byotrol™

ANNUAL REPORT 2012

CONTENTS

Directors
Ralph David Kugler (Non-executive Chairman)
Gary Millar (Chief Executive Officer)
Stephen Brian Falder (Business Development Director and Deputy Chairman)
Richard William Bell FCA (Finance Director)
Adrian John Russell Smith (Non-executive Director)
Till Medinger (Non-executive Director)

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CHAIRMAN'S STATEMENT

The 2011/12 financial year has been one of encouraging progress for Byotrol, albeit at a slower pace than we anticipated at the start of the year. The sales profile during the year reflects these changes, with stronger growth in the second half of 2011/12 and good momentum carried into the new financial year.

The more focused strategy implemented in the previous year has led to a stronger performance. One off sales activity has been replaced by sustainable repeat business with strategic customers. Important new supply agreements have been implemented, notably with Rentokil Initial, and new agreements with Office Depot and Marks & Spencer that have the potential for good growth.

Revenues in our joint venture, Byotrol Consumer Products Limited, grew strongly in the year from a low cost base. The work with our Fortune 150 partner has progressed well, resulting in a further JDA at the start of 2012, with an expectation that the current phase of work will be completed by the second half of the year. Following the integration of the Petcare business and the achievement of planned synergies, good growth was achieved in the year.

Margins were lower than budgeted for in the year at 21.7% (2011: 35.9%). This was caused partly by product mix, and by investment in major efficiency initiatives. These measures, including a significant reduction in the cost base, streamlining of the supply chain and sourcing, and reductions in overall headcount, have resulted in a much lower ongoing cost base which will benefit margins from the start of the new financial year.

All of our operations have now been consolidated at our Daresbury site along with the innovation resource, which has enhanced effectiveness at lower cost. There is a growing recognition of the uniqueness and benefits of Byotrol, as exemplified by the contract with Rentokil and the positioning of their UltraProtect™ brand with Byotrol. This recognition was capped by Byotrol's success in winning the prestigious Chemicals North-West 2012 Innovation Award.

My thanks, and those of the board, go to Gary Millar and all the Byotrol team for their hard work and achievements in the past year. Much progress has been made, and the board firmly believes that the Group will show substantial progress in 2012/13, moving to cash generation from operations at the earliest opportunity

Ralph Kugler
Chairman

I am delighted to present our results for the year ended 31 March 2012. The year under review clearly demonstrates that Byotrol's refocused commercial strategy is starting to deliver the anticipated results, with more repeatable and sustainable revenues with our key partners, further improvements in Byotrol's operational capability and supply chains, continued investment in technology development and the cessation of under-performing arrangements. Although progress has been slower than expected in difficult financial conditions, I am confident that the business is now in a position to achieve its stated aim of sustainable profitability.

These changes are fundamental to the success of our strategy. They have been undertaken in challenging market conditions and are already leading to a stronger business performance. The Byotrol team has worked ceaselessly throughout the year to help bring about these improvements, and I would like to thank them for their unstinting commitment.

Overview

Product sales for the year were £1.96m (2011: £1.90m), representing a 3.2% year on year improvement, but more importantly driven by second half growth of 12% with good momentum carried forward into the 2012/13 financial year. This was supported by a 9% increase in direct sales into the UK food sectors where our strategy of wider adoption of Byotrol is proving successful.

We also continued to see good progress within our Petcare business with year on year revenue growth of 12%. Both of these income streams offer a more predictable and stable demand that is central to achieving our overall goals.

During the year we have taken action to reduce inventory holdings, coupled with a clear focus on creating a leaner organisation with less cash employed in working capital and significantly lower fixed costs. These benefits are already starting to show in financial performance since the period end. Throughout the year we have maintained a close focus on expenses and cash management and have maintained the underlying savings gained last year. The focus on cash management led to the cash balance of £1.62m at the year-end which was ahead of our budget expectation. We have continued to invest in our technical and operational capability and to restructure the business into a leaner operation. We have targeted an annual reduction in costs from the restructuring of c£0.75m, and we anticipate improvement in overall margins by up to 15% in 2012/13.

We strengthened our balance sheet during the year raising £2.46m through a share placing at a time of significant market uncertainty. The continued support of our shareholders endorses our belief that Byotrol's refocused strategy bodes well for the future.

Operational effectiveness

During the period we have implemented a more focused and leaner enterprise. A new enterprise resource planning system provides more transparent management information, which we are using to guide decision making on market sector and product profitability.

During the year we relocated our sales and administration functions to the Daresbury Science and Innovation Campus, where our research and development laboratories were already based. This has resulted in our being able to realise a number of headcount efficiencies. In addition it has provided an environment where the innovation which characterises our business is enhanced through greater co-operation and integration between our marketing and technical teams.

We continue to invest in technology and IP protection to enhance our technical capability. Our commitment to innovation has led to Byotrol receiving industry accolades for its revolutionary technology. During the year, Byotrol received the prestigious 'Chemicals North-West 2012 Innovation Award' and was shortlisted for a number of other awards. I remain enthused by the real and continued progress towards each of our strategic initiatives and our goal of making Byotrol the leading global ingredient brand for microbial control.

Core market sector review

Industrial

During the year we signed a potentially transformational contract with Rentokil Initial plc and worked successfully with them to launch their UltraProtect^{TM} hygiene product range, which was achieved in Q1 2012. The four year contract is for the supply of hand hygiene and surface sanitisation products across 16 European countries with the Initial Hygiene division ('Initial'). Initial provides hygiene services to a range of clients including Government, health and commercial organisations. This deal represents not only a landmark commercial deal for Byotrol, but is a hugely significant validation by a leading services organisation of the unique benefits of Byotrol technology.
This progress is particularly pleasing as we reported last year a significantly more focused marketing strategy based on third party endorsement of Byotrol's unique product attributes - *Better, Faster, Kinder, Safer*. Initial has put these claims at the heart of their UltraProtect^{TM} range powered by Byotrol, exemplifying our strategy of creating Byotrol as the '*Intel of Hygiene*'.
Progress with UltraProtect^{TM} is encouraging and the potential exists for wider adoption of Byotrol across the Rentokil Initial group. This could lead to market, product and geographic expansion opportunities incremental to the 16 country agreement reached in July 2011. Under the agreement with Rentokil, we expect to see revenues for UltraProtect^{TM} increase in both 2012 and 2013.

