**19 October 2017**

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

**Final Results**
***Audited Results for the year ended 30 June 2017***

Tristel plc (AIM: TSTL), the manufacturer of infection prevention and contamination control products, announces its audited results for the year ended 30 June 2017.

Tristel's lead technology is a proprietary chlorine dioxide formulation and the Company addresses three distinct markets:

- The Human Healthcare market (hospital infection prevention – via the Tristel brand)
- The Contamination Control market (control of contamination in critical environments – via the Crystel brand)
- The Animal Healthcare market (veterinary practice infection prevention – via the Anistel brand)

**Financial Highlights**
- Turnover up 19% to £20.3m (2016: £17.1m)
- Overseas sales up 43% to £9.6m (2016: £6.7m), representing 47% of total sales (2016: 39%)
- EBITDA before share-based payments up 26% to £5.4m (2016: £4.3m). Unadjusted £5.3m (2016: £3.7m)
- Pre-tax profit before share-based payments up 24% to £4.1m (2016: £3.3m). Unadjusted £4m (2016: £2.6m)
- EPS 8.06p, up 61% (2016: 5.01p)
- Standard dividend per share for the full year increased by 21% to 4.03p (2016: 3.33p)
- Net cash of £5.1m at year end (2016: £5.7m). Company remains debt free

**Operational Highlights**
- Successful acquisition of Australian distributor's business
- First North American regulatory submission made
- France's Produit Hygiene Base accepts Duo for Ultrasound and Ophthalmology onto its list of approved disinfectant products
- Investment, alongside OrbiMed Advisors, in MobileODT

**Paul Swinney, Chief Executive of Tristel plc, said:** *"We are pleased with the progress made this year. Sales and profitability exceeded both market expectations and our internal plan. The drivers were growth in our overseas operations, favourable exchange rates and the acquisition of our Australian distributor's business. The North American regulatory programme is progressing well, with our first submission made to the EPA. We were disappointed to learn in early October that there will be delay to the approval timetable, but this does not change our expectation of first sales in North America in financial year 2018-19.*

*Our investment in MobileODT involves us for the first time in an emerging healthcare market – point-of-care diagnostic devices connected to smart phones that require high-level disinfection. We believe this represents a significant future opportunity for Tristel."*

The annual report and financial statements will be available on the Company's website www.tristel.com later today.

**For further information:**


| | |
|---|---|
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# Chairman's Statement

Tristel continued to make good progress during the year to 30 June 2017. Sales grew to £20.3m from £17.1m in 2016, an increase of 19%. The pace of sales growth was faster than the 12% achieved last year, and above our 10-15% target. Once again, overseas sales grew faster at 43% than domestic sales at 3%, which is no surprise given the high levels of market penetration we enjoy in the United Kingdom. Overseas sales represented 47% of worldwide sales compared to 39% last year. The acquisition of our Australian distributor's business in August 2016 accounted for 39% of overall sales growth, and favourable currency rates 21%. Underlying sales growth was 7%.

Pre-tax profit before share-based payments was £4.1m compared to £3.3m last year, an increase of 24%. Earnings per share (EPS) were 8.06 pence, up from 5.01 pence last year, an increase of 61%.

In August 2015, and again in August 2016, a special dividend of 3 pence was paid, reflecting profits performance and build-up of surplus cash. The Company has continued to be very cash generative and on 30 June 2017 the cash balance was £5.1m (£5.7m). The Board is not declaring a third consecutive special dividend at this time. In line with the Company's ordinary dividend policy, the Board is recommending that the final dividend is 2.63 pence (2016: 2.19 pence), an increase of 20%. Including the interim dividend of 1.4 pence (2016: 1.14 pence), and the proposed final dividend, the total dividend for the year will be 4.03 pence (2016: 3.33 pence excluding the special dividend), a rise of 21%. If approved, the final dividend will be paid on 15 December 2017 to shareholders on the register at 17 November 2017. The corresponding ex-dividend date is 16 November 2017.

