other major markets, might temporarily interrupt our Group's forward momentum, but our business model has shown its resilience during the past nine months, and we remain optimistic for the year's trading outlook."

For further information:

Tristel plc

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Chairman's Statement

The Group continued to develop strongly during the year to 30 June 2020. Sales grew to £31.7m from £26.2m in 2019, an increase of 21%. The proportion of our revenue generated in overseas markets continued to increase and reached 60% in the year (2019: 55%). Overseas sales grew by 32% whilst UK sales grew by 7%. This difference in the pace of growth, across our various markets, reflects the higher market penetration in the United Kingdom than so far achieved in overseas markets.

In last year's Annual Report, we described our future direction as a Group that will continue to concentrate on our proprietary chlorine dioxide technology, broadening its application to the cleaning and disinfection of environmental surfaces in hospitals, alongside our core activity which is the use of our chemistry for the high-level disinfection of medical devices.

The final four months of our financial year were impacted significantly by COVID-19. During this period, we experienced two powerful countervailing forces: 1) a decline in the use of our medical device decontamination products as hospitals worldwide postponed all but the most critical patient appointments to free up resources to deal with COVID-19 related cases, and 2) a surge in purchasing and use of our hospital environmental surface disinfection products. The decision to develop a broad surface disinfection product range for hospitals and our preparations to launch it during the 2021 financial year, which were well under way when COVID-19 was declared a pandemic, enabled us to balance the decline in revenues in the core part of business with an increase in revenues in our new initiative.

During the March to June period, when the impact of COVID-19 was at its greatest, global sales were £11.8m compared to £9.1m in the same period last financial year, an increase of 30%. Medical device decontamination product sales accounted for 74% of global sales in this period, whilst sales of hospital surface disinfection products accounted for 15%. Tristel estimates that COVID-19 resulted in a reduction of £0.5m in medical device decontamination product sales and an increase in sales of hospital surface disinfection products of £2m above the underlying trend.

As can be seen, Tristel was able to navigate its way through the early COVID-19 crisis by mitigating the fall in demand for its primary product portfolio by a rapid increase in supply of its hospital surface disinfection products. The Group has invested heavily over the past three years to create a product portfolio for hospital surface disinfection and has given the portfolio a different brand name, the Cache Collection. Whilst anchored upon Tristel's proprietary chlorine dioxide chemistry, Cache incorporates other cleaning and disinfection chemistries widely used in hospitals. The key theme of the Cache proposition is a powerful environmental and ecological message. In the run up to March, the Group had been building its inventory of Cache product components in preparation for a full-scale launch towards the end of this year. Tristel was thereby able to take advantage of unprecedented buying by hospitals of all types of disinfectant products in several geographical markets where the Group had already obtained necessary regulatory approvals. These markets were principally the United Kingdom, Belgium, the Netherlands, France, Hong Kong, and China. The COVID-19 experience has validated the Cache proposition and accelerated the rate of customer acquisition beyond the Company's pre-pandemic business plan.

COVID-19 has provided an extreme stress test of the Group's manufacturing capability and supply chain management, and it has performed very well in both regards. The Group was able to meet all demand for products, particularly its surface disinfectant products, at a time when many suppliers to hospital systems worldwide were unable to satisfy the sudden surge in demand.

The Group's subsidiaries in the UK, Belgium, the Netherlands, France, Germany, Switzerland, Italy, Russia, Hong Kong, China, Australia and New Zealand all achieved record sales levels. Stand-out performances were delivered by France where sales tripled to reach £1.8m, and China where sales more than doubled to nearly £0.5m. Tristel Malaysia was incorporated in February 2020 and started operation on 1 July 2020 with a team of three who had previously worked for Tristel's distributor in the country.

Pre-tax profit before share-based payments (referred to as adjusted) was £7.1m compared to £5.6m last year, an increase of 27%; the unadjusted pre-tax profit of £6.6m compared to £4.7m last year, an increase of 40%. Our adjusted pre-tax profit margin, which is a key measure of our performance, was 22% (2019: 21%). The unadjusted pre-tax profit margin increased to 21% from 18% in 2019. Adjusted earnings per share (EPS), was 12.35 pence, up from 11.08 pence last year (see note 6). Basic EPS was 11.38 pence, a 25% increase from last year, after a share-based payment charge of £0.435m (2019: £0.852m). This charge is a non-cash item.