Consumer Products

We continue to make significant progress in the consumer sector, which we serve via Byotrol Consumer Products Limited (BCP), our joint venture with ?What If! Ventures. The momentum achieved following the successful launch of products last year with a range of leading consumer suppliers has been maintained and further product extensions, in particular with Tesco (via Robert McBride) and Boots, were introduced.

During the year, significant resource has been invested in moving the initiative with our Fortune 150 consumer partner from the developmental to the commercial phase. A Joint Development Agreement ('JDA') between our Fortune 150 partner and BCP was announced in May 2011. The goal of this agreement was to develop a range of products containing Byotrol's unique technology for global consumer markets. In January 2012, BCP agreed terms for a six month extension of the JDA for which BCP received a further US$0.3m. This followed the achievement of all technical milestones and the successful assessment of Byotrol's technological performance in the May 2011 JDA. The two companies are now completing consumer research and commercial analysis with the prospect of a full commercial agreement thereafter.

During the course of the year we also maintained the excellent progress following the successful integration of our Petcare business. In particular, we expanded our geographic reach into Asia with appointment of distributors in Singapore, Thailand and Japan. Progress there is encouraging and contributed to the year on year revenue growth of 12%.

These advances generated an improved performance from the joint venture resulting in a 100% increase in its revenues to £0.62m on a reduced cost base and an associated improvement of £0.16m, or 88%, on the loss for the year, as reflected in our accounts.

Food and beverage

I am pleased to report that we have achieved real success in this core market sector with a 9% year on year revenue growth. Progress has been particularly evident in our direct sales into the UK and Ireland food processing supply chain, where key food groups, including the Bakkavor group, have increasingly adopted Byotrol as the anti-microbial technology of choice.

Our gross margins in servicing this sector, particularly via distribution partners, have come under pressure during the period. As a result we have taken action to accelerate our lean supply approach with more efficient operational execution, including the adoption of agreed minimum order quantities, delivery lead-times and stocking policies with key customers.

We were delighted to be chosen as the total hygiene solution for the Marks & Spencer's in-store *Deli* pilot project launched earlier this year. This has progressed well and Byotrol will now be introduced into further stores as this program is rolled out across stores nationwide. During the period we also signed a new agreement with Office Depot to service this, and the broader facilities management sector, which has the potential for good growth.

Healthcare

During the period we executed our change in strategic direction with the cessation of a previously under-performing licensing arrangement. Healthcare remains an important target sector for Byotrol, and we have been working to develop a new strategy and routes to market. The uncertainty around funding changes within the NHS has made this a challenge for our UK operations but discussions are progressing with a number of interested parties.

Consequently Byotrol is well positioned to develop additional routes to market in the Healthcare sector, both in the UK and internationally, and to realise the level of adoption we believe is possible.

Agriculture and Leisure

Agriculture sales development continues to show steady growth, particularly in South Africa. On a broader front, Byotrol continues to be recognised as the leading, preventative, anti-microbial solution to emerging pathogens threatening food safety. This recognition was confirmed during the year when Byotrol was identified as the primary anti-microbial contributor to the UK Food Standards Agency retail initiative in combating the rise in *Campylobacter* in the food chain.

In the Leisure sector, Byotrol has now been endorsed across the entire fleet of cruise line operator Holland America as the anti-microbial control of choice against *Norovirus*. Initially adopted in high contact touch areas, we are now seeking to expand this across other areas of infection control on these specified ships and onto other cruise operators.

People

Finally I would like to pay tribute to the entire Byotrol staff for their hard work this year. We have achieved a number of our strategic goals, and that is down to their efforts. We remain on a journey as we seek to transform our business, and I remain confident that we have the people, commitment and appetite to deliver the commercial success which we all believe Byotrol technology merits.

The improvements to our business over the year have strengthened our position and the Company is well placed to achieve our goal of reaching positive cash generation at the earliest opportunity.

Gary Millar
Chief Executive

As at 31 March 2012, the Group had cash of £1,624,620 and total assets of £4,219,099.

Financial instruments
The Group's principal financial instruments comprise cash and short-term deposits. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations. As these instruments are conventional risks, they are managed on the simple basis of credit terms, credit worthiness and cash collection or settlement.

The Group did not enter into derivative transactions during the year. It is the Group's policy that no speculative trading in financial instruments will be undertaken.

Interest rate risk
During the period the Group was cash positive. It places surplus cash balances on short-term deposit with UK clearing banks.

Liquidity risk
As at 31 March 2012, the Group had cash and bank balances of £1,624,620. These funds, together with any facilities, will be utilised in the broadening of the group's product range, obtaining regulatory approvals and securing the intellectual property rights. Funds surplus to the group's short-term requirements will be deposited in an interest bearing account with UK clearing banks.

The Board has prepared projected cash flow information for the period ending 12 months from the date of approval of these financial statements. The projections take into account the new business opportunities highlighted in the Chairman's and Chief Executive's Statements, the timing and quantum of which will affect the Group's cash requirements, which are continually monitored by the Board. In addition the forecasts take into consideration significant planned cost savings identified by the Board.

On the basis of these projections and having undertaken sensitivity analysis in respect of future sales growth and planned cost savings, the Directors are satisfied that the Group can meet its operational requirements and discharge its liabilities as and when they fall due. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts. In addition, as a matter of prudence, negotiations are currently being undertaken to obtain an additional working capital facility to support the future growth of the business and current indications are that these will come to a satisfactory conclusion.

Foreign currency risk
The majority of the Group's cash flows are denominated in Sterling or US dollars. However currency revenues and expenditure do not match. During the period the Group used the spot market to balance the inflows and outflows.

Other risks
The Group's asset base is founded upon its patent and regulatory approvals. Patent applications and approvals continue to be sought worldwide to protect the intellectual property portfolio. As the product is based upon existing approved biocides, regulatory issues are not as complex as with a newly designed chemical compound.

Taxation
The Group incurred a loss in the financial period to 31 March 2012 and accordingly no taxation was payable. The tax losses arising will be available to offset against the profits expected from future trading, although no tax asset in relation to these sums has been recognised in the financial statements due to the unpredictability of the timing of future profit streams.

Accounting policies
The Group's accounting policies are detailed on pages 29 to 36.