During the year, we accelerated our investment in future growth opportunities. We spent £1.1m to acquire our Australian distributor's business, and invested £0.6m to take a 3.27% stake in the Israeli company, MobileODT. Additionally, we spent £0.1m on product development and testing (2016: £0.17m) and £0.22m (£2016: 0.12m) on patenting to protect our intellectual property. We invested £0.54m (2016: £0.34m) in regulatory approval programmes in 19 countries and recognised this cost as an expense in the year; included in this investment was an amount of £0.5m (2016: £0.13m) relating to the United States market. Our project to enter the United States commenced two years ago, and we have succeeded in making our first regulatory submission – an application to the United States Environmental Protection Agency (EPA) for our chlorine dioxide foam-based product. We intend to make further submissions to both the EPA and the Food and Drug Administration (FDA) in the years ahead.

Our people are the key element to our success. I would like to acknowledge this on behalf of our Board and thank all our employees for their contribution throughout the year.

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. Our target is 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%. If we achieve these two key objectives we will have created 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 our shareholders.

These are exciting times for Tristel as we enter the North American market and bring the highest standards of medical device decontamination to the developing world: both new opportunities, but both consistent with our focus of the past twenty years.

My Board colleagues and I look forward to Tristel's future with continued confidence.

Francisco Soler
Chairman

# Chief Executive's Report

## Current year - Overview

We are pleased to report that during the year Group revenue increased by 19%, adjusted pre-tax profit increased by 24% and we achieved a pre-tax profit margin of 20%. We ended the year with cash of £5.1m. The Company remains debt-free.

In our 2014 financial year, when revenue was £13.5m, we set a revenue target of £20m to be achieved in the financial year ending 30 June 2017 – an increase of almost 50% in sales over a three-year period – and we are pleased to report that this target has been achieved. In October 2016, we laid out our plans for the three years to 30 June 2019. The current 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. We also set an objective of achieving a pre-tax profit margin of at least 17.5% - our second KPI. We can report that both these targets have been met in 2017, the first year of the current three-year plan.

We are proposing a final dividend of 2.63 pence per share (2016: 2.19 pence), making 4.03 pence (2016: 3.33 pence) in total for the year, up 21%.

Some of the key events that took place during the year, were:

- In August 2016, we acquired our Australian distributor's business for £1.1m. The new subsidiary generated incremental profit before tax during the year of £0.824m;
- Also in August 2016, we paid a special dividend of 3 pence;
- We made a strategic investment in June 2017 of £0.6m (US$0.75m) in the Israeli company, MobileODT ("MODT"). MODT is a business that combines smartphone technology with hand-held medical devices to make diagnostics available at point-of-care.

## 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 some 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, especially acute 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.

An acute 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 men and women'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.

# Chief Executive's Report - continued

The investment that we made in MODT involves us in a new market for our chlorine dioxide high-level disinfectants – healthcare in the lesser-resourced areas of the world – and, in terms of population, a far larger marketplace.

There are 5.8 billion people worldwide who have no access to healthcare that we would consider adequate, yet a great number of this population has access to a mobile phone. In low resource settings, whether on the African continent or in rural America, medical care is provided by nurses, trained to a general level of medical knowledge. Smartphones, combined with devices that can illuminate a part of the body and take a picture, or carry out an ultrasound scan, enable community nurses to examine the patient and transmit images for consultation that can be provided remotely. In time, artificial intelligence will provide diagnosis. This is a new frontier in medicine that is developing rapidly.

During our twenty-year experience in infection prevention, we have observed that disinfection is often an afterthought in medical device innovation. Our high-level disinfectants, dispensed in portable, easy-to-use formats of foam, wipes and sprays, are the only way in which these new frontier devices can be disinfected safely in a community clinic in a remote area to the same level that would be demanded in a sophisticated Western European hospital.

