Monday 6 October 2008

TRISTEL plc

("Tristel" or "the Company")

Preliminary Results for the Year Ended 30 June 2008

Another year of strong profit growth

Tristel plc (AIM: TSTL), the specialist infection and contamination control company, announces its preliminary results for the year ended 30 June 2008. Tristel provides infection control products based on chlorine dioxide chemistry to the healthcare marketplace.

Financial Highlights

- Turnover up 15.8% to £5.961m (2007: £5.148m)
- Gross margin increased to 67.3% (2007: 63.3%)
- Profit before tax up 54.6% to £1.217m (2007: £0.787m)
- Net bank indebtedness (including invoice discounting) reduced from £532k to a net cash position of £76k
- Basic earnings per share up 81.3% to 4.17p (2007: 2.3p)
- Dividend per share for the full year up 14.8% to 1.55p (2007: 1.35p)

Operational Highlights

- Further investment into in-house manufacturing facility
- Participation in the European Union's Biocidal Products Directive sodium chlorite Registration Group
- New products launched include the "Tristel Life" range for the worldwide in-vitro fertilisation market
- Export sales increased by 73%

Paul Swinney, Chief Executive of Tristel plc, said:

"As we expand the applications of our chlorine dioxide technology, thereby creating new products for new uses and in new areas in hospitals, we increase our potential for revenue growth. In 2008 the surfaces and ultrasound products began to make their mark within UK hospitals. All of our products, because of their effectiveness against *Clostridium difficile* and safety profiles, are hugely relevant to the hospital acquired infection issue. We look forward to driving top line growth during 2009 and, through focus and discipline, maintaining the profitability of the company".

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Chairman's introduction

I am pleased to report that Tristel has made solid progress during the year ended 30 June 2008, increasing revenue by 15.8% to £5,961,252 (2007: £5,148,366). Profit before tax, amortisation of intangibles, share based payments and non-recurring items increased by 9.4% to £1,369,902 (2007: £1,252,720) and the operating margin before amortisation of intangibles, share based payments and non-recurring items remained steady at 23% (2007: 24%). Profit before tax increased by 54.6% to £1,216,577 (2007: £786,895).

The benefits of taking over the manufacture of our products in 2007 continued to flow with gross profit margin increasing to 67.3% (2007: 63.3%). During the year we made further investments in our manufacturing and warehousing capability, expanding our Newmarket premises to over 22,000 sq. ft.

Throughout 2007-08 we have continued to focus on the hospital marketplace. Our objectives remain the same as they were at the time of our flotation in June 2005, being:-

i. to develop for the hospital user products that are superior in terms of efficacy, safety and ease of use over existing products; and

ii. to develop new infection control "solutions" if prevailing technologies and techniques do not provide an effective and practical method for the control of hospital acquired infection.

A key strength of the business that emerges from this product development strategy is the franchise that we build amongst the teams of nurses and doctors who are charged with the responsibility for infection control.

EPS and dividend

Basic earnings per share were 4.17 pence (2007: 2.3 pence), an increase of 81.3%. As a result of this positive performance, the Board is recommending that the final dividend be increased to 1.165 pence per share, making a total annual dividend of 1.55 pence per share, an increase of 14.8%. If approved, the final dividend will be paid on 19 December 2008 to shareholders on the register at 21 November 2008.

Employees

Our workforce has continued to grow and numbered 40 at the end of the financial year. The Board recognises the professionalism of our team and the important contribution they make to Tristel, and I would like to thank them for their efforts this year.

Outlook

Our business is all about hospital acquired infection, the importance of which will not diminish in the United Kingdom and overseas. Whilst the general level of healthcare spending is an important determinant of demand for Tristel's products, we believe that hygiene and infection control are critical expenditures. As long as we continue to deliver products with superior efficacy, greater safety, that are easier to use than those currently employed, our marketplace will present opportunities for continued growth. We can look forward to our future with confidence.

Francisco A. Soler
Chairman
6 October 2008

Our strategy

Tristel designs, develops, manufactures and sells products that control and eliminate the risks of cross infection and contamination. They are most relevant to, and are mostly used in, the healthcare setting.

In the majority of our products we employ our lead technology – a proprietary chlorine dioxide formulation – in bespoke packaging and delivery systems, many of which enjoy extensive patent protection. We also utilise other biocidal chemistries and infection control technologies. This reflects the fact our core competence is infection control; we are not exclusively a chlorine dioxide chemistry company.