The Group has continued to be highly cash generative and on 30 June 2020 the cash balance was £6.2m (2019: £4.2m). During the year, the Group spent £0.6m to acquire 80% of Tristel Italia Srl from its local management. In line with the Company's ordinary dividend policy, the Board is recommending that the final dividend is 3.84 pence (2019: 3.50 pence), an increase of 10%. Including the interim dividend of 2.34 pence (2019: 2.04 pence), and the proposed final dividend, the total dividend for the year will be 6.18 pence (2019: 5.54 pence), an increase of 12%.

We continued to invest for future growth. During the year we spent £0.4m on product development and testing (2019: £0.4m) and £0.1m on intellectual property protection (2019: £0.2m). Both these expenditures are held in intangible assets. We invested £0.5m (2019: £0.7m) in regulatory and product enhancement programmes where we have recognised this cost as an expense. Included in this cost is an amount of £0.08m (2019: £0.5m) relating to our initiative to enter the United States market which commenced in 2014. The cumulative investment in this regulatory project and in the establishment of a commercial structure within the country now totals £1.78m.

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

I succeeded Paul Barnes as Chairman at last December's Annual General Meeting. To further develop our Board of Directors we appointed Isabel Napper as an independent Non-Executive Director in May and I expect us to further develop the diversity, experience and abilities of our Board this year.

My first six months as Chairman have been marked by an unprecedented event - the worldwide viral pandemic COVID-19. I believe that the Group has successfully navigated its way through a turbulent final four months of the year in which hospitals worldwide have had to deal with patients of this infectious disease.

We will undoubtedly live through the current year with COVID-19 still present and affecting our business. I am greatly encouraged that our business model has proven to be resilient to these powerful external forces and believe that our strategic focus will sustain our continued progress.

Dr Bruno Holthof

Chairman
16 October 2020

Chief Executive's Report

Overview

Group revenue was up 21%, adjusted pre-tax profit was up 27% (pre-tax profit up 40%) and adjusted EPS was up 11% (basic EPS up 25%). We ended the year with cash of £6.2m. The Group is debt-free.

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

The above KPI's were exceeded and PBT before share-based payments increased by 27%.

For the past nine years we have presented our business activities by segmenting them into three brand portfolios addressing three markets. These are infection prevention in hospitals under the brand name Tristel; infection prevention in animal healthcare under the brand name Anistel, and contamination control in critical environments under the brand name Crystel. This year, we break from this tradition and report upon three different revenue segments being: a) medical device decontamination in hospitals; b) environmental surface disinfection in hospitals, and c) other revenues. The latter derive from our animal healthcare product range and contamination control product range and a miscellaneous group of other applications and users of our products. During the year, revenues by portfolio brand were £29.3 (2019: £24.2m) for Tristel, £1.0m (2019: £0.8m) for Anistel, and £1.4m (2019: £1.2m) for Crystel.

The new segmental reporting reflects our strategic direction which is to focus on our proprietary chlorine dioxide technology, broadening its application to the cleaning and disinfection of environmental surfaces in hospitals, alongside our core activity which is the use of our chemistry for the high-level disinfection of medical devices. We have developed a distinctly different brand for our hospital environmental surface products. The brand name is Cache. There are Tristel branded surface disinfection products that will migrate over during the current financial year to the Cache brand. 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 being anchored upon our chlorine dioxide technology platform and using the same sales force in all countries.

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

Financial year £m	**Brand**	**2018-19**	**2019-20**
Medical device decontamination in hospitals	Tristel	20.80	23.50
Environmental surface disinfection in hospitals	Cache	2.60	4.90
Other – non-core	Crystel, Anistel & Miscellaneous	2.80	3.30
Group		26.20	31.70

Our strategic emphasis on environmental surface disinfection chimes well with the likely aftermath and legacy of COVID-19 which will be that hospitals worldwide will enhance their cleaning and disinfection practices. The rapid increase in surface disinfection product sales during the last four months of the year supported our thesis that achieving a better balance between our two key revenue contributors will produce a more resilient business model.