MODT is involved in this exciting development in healthcare, and has had the foresight to acknowledge the importance of disinfection. With its focus on women's health, a key area for Tristel, we are making this investment to cement our relationship. MODT plans next to make its technology platform available in Ear, Nose and Throat medicine (ENT), another stronghold for our Company. We believe our participation in the ownership of MODT will not only benefit Tristel strategically, but will also produce an attractive return for our own shareholders in time.

## 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 repeat training. capital sales, service and maintenance revenues 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.

# Chief Executive’s Report - continued

*Our revenues - by sales channel*

| £000’s | | | 2016-17 | 2015-16 | Year on year change | Percentage change |
|---|---|---|---|---|---|---|
| | | | | | | |
| Human Healthcare | Direct sales | UK | 8,910 | 8,547 | 363 | 4% |
| | | EU | 3,237 | 1,927 | 1,310 | 68% |
| | | ROW | 3,580 | 2,025 | 1,555 | 77% |
| | Sales to distributors | EU | 1,358 | 1,102 | 256 | 23% |
| | | ROW | 1,022 | 998 | 24 | 2% |
| | | | | | | |
| Contamination Control | Direct sales | UK | 1,129 | 1,140 | (11) | (1%) |
| | | EU | 18 | - | 18 | 100% |
| | | ROW | 8 | - | 8 | 100% |
| | Sales to distributors | EU | 132 | 332 | (200) | (60%) |
| | | ROW | 1 | 18 | (17) | (94%) |
| | | | | | | |
| Animal Healthcare | Direct sales | UK | 114 | 222 | (108) | (49%) |
| | | EU | 5 | 4 | 1 | 25% |
| | | ROW | 180 | 156 | 24 | 15% |
| | Sales to distributors | UK | 522 | 457 | 65 | 14% |
| | | EU | 57 | 176 | (119) | (68%) |
| | | | | | | |
| | Group sales | | 20,273 | 17,104 | 3,169 | 19% |

# Chief Executive's Report - continued

*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 2017, £3.6m of our sales were of non-chlorine dioxide chemistries representing 18% of the total (2016: £3.7m representing 22%). 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** | | | **2016-17** | **2015-16** | **Year on year change** | **Percentage change** |
|---|---|---|---|---|---|---|
| | | | | | | |
| Human Healthcare | Direct sales | ClO2 | 14,877 | 11,847 | 3,030 | 26% |
| | | Other | 850 | 652 | 198 | 30% |
| | Sales to distributors | ClO2 | 1,715 | 1,432 | 283 | 20% |
| | | Other | 665 | 668 | (3) | -% |
| | | | | | | |
| Contamination Control | Direct sales | ClO2 | 47 | 38 | 9 | 24% |
| | | Other | 1,082 | 1,102 | (20) | (2%) |
| | Sales to distributors | ClO2 | 36 | 43 | (7) | (16%) |
| | | Other | 123 | 307 | (184) | (60%) |
| | | | | | | |
| Animal Healthcare | Direct sales | ClO2 | 1 | 7 | (6) | (86%) |
| | | Other | 298 | 375 | (77) | (21%) |
| | Sales to distributors | ClO2 | 5 | 3 | 2 | 67% |
| | | Other | 574 | 630 | (56) | (9%) |
| | | | | | | |
| | **Group sales** | | **20,273** | **17,104** | **3,169** | 19% |

*Our revenues - by portfolio and geographical split*

Revenue increased by 19% in the year. UK sales grew by 3% and overseas sales grew by 43%. Overseas sales are made via two channels: through the Company's wholly owned subsidiaries in Germany, Poland, Hong Kong, China, New Zealand, Australia and Russia; and via third party distributors. Overseas subsidiary and branch sales increased by 71% to £7m in the year, whereas overseas sales via distributors remained relatively static at £2.58m.

## 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 2017, we held 229 patents granted in 35 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.