Post year end

Since the year end, the Group has continued to follow the policies and practices outlined above. The Directors submit their report and the Group financial statements of Byotrol plc for the year ended 31 March 2012.

Principal activities
The Group's and the Company's principal activity is the development, patenting and sale of products based on microbial technology.

Results and dividends
The loss for the financial year to 31 March 2012 attributable to ordinary shareholders amounts to £2,756,924 (2011: £2,757,638), and is dealt with as shown in the consolidated statement of comprehensive income. The Directors do not recommend the payment of an ordinary final dividend.

Review of the business
A review of the business and the future developments of the Group is presented in the Chairman's Statement and the Chief Executive's Report on pages 3 to 6.

Going concern
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The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis of accounting.

Key performance indicators
Management uses a range of performance measures to monitor and manage the business. Certain of these are particularly important in the generation of shareholder value and are considered key performance indicators or KPIs. The KPIs used in the business include:

- The current and projected cash resources of the Group
- The level of sales and repeat sales
- The timeliness and efficiency of the research and development team
- Manpower levels and their effectiveness

Growth of repeatable sales is progressing at a slower rate than desired, and this has had an impact on cash projections. As a result, manpower levels and other costs have been rationalised, and will be reduced further if necessary. The Board is satisfied with the performance and delivery of the research and development team. The Board retains these KPIs as being entirely suited to the needs of a growing business.

Risks and uncertainties
Risks and uncertainties are inherent in all businesses and the Group is no exception. Risk management is seen as an important element of internal control and is used to mitigate the Group's exposure to such risks.

Commercial Risks

- Performance depends on the continued ability to develop sustainable sales channels
- Performance also depends heavily on the continued patent protection

- The Group is also affected by the lead times in conducting trials by prospective customers and by the lead times involved in converting strong interest into contracts.

Processes to manage the impact on the business of each of the above risks are embedded in the operations. The directors and other senior management actively monitor these processes, and the actions which arise, to ensure risks are effectively managed.

Operational Risks

Health and safety, employer's and public liability risks are monitored by way of regular updates to the Board.

Financial Risks

The Group manages financial and treasury risk through active working capital management. Monitoring of cash flow and currency exposure is undertaken at Board level on a monthly basis.

Research and development

The Group invests in the research and development of further anti-microbial products and has 8 employees in its research and development department. It also uses the services of highly regarded research institutions to supplement the internal resource. In the opinion of the directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

Political and charitable donations

The Group made no such donations in the year.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job.

Where existing employees become disabled, the Group's policy wherever practicable is to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

The directors meet staff on a regular basis to keep them apprised of important issues within the Group.

Directors

The directors during the year were:

Ralph D Kugler
Gary Millar
Stephen B Falder
Richard W Bell
Adrian J R Smith
Till Medinger

The retiring directors are Ralph Kugler and Till Medinger who will offer themselves for re-election at the Annual General Meeting. The Annual General Meeting will be held at 14.30 on 19 July 2012 at 60 New Broad Street London EC2M 1JJ. The notice of that meeting, together with a proxy card, accompanies this document.

Directors' interests
The directors at 31 March 2012 and their interests, including family interests, in the share capital, were as follows:

	31 March 2012 Ordinary Shares No	*At date of appointment or 31 March 2011 Ordinary Shares No*
Ralph D Kugler	1,323,333	923,333
Gary Millar	450,333	317,000
Stephen B Falder	4,209,187	4,075,854
Richard W Bell	116,667	50,000
Adrian J R Smith	40,000	-
Till Medinger	472,667	206,000

Between the year end and 11 June 2012 there have been no share dealings by directors.

The Company has a Directors and Officers liability policy which was in force during the year.

Substantial shareholdings
The Company has been notified of the following holdings of persons, other than directors, who held an interest of more than 3% of the ordinary share capital of the Company at 11 June 2012:

	Number of Shares	*% of Ordinary Shares*
Blackrock Investment Management	11,304,166	7.87
Henderson Global Investors	5,043,367	3.51
Maunby Investment Management	19,304,896	13.45
Ruffer Investment Management	40,297,048	28.07

Payment policy
Appropriate payment terms have been negotiated with each supplier and undisputed accounts are generally settled, once requested, in accordance with the agreed terms. The Company had 51 days of purchases outstanding in trade payables as at 31 March 2012 (2011: 50 days).

Awareness of relevant audit information
At the date of approval, so far as each of the directors is aware, there is no relevant audit information of which the auditors are unaware and they have taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors
A resolution for the re-appointment of Baker Tilly UK Audit LLP as auditors is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Richard Bell
Secretary
18 June 2012

Remuneration Committee

The Company has established a Remuneration Committee comprising the three non-executive directors. The Committee is constituted in accordance with the recommendations of the Quoted Companies Alliance. The members of the committee during the year were Ralph Kugler (Chairman), Adrian Smith and Till Medinger.

Remuneration Policy

The policy of the committee is to reward executive directors in line with the current remuneration of directors in comparable businesses in order to recruit, motivate and retain high quality executives within a competitive market place.

There are four main elements of the remuneration packages for executive directors and senior management:

- Basic annual salary (including directors' fees) and benefits;
- Annual bonus payments which cannot exceed 50% of basic salary;
- Share option incentives; and
- Pension arrangements.

The remuneration packages are regularly reviewed. No changes were made to the basic salary packages and bonus arrangements during the financial year being reported.

Basic salary

Basic salary is reviewed annually with increases taking effect from 1 April. In addition to basic salary, the executive directors also receive a benefit in kind of private medical insurance. There were no increases to basic salaries during the year ended 31 March 2012.

Annual bonus

The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The purpose of the bonus is to reward executive directors and other senior employees for achieving above average performance which also benefits shareholders. The maximum performance related bonus that can be paid is 50% of basic salary. There were no incentive payments for the year ended 31 March 2012 nor for the year ended 31 March 2011.