The proportion of our revenue generated in overseas markets continued to increase and reached 60% in the year (2019: 55%). This is a well-established trend and we expect it to continue. Our overseas rate of sales growth has been consistently higher than the UK rate of sales growth and we expect this to continue. During the year overseas sales grew by 32% whilst UK sales grew by 7%. The history over the past five years is shown in the table below.

Financial year	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue split %					
United Kingdom	61%	53%	49%	45%	40%
Overseas	39%	47%	51%	55%	60%
Annual revenue growth %					
United Kingdom	5%	3%	2%	9%	7%
Overseas	22%	43%	19%	26%	32%

We are heavily exposed to the global healthcare system and in the current social and economic environment, dominated by a global pandemic, our geographical diversity is a strategic strength. We have seen countries emerge from lockdown and their health systems resume out-patient and elective procedures at differing times. We can expect countries to re-enter lockdown in an unsynchronised way too.

In July, we acquired 80% of the share capital of Tristel Italia Srl, bringing this company under our complete ownership and control. We now have fourteen subsidiaries selling directly into the hospital marketplace in the United Kingdom, Belgium, the Netherlands, France, Italy, Germany, Switzerland, Poland, Russia, Hong Kong, China, Malaysia, Australia, and New Zealand. We have subsidiaries in the United States, Japan, India and Ireland which are not yet active in terms of selling.

All active subsidiaries achieved record sales levels during the year. Stand-out performances were delivered by France where sales tripled to reach £1.8m, and China where sales more than doubled to nearly £0.5m. Tristel Malaysia was incorporated in February 2020 and started operation on 1 July 2020 with a team of three who had previously worked for Tristel's distributor in the country.

At 30 June 2020, the Group-wide average headcount was 164 (2019: 142). Of these employees, 106 are located in the United Kingdom (2019: 92); 33 are located in Europe (2019: 32); and 25 are located in the Asia and Pacific region (2019: 19). All manufacturing takes place in the United Kingdom, apart from the sub-contracted manufacture in New Zealand of components for the Stella medical device reprocessing system and their assembly by our operation in Tauranga, North Island.

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 environmental surface or medical instrument. We are unique worldwide in using chlorine dioxide as a high-performance disinfectant. We are also one of a very few companies worldwide that can legitimately claim to be exclusively an infection prevention business.

Our mission is most relevant to hospitals where the risks of infection to individuals are highest.

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

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

The cleaning and disinfection of environmental surfaces in hospitals is ubiquitous. We expect the legacy of COVID-19 to be that hospitals will be more rigorous in their selection of the best performing and most scientifically validated disinfectant products, which will benefit our Company, and that the frequency of cleaning and disinfection practice will increase. The two influences will result in greater expenditure by hospitals on environmental disinfection. We believe that macro trends impacting our Cache initiative are generally positive.

How We Service Our Market

Over 98% 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 subsidiary, and through distributors in markets where we have no corporate presence.

Our revenues - by sales channel

£m	2019-20	2018-19	Year on year change	Percentage change
Hospital medical device decontamination:				
UK & Europe direct	16.77	14.12	2.65	19%
APAC region direct	4.61	4.14	0.47	11%
Worldwide distributors	2.12	2.51	(0.39)	(16)%
	23.50	20.77	2.73	
Hospital environmental surface disinfection:				
UK & Europe direct	3.89	2.28	1.61	71%
APAC region direct	0.23	0.12	0.11	92%
Worldwide distributors	0.76	0.21	0.55	262%
	4.88	2.61	2.27	
Other revenues – direct & worldwide distributors	3.30	2.79	0.51	18%
Group	**31.68**	**26.17**	**5.51**	**21%**

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 2020, £4.4m of our sales were of non-chlorine dioxide chemistries representing 14% of the total (2019: £3.7m representing 14%). As our chlorine dioxide product sales increase at a faster pace than non-chlorine dioxide product sales, and as we continue to find ways to persuade customers to switch to chlorine dioxide as a superior disinfection technology, we expect this percentage to continue to reduce in significance.