These strategic assets drive our success and differentiate us from our competitors.

## 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 approvals for 24 products in 19 countries during the year.

## Our intellectual property protection

We have 229 patents granted in 35 countries. The progress that the Company has made during the past three 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 |
|---|---|---|---|---|---|---|
| 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:

**1** Consistent revenue growth - during the past four years, revenue has grown from £13.5m to £20.3m – an increase of 51%. The compound annual growth rate in revenue since the Company went public in 2005 has been 17%. **We continue to believe that we can grow sales in the range of 10% to 15% per annum as an annual average over the three years ending 30 June 2019.**

2 Maintaining the profitability of the Company – during the year the Company achieved a pre-tax profit margin of 20%. **Over the three years ending 30 June 2019, we believe that we can operate above a pre-tax margin of 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. During the year, we have witnessed a significant upward rating in the valuation multiples applied to our share price.

## Progress in North America

Two years ago, we unveiled to our shareholders that we had embarked upon a United States regulatory approvals programme.

We are pursuing approvals for various Tristel products with both the EPA and FDA. We have held various review meetings with both agencies and have presented information and sought their guidance on our approach.

With respect to the FDA we are pursuing a 510(K) for two high-level disinfectant products classified as medical devices. One product will be labelled for the high-level disinfection of ophthalmic medical instruments, and one for the high-level disinfection of ultrasound instruments. Both products are liquid chlorine dioxide formulations dispensed in a foam format by specialised packaging.

With respect to the EPA we made a regulatory submission on 30 June 2017 for our chlorine dioxide foam product branded Duo. The EPA submission is for intermediate disinfectant status on non-porous surfaces, including those of heat-sensitive medical instruments. We have announced that our expectation for an EPA approval is May 2018.

We also have in process submissions to Canada's Health Protection Board.

In summary, we have developed a broadly-based business strategy for the North American market, which is built around the regulatory processes in the United States and Canada. We are confident that our plan is proceeding very satisfactorily, and that we are on track to generate revenues in North America during the financial year commencing July 2018.

## Focus

The Company has a dual focus: on infection prevention, and on our proprietary chlorine dioxide chemistry. The achievements that we have made have come from sticking to what we know and do well and we believe there remains an enormous opportunity to continue this success.

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 a year of further growth and progress across the business.

**Paul Swinney**
Chief Executive Officer
18 October 2017

| | Note | **Year ended 30 June 2017 £'000** | Year ended 30 June 2016 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **20,273** | 17,104 |
| Cost of sales | 3 | **(4,598)** | (4,549) |
| **Gross profit** | | **15,675** | 12,555 |
| Administrative expenses: | 3 | | |
| Share-based payments | | **(121)** | (674) |
| Depreciation, amortisation and impairments | 3 | **(1,310)** | (1,071) |
| Other | 3 | **(10,342)** | (8,242) |
| **Total administrative expenses** | | **(11,773)** | (9,987) |
| **Operating profit** | | **3,902** | 2,568 |
| Finance income | | **4** | 12 |
| Other income | | **41** | - |
| Results from equity accounted associate | | **19** | 13 |
| **Profit before tax** | | **3,966** | 2,593 |
| Taxation | 4 | **(549)** | (491) |
| **Profit after tax** | | **3,417** | 2,102 |
| **Attributable to:** | | | |
| Equity holders of parent | | **3,417** | 2,102 |
| | | **3,417** | 2,102 |
| **Earnings per share from total and continuing operations attributable to equity holders of the parent** | | | |
| Basic – pence | 6 | **8.06** | 5.01 |
| Diluted – pence | 6 | **7.80** | 4.81 |

All amounts relate to continuing operations.