Share options

The Company has two share option schemes, the Executive Scheme and the Enterprise Management Incentive Scheme ('EMI'). Options have been granted under each scheme as follows:

	Number of shares	Exercise price	Exercise period
EMI scheme			
Stephen Falder	125,000	79.5p	21 February 2009 to 20 February 2017
Richard Bell	500,000	13.0p	23 June 2010 to 22 June 2019
Gary Millar	300,000	17.5p	1 April 2011 to 12 April 2020
Executive Scheme			
Ralph Kugler	700,000	13.0p	23 June 2010 to 22 June 2019
Stephen Falder	1,075,000	13.0p	23 June 2010 to 22 June 2019
Richard Bell	600,000	13.0p	23 June 2010 to 22 June 2019
Adrian Smith	200,000	13.0p	23 June 2010 to 22 June 2019
Till Medinger	200,000	13.0p	23 June 2010 to 22 June 2019

Of the above options the first, at the exercise price of 79.5p, is subject to a performance condition that the Company's share price shall have been above 180p per share for a continuous period of three months.

The options granted at 13p are subject to the following performance conditions:

- 40 per cent of the granted options will be exercisable once the Company's share price has reached 30 pence per share and remained so for 30 consecutive days. These options are exercisable between 23 June 2010 and 22 June 2019.
- 30 per cent will be exercisable once the Company's share price has reached 50 pence per share and remained so for 30 consecutive days. These options are exercisable between 23 June 2011 and 22 June 2019.
- 30 per cent of the options granted will be exercisable once the Company's share price has reached 75 pence per share and remained so for 30 consecutive days. These options are exercisable between 23 June 2011 and 22 June 2019.

The options granted to Gary Millar are subject to the following performance conditions.

- 150,000 options will be exercisable only if the Company's share price has reached 30 pence per share and remained so for 30 consecutive days between 13 April 2010 and 12 April 2020.
- 150,000 options will be exercisable only if the Company's share price has reached 50 pence per share and remained so for a period of 30 consecutive days between 13 April 2010 and 12 April 2020.

Pension arrangements

Executive Directors are entitled to have a percentage of their basic salary paid to a pension scheme of their choice. Each Executive Director receives a 10% salary contribution from the company.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts with an initial fixed period of one year and then an indefinite term providing for a maximum of six months' notice. In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Richard Bell's contract has a notice period of three months. He works on a part time basis and has a fixed pension contribution of £8,500 per annum.

Non-executive directors

The fees of Non-executive Directors are determined by the board, on the recommendation of the Chief Executive, as a whole having regard to the commitment of time required and the level of fees in similar companies. Non-executive Directors are not eligible to participate in the Company's pension scheme.

Non-executive Directors are employed on letters of appointment terminable on three months' notice.

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2012	2011
	£	£
Emoluments	387,004	507,266
Money purchase pension contributions	30,500	42,053
Termination payment	-	110,875
Total	417,504	660,194

Individual directors' remuneration

The remuneration of the directors for the year ended 31 March 2012 is as follows:

	Basic salary and fees £	Bonuses £	Other benefits £	Total 2012 £	Pension 2012 £	Total 2011 £	Pension 2011 £
Executive directors							
Gary Millar	140,000	-	1,193	141,193	12,000	127,016	11,200
David McRobbie	-	-	-	-	-	105,892	10,478
Stephen Falder	110,320	-	-	110,320	10,000	129,070	11,875
Richard Bell	56,000	-	1,491	57,491	8,500	67,288	8,500
Non-executive directors							
Ralph Kugler	30,000	-	-	30,000	-	30,000	-
Adrian Smith	24,000	-	-	24,000	-	24,000	-
Till Medinger	24,000	-	-	24,000	-	24,000	-
	384,320	-	2,684	387,004	30,500	507,266	42,053

(1) Details of directors' shareholdings are set out on page 11.

(2) David McRobbie received his emoluments for 9 months of the prior year and received £110,875 as a termination payment.

(3) The total columns show the total emoluments for each year excluding pension payments.

Approval

This report was approved by the Board of Directors and signed on its behalf by:

Ralph Kugler
Chairman
18 June 2012

Principles of Corporate Governance

The Company's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles (including those set out in the Corporate Governance Guidelines for Smaller Quoted Companies published in September 2010) in a sensible and pragmatic fashion having regard to the individual circumstances of a particular company's business. The key objective is to enhance and protect shareholder value.

Board Structure

The current Board structure comprises the Non-Executive Chairman, the Chief Executive, two other Executive Directors and two Non-Executive Directors. The biographies of all serving directors appear on pages 18 and 19.

The Board is responsible to shareholders for the proper management of the Group. The Board is aware of the need for independence amongst its Non-Executive Directors and is satisfied that it has sufficient independence amongst its Non-Executive Directors.

A statement of directors' responsibilities in respect of the financial statements is set out on page 20. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all directors have full and timely access to all relevant information and there is a procedure for all directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The Board has a formal schedule of matters reserved to it and meets at least quarterly in person and monthly by conference call. It is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financing matters. During the year Stephen Falder has missed one meeting that he was eligible to attend. The other directors have attended all meetings.

All directors are subject to re-election at least every three years.

At this stage of the Group's development there are no formal systems of appraisal of Board members. When the Group's size and resources justify it, such appraisal systems will be implemented.

The following committees, which have written terms of reference, deal with specific aspects of the Group's affairs.

- The Remuneration Committee, which is comprised of non-executive directors, is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors on the recommendation of the Chief Executive. The Remuneration Committee is comprised of Ralph Kugler (Chairman), Till Medinger and Adrian Smith. The report on Directors' Remuneration is set out on pages 12 to 14.

- The Nomination Committee is responsible for making recommendations to the Board on its structural requirements and for acting as the recruitment committee for vacant director posts.

- The Audit Committee's prime tasks are to review the scope of internal and external audit, to receive regular reports from Baker Tilly UK Audit LLP, and to review the half-yearly and annual financial statements before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The Committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems and processes. The Committee has considered the need for an internal audit function and has concluded that, at the present time, no such function is necessary. This will be reviewed on a regular basis. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors.

The Committee, which meets at least three times per year, provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Executive Directors.

The Audit Committee also undertakes a formal assessment of the auditors' independence each year which includes:

- a review of the non-audit services provided to the Group and related fees;
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgment, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 2 to the financial statements.

The Committee members are all the non-executive directors and comprise Adrian Smith (Chairman), Ralph Kugler and Till Medinger.

Internal Control

The Directors are responsible for the Group's system of internal control and reviewing its effectiveness.