Our Strategic Assets

We consider the assets that enable the Group 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 2020, we held 265 patents granted in 37 countries providing legal protection for our products;

• Our people - who hold an unrivalled body of knowledge relating both to infection prevention and to chlorine dioxide, allowing us to quickly and efficiently create and bring to market innovative and market ready products.

Chief Executive's Report (continued)

Our proprietary chlorine dioxide chemistry

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

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

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

Our regulatory programme succeeded in attaining 25 approvals for 20 products in eight countries during the year.

Our intellectual property protection

In its broadest sense, our intellectual property relates to:

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

Our people

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

Delivering on our key strategic financial goal

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

• Consistent revenue growth - during the past five years, revenue has grown from £17.1m to £31.7m - an increase of 85%. The compound annual growth rate in revenue since the Group went public in 2005 has been 17%. During the year we set a new three-year target to grow revenues in the range of 10% to 15% on average each year to 30 June 2022. We surpassed the target in the year.

• Maintaining the profitability of the Group - The new three-year target is to achieve a minimum EBITDA margin (before share-based payments) of 25%. During the year the adjusted EBITDA margin was 31%.

• A third goal is to increase profit before tax (before share-based payments) each year.

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

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

Chief Executive's Report (continued)

Progress in North America

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

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

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

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

Focus

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

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

Paul Swinney
Chief Executive Officer
16 October 2020

Consolidated Income Statement for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
Revenue		31,678	26,169
Cost of sales		(6,431)	(5,504)
Gross profit		25,247	20,665
Share based payments		(435)	(852)
Depreciation, amortisation and impairments		(2,558)	(1,537)
Administrative expenses, excluding share based payments, depreciation, amortisation and impairment		(15,449)	(13,579)
Operating profit		6,805	4,697
Finance income		1	5
Finance costs		(167)	(1)
Net finance (cost)/income		(166)	4
Share of profit of equity accounted investees		-	45
Profit before tax		6,639	4,746
Income tax expense	4	(1,539)	(715)
Profit for the year		5,100	4,031
Profit attributable to :			
Owners of the company		5,100	4,031

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

	2020	2019
Basic - pence	11.38	9.14
Diluted - pence	10.88	8.86

The above results were derived from continuing operations.

Earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2020 were £9,363,000 (2019 £6,279,000).

The notes on pages 17 to 26 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2020

	2020 £ 000	2019 £ 000
Profit for the year	5,100	4,031
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gains	314	149
Total comprehensive income for the year	5,414	4,180
Total comprehensive income attributable to:		
Owners of the company	5,414	4,180

(Registration number: 04728199)
Consolidated Statement of Financial Position as at 30 June 2020

	Note	30 June 2020 £ 000	30 June 2019 £ 000
Assets			
Non-current assets			
Property, plant and equipment		8,080	1,466
Goodwill		5,626	5,150
Intangible assets		7,624	7,593
Investments		807	807
Investments accounted for using the equity method		-	65
Deferred tax assets		1,544	709
		23,681	15,790
Current assets			
Inventories		4,619	2,957
Trade and other receivables		6,422	5,370
Cash and cash equivalents		6,212	4,170
		17,253	12,497
Total assets		40,934	28,287
Equity and liabilities			
Equity			
Share capital	7	453	446
Share premium		12,634	11,427
Foreign currency translation reserve		397	83
Merger reserve		2,205	2,205
Retained earnings		12,767	9,191
Equity attributable to owners of the company		28,456	23,352
Non-controlling interests		7	7
Total equity		28,463	23,359
Non-current liabilities			
Other non-current financial liabilities		5,185	-
Deferred tax liabilities		615	550
		5,800	550
Current liabilities			
Trade and other payables		4,672	3,539
Income tax liability		1,182	839
Other current financial liabilities		817	-
		6,671	4,378
Total liabilities		12,471	4,928
Total equity and liabilities		40,934	28,287

The notes on pages 17 to 26 form an integral part of these financial statements.