| | **Year ended 30 June 2017 £'000** | Year ended 30 June 2016 £'000 |
|---|---|---|
| **Profit for the period** | **3,417** | 2,102 |
| **Items that will be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of foreign operations | **47** | 146 |
| **Other comprehensive income for the period** | **47** | 146 |
| **Total comprehensive income for the period** | **3,464** | 2,248 |
| **Attributable to:** | | |
| Equity holders of the parent | **3,464** | 2,248 |
| | **3,464** | 2,248 |

**Tristel plc**
**Consolidated Statement of Changes in Equity**
For the year ended 30 June 2017

| | Share Capital £'000 | Share premium account £'000 | Merger reserve £'000 | Foreign exchange reserve £'000 | Retained earnings £'000 | Total attributable to owners of the parent £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **30 June 2015** | 414 | 9,920 | 478 | (147) | 3,493 | 14,158 | 7 | 14,165 |
| **Transactions with owners** | | | | | | | | |
| Dividends paid | - | - | - | - | **(2,621)** | **(2,621)** | - | **(2,621)** |
| Shares Issued | **7** | **491** | - | - | - | **498** | - | **498** |
| Share-based payments – IFRS 2 | - | - | - | - | **674** | **674** | - | **674** |
| **Total transactions with owners** | **7** | **491** | - | - | **(1,947)** | **(1,449)** | - | **(1,449)** |
| Profit for the year ended 30 June 2016 | - | - | - | - | **2,102** | **2,102** | - | **2,102** |
| **Other comprehensive income**: - Exchange differences on translation of foreign operations | - | - | - | **146** | - | **146** | - | **146** |
| Total comprehensive income | - | - | - | **146** | **2,102** | **2,248** | - | **2,248** |
| **30 June 2016** | **421** | **10,411** | **478** | **(1)** | **3,648** | **14,957** | **7** | **14,964** |
| **Transactions with owners** | | | | | | | | |
| Dividends paid | - | - | - | - | **(2,787)** | **(2,787)** | - | **(2,787)** |
| Shares Issued | **6** | **294** | - | - | - | **300** | - | **300** |
| Share-based payments – IFRS 2 | - | - | - | - | **121** | **121** | - | **121** |
| **Total transactions with owners** | **6** | **294** | - | - | **(2,666)** | **(2,366)** | - | **(2,366)** |
| Profit for the year ended 30 June 2017 | - | - | - | - | **3,417** | **3,417** | - | **3,417** |
| **Other comprehensive income**: - Exchange differences on translation of foreign operations | - | - | - | **47** | - | **47** | - | **47** |
| Total comprehensive income | - | - | - | **47** | **3,417** | **3,464** | - | **3,464** |
| **30 June 2017** | **427** | **10,705** | **478** | **46** | **4,399** | **16,055** | **7** | **16,062** |

**Tristel plc**
**Consolidated Balance Sheet**
As at 30 June 2017

| | Note | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment | | **589** | - |
| Goodwill | | **1,065** | 667 |
| Intangible assets | | **5,924** | 5,380 |
| Property, plant and equipment | | **1,409** | 1,416 |
| | | **8,987** | 7,463 |
| **Current assets** | | | |
| Inventories | | **2,292** | 1,875 |
| Trade and other receivables | | **3,745** | 3,735 |
| Cash and cash equivalents | | **5,088** | 5,715 |
| | | **11,125** | 11,325 |
| **Total assets** | | **20,112** | 18,788 |
| **Capital and reserves** | | | |
| Share capital | 7 | **427** | 421 |
| Share premium account | | **10,705** | 10,411 |
| Merger reserve | | **478** | 478 |
| Foreign exchange reserve | | **46** | (1) |
| Retained earnings | | **4,399** | 3,648 |
| **Equity attributable to owners of the parent** | | **16,055** | 14,957 |
| **Non-controlling interests** | | **7** | 7 |
| **Total equity** | | **16,062** | 14,964 |
| **Current liabilities** | | | |
| Trade and other payables | | **3,147** | 3,256 |
| Current tax | | **728** | 432 |
| | | **3,875** | 3,688 |
| **Non-current liabilities** | | | |
| Deferred tax | | **175** | 136 |
| **Total liabilities** | | **4,050** | 3,824 |
| **Total equity and liabilities** | | **20,112** | 18,788 |