Tristel is a consumable product led business. Our product development philosophy is to create single-use products and thereby enjoy frequent re-ordering and high visibility in our revenue stream. The products require only limited after sales service and support and we will continue with this business model.

We also supply users with equipment hardware to enable the use of the Tristel chemistry. In certain cases we undertake the design and development of such equipment ourselves; in others, we co-operate with third party industry partners. In all cases, the ongoing, underlying revenue stream from the Tristel consumable is of great economic significance.

Our product development strategy remains unchanged from the time of our flotation in June 2005. We develop products that address the routes of transmission of infection, as to succeed in the fight against hospital acquired infection a cohesive “joined up” approach must be taken. A hospital acquired infection (HAI) is one that a patient did not have or was not incubating on entering hospital. Patients can contract infection in many ways: from procedures with inadequately disinfected **instruments**; from unclean **surfaces**; by drinking or showering in contaminated **water**, or from contact with other **people**.

Tristel’s strategy is to create applications for its chlorine dioxide chemistry that attack each of these routes.

Our original starting point was the decontamination of flexible endoscopes in a hospital’s endoscopy department. This remains a core revenue stream.

Moving beyond endoscopy, we have created a dominant position in the ear, nose and throat area and in cardiology.

In 2007 we introduced the “Tristel for Labs” product range which is now widely used in pathology laboratories.

During 2008 we have made pioneering inroads into the disinfection of ultrasound equipment. Ultrasound probes, used in such routine examinations as maternity scans, have historically not been disinfected between patients. We have created a pragmatic, affordable and effective means of decontaminating such equipment.

Also, during the year, we have created, in conjunction with the Academy of the European Society of Gynaecological Endoscopy, a suite of products that enable the high-level disinfection of all instruments, equipment and surfaces in IVF centres. The products are branded “Tristel Life”.

Our *Legionella* control products keep safe hospitals’ hot and cold water supplies.

Finally, and very significantly for the long term future of Tristel, our suite of surfaces products are being rapidly adopted by hospitals to deal with *Clostridium difficile* which is responsible for so many deaths.

Geographical expansion
Tristel has a clear strategy to expand its business internationally. In all of the countries that we sold products during the year, the business model employed has been to use a national distribution partner, with the exception of Italy, where we have supported an entrepreneur to establish Tristel Italia srl. A 20% shareholding has been taken in this company.

Export sales during the year increased by 73% to £308,000 (2007: £178,000), representing 5.2% of group total revenue (2007: 3.5%).

Market overview

Macro influences
The group's principal focus is the control of hospital acquired infection. There can be little doubt that the hospital hygiene and infection control issue will continue to be a high priority for healthcare providers, both in the United Kingdom and overseas. As a priority issue, the subject in the United Kingdom of well publicised performance targets, we anticipate that expenditure in this area will be reasonably well insulated from spending constraints that may be imposed elsewhere within healthcare.

Chlorine dioxide, the active ingredient in which we have specialised, is, without doubt, a highly effective and safe biocide. Its safety pedigree has been established by over ten years of widespread use in United Kingdom hospitals. Its effectiveness as a biocide is widely documented in scientific journals.

Regulatory influences
During the year the company upgraded its quality systems, securing its registration under BSEN 13485, and thereby ensuring that its hospital based products continue with their classification as medical devices.

On 13 June 2008, the company entered into a new 20 year supply agreement with Bio-Cide International Inc., Oklahoma, USA. Under the terms of this agreement Tristel not only extended the term of its distributorship in the United Kingdom for Bio-Cide's sodium chlorite chemistry – a key ingredient in Tristel chlorine dioxide formulation – but also extended its exclusive distribution role to the entire European market.

Furthermore, under the terms of the agreement with Bio-Cide, Tristel has become its representative in the industry group that is sponsoring the registration of sodium chlorite and chlorine dioxide under the Biocidal Products Directive (BPD). Tristel and Bio-Cide will share in the costs and benefits of membership of this industry group.

The active ingredient used in general purpose disinfectants, such as those used for surfaces, water and skin, have to be registered under the BPD. This Directive has been introduced by the European Community to limit the number of active ingredients that can be used, primarily for ecological and environmental reasons. Sodium chlorite has been approved by the EC and our industry group, of which we are now a member, is supporting it through the regulatory submission process. The industry's consensus view is that the cost of submission under the BPD will block the development and introduction of active ingredients that could be future alternatives to those already approved under the BPD. As a supplier of chlorine dioxide products, our long term view is that the regulatory environment is favourable to the disinfection products that we market.