(Registration number: 04728199)
Consolidated Statement of Financial Position as at 30 June 2020 (continued)

Approved by the Board on 16 October 2020 and signed on its behalf by:

Elizabeth Dixon
Finance Director

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2020

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Merger reserve £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 July 2019	446	11,427	83	2,205	9,191	23,352	7	23,359
Change in accounting policy	-	-	-	-	(242)	(242)	-	(242)
At 1 July 2019 (As restated)	446	11,427	83	2,205	8,949	23,110	7	23,117
Profit for the year	-	-	-	-	5,100	5,100	-	5,100
Exchange difference on translation of foreign operations	-	-	314	-	-	314	-	314
Total comprehensive income	-	-	314	-	5,100	5,414	-	5,414
Dividends	-	-	-	-	(2,621)	(2,621)	-	(2,621)
New share capital subscribed	7	1,207	-	-	-	1,214	-	1,214
Deferred tax through equity	-	-	-	-	904	904	-	904
Share based payment transactions	-	-	-	-	435	435	-	435
At 30 June 2020	453	12,634	397	2,205	12,767	28,456	7	28,463

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2020 (continued)

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Merger reserve £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 July 2018	432	11,058	(66)	478	6,518	18,420	7	18,427
Profit for the year	-	-	-	-	4,031	4,031	-	4,031
Exchange difference on translation of foreign operations	-	-	149	-	-	149	-	149
Total comprehensive income	-	-	149	-	4,031	4,180	-	4,180
Dividends	-	-	-	-	(2,210)	(2,210)	-	(2,210)
New share capital subscribed	14	369	-	1,727	-	2,110	-	2,110
Share based payment transactions	-	-	-	-	852	852	-	852
At 30 June 2019	446	11,427	83	2,205	9,191	23,352	7	23,359

Consolidated Statement of Cash Flows for the Year Ended 30 June 2020

	2020	2019
Cash flows from operating activities	**£'000**	**£'000**
Profit before tax	6,639	4,746
Adjustments to cash flows from non-cash items		
Depreciation of leased assets	692	-
Depreciation of plant, property & equipment	598	584
Amortisation of intangible assets	1,201	886
Impairment of intangible assets	67	67
Share based payments - IFRS 2	435	852
Gain on fair value of investment MobileODT	-	(98)
Gain on fair value of investment Tristel Italia	(111)	-
Loss on disposal of property, plant and equipment	54	21
Lease interest	165	
Unrealised loss in foreign exchange	8	72
Loss on disposal of intangible asset	-	12
Finance income	(1)	(5)
	9,747	7,137
Working capital adjustments		
Increase in inventories	(1,655)	(415)
Increase in trade and other receivables	(805)	(414)
Increase in trade and other payables	1,007	49
Lease Interest paid	(165)	-
Corporation tax paid	(1,140)	(871)
Net cash flow from operating activities	6,989	5,486
Cash flows from investing activities		
Interest received	1	5
Purchase of intangible assets	(610)	(669)
Purchase of investment in Italia/Ecomed	(595)	(4,706)
Purchase of investment in MobileODT	-	(120)
Purchase of property plant and equipment	(1,770)	(678)
Net cash used in investing activities	(2,974)	(6,168)
Cash flows from financing activities		
Payment of lease liabilities	(614)	-
Share issues	1,214	383
Dividends paid	(2,621)	(2,210)
Net cash used in financing activities	(2,021)	(1,827)
Net (decrease)/increase in cash and cash equivalents	1,994	(2,509)
Cash and cash equivalents at the beginning of the year	4,170	6,661

The notes on pages 17 to 26 form an integral part of these financial statements.