The financial statements were approved and authorised for issue by the Board of Directors on 18 October 2017, and were signed on its behalf by:

**Elizabeth Dixon**
Director

| | Note | **2017 £'000** | 2016 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operating activities | i | **4,806** | 4,819 |
| Corporation tax paid | | **(454)** | (269) |
| | | **4,352** | 4,550 |
| **Cash flows used in investing activities** | | | |
| Interest received | | **4** | 12 |
| Purchase of intangible assets | | **(419)** | (406) |
| Purchase of trade and assets | | **(994)** | - |
| Purchase of investments | | **(589)** | - |
| Purchases of property, plant and equipment | | **(585)** | (499) |
| Proceeds from sale of property, plant and equipment | | **45** | 16 |
| **Net cash used in investing activities** | | **(2,538)** | (877) |
| **Cash flows from financing activities** | | | |
| Share issues | | **300** | 498 |
| Dividends paid | | **(2,787)** | (2,621) |
| **Net cash used in financing activities** | | **(2,487)** | (2,123) |
| **Net increase in cash and cash equivalents** | | **(673)** | 1,550 |
| Cash and cash equivalents at the beginning of the period | ii | **5,715** | 4,045 |
| Exchange differences on cash and cash equivalents | | **46** | 120 |
| **Cash and cash equivalents at the end of the period** | ii | **5,088** | 5,715 |

i. **RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS**

| | **2017** | 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Profit before tax | **3,966** | 2,593 |
| Depreciation of plant, property & equipment | **564** | 442 |
| Amortisation of intangible assets | **679** | 524 |
| Impairment of intangible asset | **67** | 125 |
| Gain on settlement of pre-existing agreement | **(41)** | - |
| Share-based payments – IFRS2 | **121** | 674 |
| Profit- on disposal of property, plant and equipment | **(16)** | (2) |
| (Profit)/loss on disposal of intangible asset | **-** | 8 |
| Finance income | **(4)** | (12) |
| | **5,336** | 4,352 |
| (Increase)/decrease in inventories | **(294)** | 186 |
| (Increase) in trade and other receivables | **(1)** | (541) |
| (Decrease)/increase in trade and other payables | **(235)** | 822 |
| **Cash generated from operations** | **4,806** | 4,819 |

ii. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts.

| | **30 June 2017** | 30 June 2016 |
|---|---|---|
| **Year ended 30 June 2017** | **£'000** | £'000 |
| Cash and cash equivalents | **5,088** | 5,715 |
| | **5,088** | 5,715 |

| | **30 June 2016** | 30 June 2015 |
|---|---|---|
| **Year ended 30 June 2016** | **£'000** | £'000 |
| Cash and cash equivalents | **5,715** | 4,045 |
| | **5,715** | 4,045 |

## 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 2017. 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 2017, the following Standards and Interpretations are in issue but not yet effective and have not been adopted early by the Group:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from contracts with customers (IASB effective date 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)

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 will be recognised on the balance sheet.

## 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 2017 or 2016, as defined in Section 435 of the Companies Act 2006, but is derived from those accounts. Statutory accounts for the year ended 30 June 2016 have been delivered to the Registrar of Companies, and those for 2017 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 18 October 2017.

## 3. SEGMENTAL ANALYSIS

Management considers the Group'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 Group's operating segments are identified from the information which is reported to the chief operating decision maker.

The first segment concerns the manufacture, development and sale of infection control and hygiene products which includes products that incorporate the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Human Healthcare"). This segment generated approximately 89% (2016: 85%) of Group revenues.

The second segment, which constitutes 4% (2016: 6%) of the business activity, relates to manufacture and sale of disinfection and cleaning products, into veterinary and animal welfare sectors ("Animal healthcare").