Competition
In the arena of high-level disinfectants for medical devices, we continue to believe that Tristel is the sole manufacturer of chlorine dioxide products. A key characteristic of our chlorine dioxide chemistry is that it is rapidly effective against bacterial spores, which are considered to be the most resistant of micro organisms. As a consequence, Tristel products are described as "sporicidal". The much publicised pathogen *Clostridium difficile* is a sporing organism.

There are a few other chemistries that can compete with chlorine dioxide in terms of claiming sporicidal activity, the most widely used of which are peracetic acid and hydrogen peroxide. However, only chlorine dioxide is both safe and practical for use and can be employed across all the four routes of transmission – instruments, surfaces, water and skin.

As explained previously, our product development strategy exploits this unique characteristic of our chlorine dioxide chemistry. A substantial investment both in terms of cost and time would be required to catch up with the first mover advantage that Tristel has established.

Results and finance

Revenue
Tristel has enjoyed another year of solid growth, increasing group revenues by 15.8% to £5,961,252. (2007 37.4% to £5,148,366)

Margins and operating profit
Whilst the build and fit-out of our manufacturing facility was completed by 30 June 2007, in-house production of our products only commenced in May 2007 and was initially limited to a small part of the product portfolio.

During the first half of the financial year ended 30 June 2008, all production was transferred from our contract manufacturer to our in-house facility. The benefits of this can be seen in the increase in gross profit margin from 63.3% last financial year to 67.3% in 2008

Excluding amortisation of intangibles and share based payments (and non-recurring items in the 2007 comparable figure), operating profits increased by 9.4% to £1,369,902 (2007 49.1% to £1,252,720) and the operating margin remained steady at 23% (2007 24%).

Earnings
The growth in basic earnings per share and diluted earnings per share was 81.3% and 79.6% respectively. (2007 8.5% and 8.1% respectively)

Capital expenditure and investments
The group has continued to invest in its manufacturing and warehousing capability, new product development and its participation in the Sodium Chlorite registration group for the BPD. Capital and investment expenditure during the year totalled £1,003,000.

The main elements of this investment were:-
- Expansion of the production facility £233,000
- Sodium Chlorite registration Group £83,000
- Product development projects which were substantially completed by the year end included "Stella", the sterilising tray, and "Shine", the washer-disinfector for the Ear, Nose and Throat market £532,000

Treasury and deployment of capital
The group's working capital and capital expenditures have been financed from operating cash flow and the proceeds of a placing that was concluded on 18 March 2008. Under the terms of the placing 2,440,000 ordinary shares of 1p each were placed with institutions at a price of 41p per share, raising £1,000,400 before associated costs. The proceeds of the placing were used to repay advances under an invoice discounting facility and overdraft facilities provided by the group's bankers.

The group has adequate debt facilities to fund its foreseeable working capital and capital expenditure needs.

The year ahead
As we expand the applications of our lead technology, thereby creating new product sets for new uses and in new areas in our hospital marketplace, we increase our scope for revenue growth. In 2008 the surfaces and ultrasound product suites began to make their mark, albeit barely a scratch so far. All of our products, because of their performance characteristics and safety profiles, are hugely relevant to the hospital acquired infection issue. We look forward to driving top line growth during 2009 and, through focus and discipline, maintaining the profitability of the group.

Post Balance sheet events
The directors have considered the events since the balance sheet date and consider that there are no events requiring disclosure or amendment to the financial statements.

Paul Swinney
Chief Executive
6th October 2008

Tristel Plc
Consolidated income statement
For the year ended 30 June 2008

	Note	**Year ended 30 June 2008 £'000**	Year ended 30 June 2007 £'000
Revenue		**5,961**	5,148
Cost of sales		**(1,950)**	(1,890)
Gross Profit		**4,011**	3,258
Other operating income		**20**	20
Administrative expenses – share based payments (IFRS2)		**(37)**	(30)
Administrative expenses – depreciation and amortisation		**(309)**	(206)
Administrative expenses – other		**(2,417)**	(1,912)
Total administrative expenses		**(2,763)**	(2,148)
Exceptional item	3	**-**	(349)
Operating profit		**1,268**	781
Finance income	4	**8**	7
Finance costs	4	**(59)**	(1)
Profit before tax		**1,217**	787
Taxation	5	**(168)**	(236)
Profit for the year		**1,049**	551
Attributable to:			
Equity holders of parent		**1,049**	551
Earnings per share from total and continuing operations			
Basic – pence	7	**4.17**	2.30
Diluted - pence	7	**4.06**	2.26