The Board has designed the Group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;

The departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their businesses and functions, and assess the adequacy of the prevention, monitoring and modification practices in place for those risks. In addition, regular reports about significant risks and associated control and monitoring procedures are made to the Executive Committee. They are responsible for reviewing the risk assessment for completeness and accuracy. The consolidated results of these reviews are reported to the Board to enable the directors to review the effectiveness of the system of internal control. The process adopted by the Group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

The Audit Committee receives reports from the external auditors on a regular basis and from Executive Directors of the Group. During the period, the Audit Committee has reviewed the effectiveness of the system of internal control as described above. The Board receives periodic reports from all committees.

There are no significant issues disclosed in the report and financial statements for the year ended 31 March 2012 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

Relations with Shareholders
The Company values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the period the directors had meetings with institutional investors whose combined shareholdings represented over 60% of the total issued share capital of the Company.

Private investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the results and comments on current business activity. The Chairmen of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer any shareholder questions.

The Annual General Meeting will be held on 19 July 2012. The notice of the Annual General Meeting may be found in the accompanying separate document.

Going Concern
Having taken the steps referred to on page 9, the directors confirm that they are satisfied that that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Gary Millar
Chief Executive
18 June 2012

Non-Executive Directors

Ralph Kugler, aged 56 (Non-Executive Chairman)

Ralph has over 25 years' experience at the highest levels of global business.
He is Board Advisor at Mars, Incorporated, and a non-executive director of Spotless Group Sas.
Ralph was Chairman of Gorkana Ltd until April 2010, when he successfully led a merger with Discovery Group Holdings. Since the merger, he has been a non-executive director of the combined group – Gorkana Group Ltd.
He is senior advisor for 3i plc, the global buyouts group, and advises several other companies.
Ralph was an executive director on the main Boards of Unilever plc and Unilever nv until 2008.
Ralph is on the advisory board of Leeds University Business School, and a board trustee of the David Rattray Memorial Trust.

Till Medinger, aged 71 (Non-executive Director)

Till was formerly Senior Vice President for Corporate Strategy at AstraZeneca Plc and prior to that had a long and distinguished career with Zeneca Plc and ICI Pharmaceuticals, directing business and marketing operations internationally and overseeing the launch of several global blockbuster products.

He is a past President of the Association of the British Pharmaceutical Industry and has many years international industry experience, serving on the Boards of both the European and the International Pharmaceutical Industry Federations. He has also served on the Board of the Chemical Industries Association. His business career has spanned R&D, territorial and marketing management, strategic planning, business operations, licensing and acquisitions/divestments, and public and government affairs.
He has also acted as a corporate consultant to a number of high-tech companies within the US and the UK.
He is Chairman of PhotoBiotics Limited and a Non-executive Director of Datapharm Communications Ltd.
He has a Doctorate in Chemistry from Oxford University.

Adrian Smith, aged 67 (Non-executive Director)

Adrian joined Procter & Gamble Limited in 1966 after serving articles with a Liverpool law firm. After 13 years of sales and brand management positions in Procter & Gamble, he became a Vice President for Ecolab's European consumer operations. Adrian relocated to the US in 1981 to assume international responsibility for Ecolab's marketing and research operations, and then assumed general management responsibility for Asia Pacific operations. In 1991 Adrian joined Arthur Andersen as a worldwide Managing Partner for marketing. He was the Chief Executive Officer of Grant Thornton LLP in 1998, and retired from Deloitte Touche Tohmatsu in 2004. Adrian was the Non-executive Chairman of the Carter & Carter Group plc through its flotation, and is currently the Non-executive Chairman of Premier Credit Ltd and Harmonic Energy Inc. Adrian is also a director of RTI Biologics. He teaches a marketing course at the MBA school in Furtwangen University, Germany and serves on the board of The Education Foundation in Florida.

Executive Directors

Gary Millar, aged 51 (Chief Executive)

Gary has a PhD in Biochemistry from Glasgow University. He started his career with ICI plc, where he held several senior managerial positions. In 1998 he joined the Foseco division of Burmah Castrol plc as Supply Chain Director and was subsequently appointed Operations Director of Foseco Jersey Ltd, a private equity backed MBO, which floated on the London Stock Exchange in 2005. Between 2005 and 2007, Gary was Managing Director of Foseco Steel UK Ltd. In 2007 he was appointed Group Services Director of Foseco plc, and was a member of Foseco plc's Executive Committee, where he played a key role in Foseco's merger with Cookson plc. Recently he founded a consulting company A.K Business Management prior to joining Byotrol.

Stephen Falder, aged 51 (Business Development Director and Deputy Chairman)

Prior to forming Byotrol LLC in 2001, Stephen was the Marketing Director of specialty paint and coatings business, HMG Paints Limited, responsible for innovation and business development. Stephen's experience includes several successful new business start-ups including Bradite Limited in 1996, and HMG America LLC in 1999. Stephen is one of the inventors of Byotrol's patented technology and a founder of the business. He graduated in chemistry and biology from the University of London, Kings College in 1981. As Business Development Director, Stephen is responsible for marketing and customer relations and has additional responsibility for strategic product development. He remains as a Non-Executive Director of HMG Paints Limited and Little Greene Ltd. He is also Chairman of the environmental charity Community Forests North West and is a regional councillor for the CBI.

Richard Bell, aged 61 (Finance Director)

Having qualified as a chartered accountant in 1976 and become an FCA in 1982, Richard has spent his career working in a number of market sectors. He has been a Finance Director for both a fully listed and AIM listed companies. Since 2000, he has run his own consultancy business providing financial and general management advice to a number of SMEs in both the private and public sectors. He came to Byotrol in February 2006 to provide consultancy services on a 1-2 days a week basis. He joined the Board in December 2006 as an Executive Director on a part time basis. He continues to maintain some of his other interests including a Non-executive Directorship of a Foundation Trust Hospital, a directorship of a consultancy company and some Department of Health committee work.