The third segment addresses the pharmaceutical and personal care product manufacturing industries ("Contamination control") and has generated 7% (2016: 9%) of the Group'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.

| | **Human Healthcare** | **Animal Healthcare** | **Contamination Control** | **Group 2017** | Human Healthcare | Animal Healthcare | Contamination Control | Group 2016 |
|---|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 | £'000 |
| Revenue from external customers | **18,107** | **878** | **1,288** | **20,273** | 14,599 | 1,015 | 1,490 | 17,104 |
| **Segment revenues** | **18,107** | **878** | **1,288** | **20,273** | 14,599 | 1,015 | 1,490 | 17,104 |
| Cost of material | **3,881** | **223** | **494** | **4,598** | 3,574 | 333 | 642 | 4,549 |
| **Gross Profit** | **14,226** | **655** | **794** | **15,675** | 11,025 | 682 | 848 | 12,555 |
| **Gross Margin %** | **79%** | **75%** | **62%** | **77%** | 76% | 67% | 57% | 73% |

Centrally incurred income and expenses not attributable to individual segments:

| | 2017 | 2016 |
|---|---|---|
| Other operating income: | **-** | - |
| Depreciation, amortisation and impairment of non-financial assets | **(1,310)** | (1,071) |
| Other administrative expenses | **(10,342)** | (8,242) |
| Share based payments | **(121)** | (674) |
| **Operating profit** | **3,902** | 2,568 |

Operating profit can be reconciled to Group profit before tax as follows:

| | 2017 | 2016 |
|---|---|---|
| Operating profit | **3,902** | 2,568 |
| Finance income | **4** | 12 |
| Results from equity accounted associate | **19** | 13 |
| Other income | **41** | - |
| **Group profit before tax** | **3,966** | 2,593 |

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

| | **Human Healthcare** | **Animal Healthcare** | **Contamination Control** | **Group 2017** | Human Healthcare | Animal Healthcare | Contamination Control | Group 2016 |
|---|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 | £'000 |
| United Kingdom | **8,910** | **636** | **1,129** | **10,675** | 8,547 | 679 | 1,140 | 10,366 |
| Germany | **3,048** | **62** | **150** | **3,260** | 1,778 | - | - | 1,778 |
| Rest of the World | **6,149** | **180** | **9** | **6,338** | 4,274 | 336 | 350 | 4,960 |
| Group revenues | **18,107** | **878** | **1,288** | **20,273** | 14,599 | 1,015 | 1,490 | 17,104 |

4. **TAXATION**

**The taxation charge represents:**

| | **2017** | 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Current taxation- | | |
| Corporation tax | **724** | **444** |
| Adjustment in respect of earlier years | **12** | **10** |
| Total current tax | **736** | **454** |
| Deferred tax- | | |
| Origination and reversal of temporary differences | **(187)** | **14** |
| Over provided in respect of prior periods | **-** | **23** |
| Total deferred tax | **(187)** | **37** |
| Total tax charge in Income Statement | **549** | **491** |

**Factors affecting the tax charge:**
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:

| | **2017** | 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Profit on ordinary activities before tax | **3,966** | 2,593 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.75% (2016: 20%) | **783** | **519** |
| Effects of: | | |
| Expenses not deductible for tax purposes | **58** | **31** |
| Income not taxable | **(8)** | **-** |
| Tax rate differences | **5** | **(11)** |
| Enhanced relief on qualifying scientific research expenditure | **(154)** | **(136)** |
| Adjustment in respect of prior years | **12** | **33** |
| Tax losses not utilised and other temporary differences | **(147)** | **55** |
| Total tax charge for year | **549** | **491** |