All amounts relate to continuing operations.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 July 2006	238	1,456	478	(166)	**2,006**
Profit for the year ended 30 June 2007	-	-	-	551	**551**
Total recognised income and expense for the year	-	-	-	551	**551**
Dividends paid	-	-	-	(257)	**(257)**
Shares issued	6	294	-	-	**300**
Share based payments – IFRS 2	-	-	-	30	**30**
30 June 2007	244	1,750	478	158	**2,630**
Profit for the year ended 30 June 2008	-	-	-	1,049	**1,049**
Total recognised income and expense for the year	-	-	-	1,049	**1,049**
Dividends paid	-	-	-	(339)	**(339)**
Issue of shares	25	913	-	-	**938**
Share based payments – IFRS 2	-	-	-	37	**37**
30 June 2008	**269**	**2,663**	**478**	**905**	**4,315**

Tristel Plc
Consolidated Balance Sheet
For the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Non-current assets			
Goodwill		**779**	774
Intangible assets		**1,996**	1,495
Property, plant and equipment		**844**	734
Investments		**17**	-
Deferred tax		**33**	-
		3,669	3,003
Current assets			
Inventories		**638**	488
Trade and other receivables		**1,367**	1,147
Cash and cash equivalents		**81**	38
		2,086	1,673
Total assets		**5,755**	4,676
Capital and reserves attributable to the company's equity holders			
Share capital		**269**	244
Share premium account		**2,663**	1,750
Merger reserve		**478**	478
Retained earnings		**905**	158
Equity attributable to equity holders of parent		**4,315**	2,630
Current liabilities			
Trade and other payables		**958**	1,369
Bank overdrafts		**5**	165
Interest bearing loans and borrowings		**46**	100
Current tax	5	**376**	230
Total current liabilities		**1,385**	1,864
Non-current liabilities			
Deferred tax		**-**	182
Interest bearing loans and borrowings		**55**	-
Total non-current liabilities		**55**	182
Total liabilities		**1,440**	2,046
Total equity and liabilities		**5,755**	4,676

The financial statements were approved and authorised for issue by the Board of Directors on 6th October 2008, and were signed on its behalf by:

Paul Barnes
Finance Director
6th October 2008

Tristel Plc
Consolidated Cash Flow Statement
For the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operating activities	8i	**831**	1,243
Interest paid		**(59)**	(1)
Corporation tax paid		**(237)**	(129)
		535	1,113
Cash flows from investing activities			
Interest received		**8**	7
Purchase of intangible assets		**(616)**	(462)
Acquisition of investments		**(17)**	-
Purchases of property, plant and equipment		**(365)**	(545)
Proceeds from sale of property, plant and equipment		**58**	-
Net cash used in investing activities		**(932)**	(1,000)
Cash flows from financing activities			
Loans received		**140**	100
Loans repaid		**(139)**	(204)
Share issues		**1,000**	-
Cost of share issues		**(62)**	-
Dividends paid		**(339)**	(256)
Net cash from financing activities		**600**	(360)
Net increase/(decrease) in cash and cash equivalents		**203**	(247)
Cash and cash equivalents at the beginning of the period	8ii	**(127)**	120
Cash and cash equivalents at the end of the period	8ii	**76**	(127)

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). These will be those International Accounting Standards, International Financial Reporting Standards and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the IASB that have been endorsed by the EU. This process is ongoing and the EU has yet to endorse certain standards issued by the IASB.

Segments

In identifying its operating segments, management follows the group's revenue line, which is derived from the principal activity of the manufacture, development and sale of infection control products using the group's chlorine dioxide chemistry and its associated applications.

The accounting segments the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, with the exceptions that:

- expenses relating to share-based payments, and
- research costs relating to new business activities are not included in arriving at the operating result of the entity's operating segments.

The group currently identifies its revenue line as one operating segment, as described above. The operation is monitored and measured on the basis of the key performance indicators and strategic decisions are made on the basis of the segment's adjusted operating result. This is considered as the measure of the individual segment's profit or loss.

2. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the years ending 30 June 2008 and 2007 has been audited but does not constitute full financial statements within the meaning of Section 240 of the Companies Act 1985.

The financial information has been extracted from the group's 2008 statutory financial statements upon which the auditors' opinion is unqualified and does not include any statement under section 237 of the Companies Act 1985.

3. EXCEPTIONAL ITEM

The non-recurring cost included in the 30 June 2007 financial statements relates to an agreement, reached in June 2007, with a company engaged in the United Kingdom endoscopy market, to end an informal arrangement that had operated since 2002. This arrangement had assisted both companies to establish market leading positions in their respective business areas in endoscopy.

The company agreed to make a one-off ex-gratia settlement in the amount of £349,280 (together with associated costs) to bring the arrangement to a close. The informal arrangement had previously cost the company £777,802 from the date it commenced to the end of the 30 June 2007 financial year.

4. FINANCE INCOME AND COSTS

	2008 £'000	2007 £'000
Finance income:		
Deposit account interest	4	6
Staff loan interest	2	1
Other interest	2	-
	8	7
Finance costs:		
Bank interest	(59)	(1)

5. TAXATION

The taxation charge represents:

	2008 £'000	2007 £'000
Current taxation:-		
Corporation tax	376	189
Adjustment in respect of earlier years	7	(10)
Total current tax	383	179
Deferred tax:-		
Origination and reversal of temporary differences	(215)	57
Deferred tax	(215)	57
Total tax charge in income statement	168	236

Factors affecting the tax charge

he tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	1,217	787
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% - 30% (2007 - 30%)	341	236
Effects of:		
Expenses not deductible for tax purposes	2	4
Temporary differences in capital allowances and depreciation	(194)	3
Different rate tax bands and change in tax rates	18	5
Enhanced relief on qualifying scientific research expenditure	(6)	(2)
Adjustment in respect of prior years	7	(10)
Total tax charge for year	168	236

6. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:	**2008 £'000**	2007 £'000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2007 of 1p (2006 – 0.725p) per share	**245**	173
Interim dividend for the year to 30 June 2008 of 0.385p (2007 – 0.35p) per share	**94**	83
	339	256
Proposed final dividend for the year ended 30 June 2008 of 1.165p (2007 – 1p) per share	**313**	244

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.

7. EARNINGS PER SHARE

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

	2008 £'000	2007 £'000
Retained profit for the financial year attributable to equity holders of the parent	**1,049**	551
	Shares '000	Shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**25,138**	23,973
Effect of dilutive potential ordinary shares		
Share Options	**682**	355
Purpose of diluted earnings per share	**25,820**	24,328
Earnings per ordinary share		
Basic	**4.17p**	2.30p
Diluted	**4.06p**	2.26p

The calculation of the weighted average number of shares is based on the year ended 30 June 2008 and 2007. The calculation of diluted earnings per share includes outstanding options on 773,750 ordinary shares at 30 June 2008 (522,500 – 30 June 2007).

8. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008 £'000	2007 £'000
Profit before tax	**1,217**	787
Adjustments for:		
Depreciation	**193**	119
Amortisation of intangible assets	**115**	87
Share based payments – IFRS2	**37**	30
Loss on disposal of property, plant and equipment	**(4)**	4
Government grants	**(20)**	(20)
Finance costs	**59**	1
Loan charges	**1**	-
Finance income	**(8)**	(7)
	1,590	1,001
Increase in inventories	**(150)**	(93)
Increase in trade and other receivables	**(220)**	(216)
(Decrease) / increase in trade and other payables	**(389)**	551
Cash generated from operations	**831**	1,243

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

Year ended 30 June 2008	30 June 2008 £'000	1 July 2007 £'000
Cash and cash equivalents	**81**	38
Bank overdrafts	**(5)**	(165)
	76	(127)

Year ended 30 June 2007	30 June 2007 £'000	1 July 2006 £'000
Cash and cash equivalents	**38**	174
Bank overdrafts	**(165)**	(54)
	(127)	120

9.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The annual report and financial statements for the year ended 30 June 2008 will be posted to the shareholders on 17 November 2008 and will be delivered to the Registrar of Companies following the company's Annual General Meeting. The annual report and financial statements will also be available on the company's web site www.tristel.com from 17 November 2008.