Exchange differences on cash and cash equivalents	48	18

The notes on pages 17 to 26 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2020 (continued)

Cash and cash equivalents at the end of the year	6,212	4,170

Net Debt - liabilities from financing activities and other assets

	Leases	Cash	Total
	£'000	£'000	£'000
Net debt as at 1 July 2018	-	6,661	6,661
Cashflows	-	(2,509)	(2,509)
Acquisition - operating lease incentives	-	-	-
Foreign exchange adjustments	-	18	18
Net debt at 30 June 2019	-	4,170	4,170
Recognised on adoption of IFRS 16	4,367	-	4,367
	4,367	4,170	8,537
Cash movement	-	1,994	1,994
Payment of lease liabilities	(779)	-	(779)
Lease interest	165	-	165
Acquisition - leases	3,161	-	3,161
Disposals - leases	(914)	-	(914)
Foreign exchange adjustments	2	48	50
Net debt as at 30 June 2020	6,002	6,212	12,214

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).

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 2020. Subsidiaries are entities over which the Group has rights or is exposed to variable returns from its involvement with the investee and has the power to affect those returns by controlling the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

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

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

Audit exemption

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

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

1 Accounting policies (continued)

Changes in accounting policy

EU adopted IFRSs not yet applied

As of 30 June 2020, the following Standards and Interpretations are in issue but not yet effective and have not been adopted early by the Group:

- IFRS 3 - Definition of a Business (effective 1 January 2020)
- IAS 1 and 8 - Definition of Material (effective 1 January 2020)
- IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (effective 1 January 2020)
- IFRS 17 Insurance contracts (effective 1 January 2021)
- IAS 1 - Classification of liabilities as current or non-current (effective 1 January 2022)

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

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

With the exception of IFRS 16, none of the standards, interpretations and amendments effective for the first time from 1 July 2019 have had a material effect on the financial statements.

IFRS 16

IFRS 16 - Leases was issued in January 2016 and was adopted by the Group effective 1 July 2019. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all operating leases unless the term is 12 months or less or the leased asset is of a low value. As at the reporting date, the group had recognised right of use assets of £3.9m on 1 July 2019 and lease liabilities of £4.4m (after adjustments for prepayments and lease incentives recognised as at 30 June 2019). The modified retrospective transition approach has been applied with the right of use assets being measured as if IFRS 16 had always been applied using the transition discount rate, subsequently an adjustment to equity of £0.2m was recognised as at 1 July 2019. Comparative results have not required restatement.

2 Publication non-statutory accounts

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 June 2020 or 2019, but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor 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 2020.

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 74% of Company revenues (2019: 79%).

The second segment which constitutes 15% (2019: 10%) 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 11% (2019: 11%) of the Company's revenues this year.

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

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

3 Segmental Analysis (continued)

	Hospital medical device decontamination	Hospital environmental surface disinfection	Other revenue	Total 2020
	£'000	£'000	£'000	£'000
Revenue				
From external customers	23,497	4,882	3,299	31,678
Cost of material	4,499	1,132	800	6,431
Segment gross profit	18,998	3,750	2,499	25,247
Gross margin	81%	77%	76%	80%
Centrally incurred income and expenses not attributable to individual segments:				
Depreciation and amortisation of non-financial assets				2,558
Other administrative expenses				15,449
Share-based payments				435
Segment operating profit				6,805
Segment operating profit can be reconciled to Group profit before tax as follows:				
Finance income/(expense)				(166)
Results from equity accounted associate				-
Total profit before tax				6,639

3 Segmental Analysis (continued)

	Hospital medical device decontamination	Hospital environmental surface disinfection	Other revenues	Total 2019
	£'000	£'000	£'000	£'000
Revenue				
From external customers	20,767	2,613	2,789	26,169
Cost of material	4,000	804	700	5,504
Segment gross profit	16,767	1,809	2,089	20,665
Gross margin	81%	69%	75%	79%
Centrally incurred income and expenses not attributable to individual segments:				
Depreciation and amortisation of non-financial assets				1,537
Other administrative expenses				13,579
Share based payments				852
Segment operating profit				4,697
Segment operating profit can be reconciled to Group profit before tax as follows:				
Finance income				4
Results from equity accounted associate				45
Total profit before tax				4,746

3 Segmental Analysis (continued)

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 2020
	£'000	£'000	£'000	£'000
UK & Europe direct	16,768	3,891	2,528	23,187
APAC region direct	4,613	231	374	5,218
Worldwide distributors	2,116	760	397	3,273
Total Revenues	23,497	4,882	3,299	31,678