5. **DIVIDENDS**

| Amounts recognised as distributions to equity holders in the year: | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Ordinary shares of 1p each | | |
| Final dividend for the year ended 30 June 2016 of 2.19p (2015: 2.14p) per share | **928** | **899** |
| Interim dividend for the year ended 30 June 2017 of 1.40p (2016: 1.14p) per share | **594** | **480** |
| Special dividend of 3p per share paid on the 8 August 2016 (2015; 3p per share) | **1,265** | **1,242** |
| | **2,787** | **2,621** |
| Special dividend of 3p per share paid on the 8 August 2016 | **-** | 1,265 |
| Proposed final dividend for the year ended 30 June 2017 of 2.63p (2016: 2.19p) per share | **1,115** | 923 |
| **Company** | | |
| Dividend received from subsidiaries | **(4,261)** | (2,781) |

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 numbers of shares:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Retained profit for the financial year attributable to equity holders of the parent | **3,417** | 2,102 |
| | **Shares '000 Number** | Shares '000 Number |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **42,418** | **41,945** |
| Share options | **1,399** | **1,747** |
| | **43,817** | **43,692** |
| Earnings per ordinary share | | |
| Basic | **8.06p** | **5.01p** |
| Diluted | **7.80p** | **4.81p** |

A total of 260,000 options of ordinary shares were anti-dilutive at 30 June 2017 (70,000 at 30 June 2016). All remaining share options are dilutive at 30 June 2017.

7. **CALLED UP SHARE CAPITAL**

| **Allotted, issued and fully paid ordinary shares of 1 pence each** | **Number:** | **£'000** |
|---|---|---|
| 30 June 2016 | 42,165,201 | 421 |
| Issued during the year | 584,216 | 6 |
| 30 June 2017 | 42,749,417 | 427 |

8. ACQUISITION

In August 2016, the Group acquired the trade and assets of AshMed Pty, our Australian distributor's business for £1.1m including a contribution to legal costs, giving rise to goodwill of £465,000 and a gain on settlement of the distribution agreement of £41,000. The separate intangibles have been recognised in full along with a deferred tax liability arising on the transaction of £242,000. The total acquisition related costs amount to £59,000 and are included in Administrative expenses in the Consolidated Income Statement.

For Ashmed, the assumptions used to determine the recoverable value of goodwill are those regarding discount rates and growth rates. Management has estimated the discount rate as a market-derived WACC of 16%. Growth rates are based upon industry growth forecasts within the CGU and on recent history and expectations of future changes in the market. The net present value of profits expected over the next 8 years exceeds the carrying value of £0.465m, with headroom of £3.1m. A sensitivity analysis has been carried out where growth has been forecast to decline at a rate of 10% year on year, at this level the headroom is £2.3m, as such no impairment has been recorded.

The details of the business combination are as follows:

| **Group** | **Total £'000** |
|---|---|
| **Fair value of consideration transferred** | |
| Amount settled in cash | 994 |
| Gain on settlement | 41 |
| Total | **1,035** |
| | |
| **Recognised amounts of identifiable net assets** | |
| Intangible assets | 804 |
| **Total non-current assets** | **804** |
| | |
| Inventories | 123 |
| Trade and other receivables | 9 |
| **Total current assets** | **132** |
| | |
| Other liabilities | 124 |
| Deferred tax | 242 |
| **Total current liabilities** | **366** |
| | |
| **Identifiable net assets** | **570** |
| **Goodwill on acquisition** | **465** |

The goodwill on acquisition of £465,000 is primarily related to the sales knowhow of key personnel.

The Australian business contributed incremental revenue of £1.991m and incremental profit before tax of £0.824m for the year ended 30 June 2017. If the trade and assets had been acquired on 1 July 2016 the incremental revenue for the group would have been £2,275m and the incremental profit before tax £0.942m.

9. ANNUAL REPORT

The annual report and financial statements will be available on the company's website www.tristel.com from 19 October 2017. Printed copies will be posted to shareholders prior to the Company's Annual General Meeting taking place on 12 December 2017 in Snailwell, Newmarket.