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Byotrol plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the Group and Parent Company financial statements ("the financial statements") which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Change in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 March 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

GRAHAM BOND FCA (Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
18 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2012

	Notes	2012 £	2011 £
REVENUE	1	1,962,813	1,931,213
Cost of sales		(1,535,905)	(1,238,067)
GROSS PROFIT		426,908	693,146
Administrative expenses excluding depreciation and amortisation		(3,104,366)	(2,858,205)
Share based payments		63,593	(334,028)
Share of joint venture loss before tax		(20,488)	(177,565)
LOSS BEFORE INTEREST, DEPRECIATION, AMORTISATION AND TAX	2	(2,634,353)	(2,676,652)
Amortisation	9	(56,564)	(47,423)
Depreciation	8	(51,061)	(46,105)
Finance income	5	197	3,685
Finance costs	5	(15,143)	(823)
LOSS BEFORE TAX CREDIT		(2,756,924)	(2,767,318)
Income tax credit	6	-	9,680
LOSS FOR THE FINANCIAL YEAR		(2,756,924)	(2,757,638)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Currency translation difference		(6,382)	(25,250)
Other comprehensive income		(6,382)	(25,250)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(2,763,306)	(2,782,888)
Basic and fully diluted loss per share – pence	7	(2.23)	(2.77)

The loss before income tax credit arises from the Group's continuing operations.

	Notes	2012 £	2011 £
ASSETS			
Non-current assets			
Property, plant and equipment	8	126,744	149,307
Intangible assets	9	463,790	425,455
		590,534	574,762
Current assets			
Inventories	11	392,616	565,365
Trade and other receivables	12	1,611,329	1,916,817
Cash and cash equivalents	13	1,624,620	1,273,997
		3,628,565	3,756,179
TOTAL ASSETS		4,219,099	4,330,941
LIABILITIES			
Current liabilities			
Trade and other payables	14	841,579	521,207
Obligations under finance leases	15	5,013	8,190
Joint venture	10	325,892	205,404
		1,172,484	734,801
Equity			
Share capital	19	358,949	276,957
Share premium account		18,154,985	15,959,603
Merger reserve		1,064,712	1,064,712
Cumulative translation reserve		(6,382)	-
Retained deficit		(16,525,649)	(13,705,132)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		3,046,615	3,596,140
TOTAL EQUITY AND LIABILITIES		4,219,099	4,330,941

These financial statements were approved by the Board of Directors and authorised for issue on 18 June 2012 and are signed on their behalf by:

Gary Millar
Chief Executive

Company Registration No 05352525

	Notes	2012 £	2011 £
ASSETS			
Non-current assets			
Property, plant and equipment	8	-	-
Intangible assets	9	463,790	425,455
Investments	10	347,750	347,750
		811,540	773,205
Current assets			
Trade and other receivables	12	664,841	554,931
Cash and cash equivalents	13	1,243,945	1,180,501
		1,908,786	1,735,432
TOTAL ASSETS		2,720,326	2,508,637
LIABILITIES			
Current liabilities			
Trade and other payables	14	186,804	210,116
Joint venture	10	325,892	205,404
		512,696	415,520
Equity			
Share capital	19	358,949	276,957
Share premium account		18,154,985	15,959,603
Merger reserve		1,064,712	1,064,712
Retained deficit		(17,371,016)	(15,208,155)
TOTAL EQUITY		2,207,630	2,093,117
TOTAL EQUITY AND LIABILITIES		2,720,326	2,508,637

These financial statements were approved by the Board of Directors and authorised for issue on 18 June 2012 and are signed on their behalf by:

Gary Millar
Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ending 31 March 2012

	Share Capital £	Share Premium Account £	Merger Reserve £	Cumulative Translation Reserve £	Retained Deficit £	Total £
At 1 April 2010	210,290	12,290,897	1,064,712	-	(11,256,272)	2,309,627
Issue of shares	66,667	3,933,333	-	-	-	4,000,000
Placing costs	-	(264,627)	-	-	-	(264,627)
Loss for the year	-	-	-	-	(2,757,638)	(2,757,638)
Other comprehensive income, net of tax:-						
Currency translation difference	-	-	-	-	(25,250)	(25,250)
Total comprehensive loss for the year	-	-	-	-	(2,782,888)	(2,782,888)
Share based payments	-	-	-	-	334,028	334,028
At 31 March 2011	276,957	15,959,603	1,064,712	-	(13,705,132)	3,596,140
Issue of shares	81,992	2,377,755	-	-	-	2,459,747
Placing costs		(182,373)	-	-	-	(182,373)
Loss for the year	-	-	-	-	(2,756,924)	(2,756,924)
Other comprehensive income, net of tax:-						
Currency translation difference	-	-	-	(6,382)	-	(6,382)
Total comprehensive loss for the year	-	-	-	(6,382)	(2,756,924)	(2,763,306)
Share based payments	-	-	-	-	(63,593)	(63,593)
At 31 March 2012	358,949	18,154,985	1,064,712	(6,382)	(16,525,649)	3,046,615

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ending 31 March 2012

	Share Capital £	Share Premium Account £	Merger Reserve £	Retained Deficit £	Total £
At 1 April 2010	210,290	12,290,897	1,064,712	(12,808,556)	757,343
Issue of shares	66,667	3,933,333	-	-	4,000,000
Placing costs	-	(264,627)	-	-	(264,627)
Loss for the year	-	-	-	(2,733,627)	(2,733,627)
Total comprehensive loss for the year	-	-	-	(2,733,627)	(2,733,627)
Share based payments	-	-	-	334,028	334,028
At 31 March 2011	276,957	15,959,603	1,064,712	(15,208,155)	2,093,117
Issue of shares	81,992	2,377,755	-	-	2,459,747
Placing costs	-	(182,373)	-	-	(182,373)
Loss for the year	-	-	-	(2,099,268)	(2,099,268)
Total comprehensive loss for the year	-	-	-	(2,099,268)	(2,099,268)
Share based payments	-	-	-	(63,593)	(63,593)
At 31 March 2012	358,949	18,154,985	1,064,712	(17,371,016)	2,207,630