	Hospital medical device decontamination	Hospital environmental surface disinfection	Other revenues	Total 2019
	£'000	£'000	£'000	£'000
UK & Europe direct	14,121	2,283	2,087	18,491
APAC region direct	4,141	122	274	4,537
Worldwide distributors	2,505	208	428	3,141
Total Revenues	20,767	2,613	2,789	26,169

Revenues from external customers in the Company's domicile (United Kingdom), as well as its other major markets (Rest of the World) have been identified on the basis of internal management reporting systems, which are also used for VAT purposes.

Hospital medical device decontamination revenues were derived from a large number of customers, but include £6.487m from a single customer which makes up 22% of this segment's revenue (2019: £6.595m, being 28%). Other revenues were derived from a number of customers, with the largest customer accountable for £0.160m, which represents 19% of revenue for that segment (2019: £0.139m, 17% from a single customer).

During the year 20.5% of the Group's total revenues were earned from a single customer (2019: 25.2%).

4 Income tax

Tax charged in the income statement

	2020	2019
	£'000	£'000
Current taxation		
Overseas tax	1,223	798
UK corporation tax	265	221
UK corporation tax adjustment to prior periods	(5)	(16)
	1,483	1,003
Deferred tax		
Arising from origination and reversal of temporary differences	(152)	(322)
UK deferred tax adjustment to prior periods	286	(20)
Tax rate effect	(78)	54
Tax expense in the income statement	1,539	715

4 Income tax (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	6,639	4,746
Corporation tax at standard rate	1,261	902
Adjustment in respect of prior years	281	(36)
Income not taxable	(21)	(18)
Expenses not deductible for tax purposes	23	68
(Decrease) from effect of patent box	(134)	(190)
Increase (decrease) from effect of foreign tax rates	342	225
Tax rate differences	(118)	(85)
Enhanced relief on qualifying scientific research expenditure	(95)	(151)
Total tax charge	1,539	715

5 Dividends

Amounts recognised as distributions to equity holders in the year:

	2020 £000	2019 £000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2019 of 3.50p (2018: 2.98p) per share	1,562	1,303
Interim dividend for the year ended 30 June 2020 of 2.34p (2019: 2.04p) per share	1,059	907
	2,621	2,210
Proposed final dividend for the year ended 30 June 2020 of 3.84p (2019: 3.50p) per share	1,737	1,560
Company		
Dividend received from subsidiaries	(3,759)	(2,793)

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:

	2020	2019
	£000	£000
Retained profit for the financial year attributable to equity holders of the parent	5,100	4,031
	Shares	Shares
	'000	'000
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	44,831	44,086
Share options	2,033	1,399
	46,864	45,485
Earnings per ordinary share		
Basic	11.38p	9.14p
Diluted	10.88p	8.86p

A total of 130,000 options of ordinary shares were anti-dilutive at 30 June 2020 (320,000 at 30 June 2019). Contingent options in the prior year would be dilutive but are excluded. The Group also presents an adjusted basic earnings per share figure which excludes the share-based payments charge:

	2020	2019
	£'000	£'000
Retained profit for the financial year attributable to equity holders of the parent	5,100	4,031
Adjustments:		
Share based payments	435	852
Net adjustments	435	852
Adjusted earnings	5,535	4,883
Adjusted basic earnings per ordinary share	12.35p	11.08p

7 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	**£' 000**	**No. 000**	**£' 000**
Ordinary of £0.01 each	45,297	452.97	44,563	445.63

	Number	£'000
30 June 2019	44,563,323	446
Issued during the year	733,210	7
30 June 2020	45,296,533	453

733,210 ordinary shares of 1 pence each, related to the exercise of 733,210 share options issued during the year (2019: 661,415). The weighted average exercise price was 107.56 pence (2019: 81.84p).

8 Annual report

Printed copies of the annual report and financial statements, along with the notice of AGM, will be sent to shareholders prior to the Company's Annual General Meeting taking place on 15 December 2020 in Snailwell, Newmarket.