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2012

	2012 £	2011 £
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year before tax	(2,756,924)	(2,767,318)
Adjustments for:		
Share based payments	(63,593)	334,028
Depreciation	51,061	46,105
Amortisation	56,564	47,423
Loss/(Profit) on disposal of property, plant and equipment	4,409	(2,886)
Finance income	(197)	(3,685)
Finance costs	15,143	823
Exchange gain or loss	(6,417)	(24,576)
Share of loss from joint ventures	20,488	177,565
Increase in joint venture account	(73,810)	(87,360)
Changes in working capital		
Decrease in inventories	172,749	117,053
Decrease/(Increase) in trade and other receivables	479,298	(318,935)
Increase/(Decrease) in trade and other payables	320,372	(614,496)
CASH USED IN OPERATING ACTIVITIES	(1,780,857)	(3,096,259)
Income taxes credit received	-	9,680
NET CASH USED IN OPERATING ACTIVITIES	(1,780,857)	(3,086,579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	(32,872)	(27,757)
Proceeds from sale of property, plant and equipment	-	4,250
Payments to acquire intangible assets	(94,899)	(118,383)
Finance income	197	3,685
NET CASH USED IN INVESTING ACTIVITIES	(127,574)	(138,205)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares	2,459,747	4,000,000
Share issue costs	(182,373)	(264,627)
Capital element of finance lease rental payments	(3,177)	(1,310)
Interest paid	(15,143)	(823)
NET CASH INFLOW FROM FINANCING	2,259,054	3,733,240
Net increase in cash and cash equivalents	350,623	508,456
Cash & cash equivalents at the beginning of the financial year	1,273,997	766,215
Effect of foreign exchange rate changes	-	(674)
Cash & cash equivalents at the end of the financial year	1,624,620	1,273,997

COMPANY CASH FLOW STATEMENT
for the year ended 31 March 2012

	2012	2011
	£	£
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year before tax	(2,099,628)	(2,743,307)
Adjustments for:		
Share based payments	(63,593)	314,072
Amortisation	56,564	45,858
Finance income	-	(3,457)
Finance cost	13,266	3,273
Share of loss from joint ventures	20,488	177,565
Increase in joint venture loan	(22,438)	(87,360)
Exchange gain or loss	360	381
Changes in working capital		
Decrease/(Increase) in trade and other receivables	12,528	(239,592)
Increase/(Decrease) in trade and other payables	(23,312)	(190,962)
CASH USED IN OPERATING ACTIVITIES	(2,105,765)	(2,723,529)
Income taxes credit received	-	9,680
NET CASH USED IN OPERATING ACTIVITIES	(2,105,765)	(2,713,849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire intangible assets	(94,899)	(118,383)
Interest received	-	3,457
NET CASH USED IN INVESTING ACTIVITIES	(94,899)	(114,926)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares	2,459,747	4,000,000
Share issue costs	(182,373)	(264,627)
Interest paid	(13,266)	(3,273)
NET CASH INFLOW FROM FINANCING	2,264,108	3,732,100
Net increase in cash and cash equivalents	63,444	903,325
Cash & cash equivalents at the beginning of the financial year	1,180,501	277,557
Effect of foreign exchange rate changes	-	(381)
Cash & cash equivalents at the end of the financial year	1,243,945	1,180,501

BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and International Finance Reporting Interpretation Committee ("IFRIC") interpretations, as adopted by the European Union (EU).

The financial statements have been prepared in accordance with IFRS and IFRIC interpretations issued and effective as at the time of preparing these statements.

Byotrol plc is incorporated and domiciled in the United Kingdom.

The financial statements have been prepared on the historical cost basis, except for the costs of share based payments, which are stated at fair value at the grant date. The principal accounting policies adopted are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements of the group incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Company Statement of Comprehensive Income has not been disclosed in accordance with Section 408 Companies Act 2006. The loss for the year of the parent company amounted to £2,099,628 (2011: £2,733,627).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are both readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements that have a significant effect on the amounts recognised in the financial statements are detailed below.

Going concern

Byotrol plc has prepared financial statements on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The group's ability to meet its future funding and working capital requirements, and therefore continue as a going concern, is dependent upon being able to generate sustainable revenues and free cash flow. The directors have prepared projected cash flow information for the period ending 12 months from the date of approval of these financial statements. The projections take into account the new business opportunities highlighted in the Chairman's and Chief Executive's Statements, the timing and quantum of which will affect the Group's cash requirements, which are continually monitored by the Board. In addition the forecasts take into consideration significant planned cost savings as identified by the Board.

On the basis of these projections and having undertaken sensitivity analysis in respect of future sales growth and planned cost savings, the Directors are satisfied that the Group can meet its operational requirements and discharge its liabilities as and when they fall due. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts. In addition, as a matter of prudence negotiations are currently being undertaken to obtain additional working capital facility to support the future growth of the business and current indications are that these will come to a satisfactory conclusion.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis of accounting.

Impairment of assets

In line with the policy stated on impairment, the directors have considered the carrying value of assets. They have determined that there is reasonable evidence to suggest certain trade receivables will not be recovered in full and have therefore reflected an impairment in the value of trade receivables in the group financial statements. They have also determined that, due to the trading losses incurred by the subsidiaries of the parent company, it is reasonable to reflect an impairment in the value of loans made to its subsidiaries by the parent company. This impairment has been reflected in the financial statements of the parent company. All other assets are considered to be unimpaired.

INTERPRETATIONS OF STANDARDS

Amendments to published standards effective for the period ended 31 March 2012

The following new standards, amendments to standards or interpretations became effective for the first time. The adoption of these interpretations, standards or amendments to standards were either not relevant for the company or have not led to any significant impact on the Group's and Company's financial statements.

Standard		Issued	Effective date: periods commencing on or after	EU Endorsement status
IAS 24	Revised IAS 24 Related Party Disclosures	04 Nov 09	01 Jan 11	19 Jul 10

IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26 Nov 09	1 Jul 10	23 Jul 10

Interpretations to existing standards and new standards that are not yet effective and have not been adopted early by the Group and Company

At the date of the authorisation of the financial information, the following standards and interpretations, which have not been applied in the financial information, were in issue but not yet effective:

Standard		Issued	Effective date: periods commencing on or after	EU Endorsement Status
IFRS 7	Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets	07 Oct 10	01 Jul 11	22 Nov 11
IAS 12	Income Taxes – Amendment; Deferred Tax: Recovery of Underlying Assets	20 Dec 10	01 Jan 12	Q3 2012
IFRS 9	Financial Instruments	12 Nov 09 with amendment 16 Dec 11	01 Jan 15	Postponed
IFRS10	Consolidated Financial Statements	12 May 11	01 Jan 13	Q4 2012
IFRS 11	Joint Arrangements	12 May 11	01 Jan 13	Q4 2012
IFRS 12	Disclosure of Interests in Other Entities	12 May 11	01 Jan 13	Q4 2012
IFRS 13	Fair Value Measurement	12 May 11	01 Jan 13	Q3 2012
IAS 27	Separate Financial Statements (as amended 2011)	12 May 11	01 Jan 13	Q4 2012
IAS 28	Investments in Associates and Joint Ventures (as amended 2011)	12 May 11	01 Jan 13	Q4 2012
IAS 1	Presentation of financial statements – Amendment; Presentation of items of other comprehensive income	16 Jun 11	01 Jul 12	Q2 2012
IAS 19	Employee Benefits – Amendments	16 Jun 11	01 Jan 13	Q2 2012
IFRS 7	Financial Instruments – Disclosure – Amendment; Offsetting Financial Assets and Financial Liabilities	16 Dec 11	01 Jan 13	Q4 2012
IAS 32	Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities	16 Dec 11	01 Jan 14	Q4 2012

At this present time the Directors are not aware whether the adoption of these standards and interpretations in future periods will have a material impact on the financial statements for the Group and Company.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products provided and license fees and royalties earned in the normal course of business, net of discounts and other sales related taxes.

Sales of goods are recognised when goods are delivered and the significant risks and rewards have passed, subject to any reservation of title in the event of non-payment.

Revenue from licensing agreements is recognised on an accruals basis based upon the period under contract.

Non refundable licence fees are recognised in the period when they are due.

OPERATING SEGMENTS

Byotrol plc manufactures products based on microbial technology in the United Kingdom (“UK”) and also generates revenues from licensing agreements. Its customers are based in the UK, North America and the Rest of the World. Financial information is reported to the board on a product sales and licence fee basis with revenue and operating profits split by geographical location. Segment revenue comprises of sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the board represents the profit earned by each segment before the allocation of central overheads, directors’ salaries, restructuring costs, the group’s share of profits and losses from joint ventures, finance costs and tax. For the purposes of assessing segment performance and for determining the allocation of resources between segments, the board reviews the non-current assets attributable to each segment as well as the financial resources available. All assets are allocated to reportable segments other than investments in joint ventures, interest and tax. Assets that are used jointly by segments are allocated to the individual segments on a basis of revenues earned. All liabilities are allocated to individual segments other than for tax. Information is reported to the board of directors on a product sale and licence fee basis as management believe that each product offering and licensing of its products exposes the Group to differing levels of risk and rewards due to their intrinsic nature. The segment profit or loss, segment assets and segment liabilities are measured on the same basis as amounts recognised in the financial statements, as set out in the accounting policies.

INTANGIBLE ASSETS

Research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group’s business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. The Group has not capitalised any development expenditure during the year.

Patents and trademarks
Purchased licenses and patents are measured at cost, net of any amortisation and any provision for impairment. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual property - patents	over 10 years on a straight line basis
Licenses	over 10 years on a straight line basis

Software
Software is capitalised when purchased and amortised over 3 years on a straight line basis.

Other intangibles
Other intangibles are capitalised, if appropriate and in accordance with accounting standards. They are amortised over their useful economic life which will vary according to the nature of the intangible.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost comprises purchase price and other directly attributable costs. Depreciation is charged so as to write off the cost or valuation of assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	33.3%	on straight line
Office equipment, plant and equipment	20%	on straight line
Computer equipment	33.3%	on straight line
Motor vehicles	25%	on reducing balance

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

IMPAIRMENT

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVESTMENTS

Investments consist of the Group's subsidiary undertakings and its investment in the joint venture. The joint venture is currently carried as a liability because of its accumulated losses. Investments are initially recorded at cost, being the fair value of the consideration given and including directly attributable charges associated with the investment. Subsequently they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

INVENTORY

Inventory is stated at the lower of cost and net realisable value. Cost comprises direct material cost, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred. Provision is made where necessary for obsolete, slow moving inventory where it is deemed that the costs incurred may not be recoverable.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Trade and other receivables
Trade receivables, classified as loans and receivables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and are classified accordingly in the financial statements.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other payables
Trade payables, classified as 'other liabilities' are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

LEASING

The Group as lessee
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are

apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants towards research and development costs are recognised over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

TAXATION

Current tax is the expected corporation tax payable or receivable in respect of the taxable profit/loss for the financial year using tax rates enacted or substantively enacted at the reporting date, less any adjustments to tax payable or receivable in respect of previous periods.

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities included in the financial statements and the amounts used for tax purposes that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

No provision is made relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than those acquired as part of a business combination.

Provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group can control the reversal of the temporary differences.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

On consolidation, the assets and liabilities of the Group’s overseas operations are translated at exchange rates prevailing on the reporting date into sterling. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Exchange differences arising on monetary items that form part of the company's net investment in its foreign operations are recognised in the profit or loss in the reporting entity. However in the consolidated financial statements which include the foreign operations, such exchange differences are recognised in equity.

The presentational and functional currency adopted by the group is Sterling.

DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution retirement benefit plans are charged as an expense as they fall due.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 share-based payment and IFRIC 11 Group and treasury shares.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments, which incorporates the market condition, is expensed on a straight line basis over the vesting period, based on the Group's estimate of share options that will eventually vest, or warrants that will be exercised, and a corresponding amount credited to retained earnings.

Share based payments associated with share options granted to employees of subsidiaries of the parent company are treated as an expense of the subsidiary company to be settled by equity of the parent company. The share based payment expense increases the value of the parent company's investment in the subsidiaries and is credited to retained earnings.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

The proceeds received on exercise of share options and warrants are credited to share capital (for the nominal value) and share premium account (for the excess over nominal value).
Cancelled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in the consolidated statement of comprehensive income in the year that the options are cancelled.

Certain employee bonuses can be paid in shares rather than cash or a combination thereof. An estimate of the liability under such schemes is made at each period end and an appropriate charge is made to the statement of comprehensive income.

1 SEGMENTAL INFORMATION

The Group has three reportable segments; being product sales, licence fees and royalties. This disclosure correlates with the information which is presented to the Group's Chief Decision Maker, the Board. The Group's revenue, result before taxation and net assets were all derived from its principal activities.

The joint venture is included in the product sales segment. Segmental information is presented using Group policies.

	Continuing operations			
Business segments	Product sales	Licence fees	Royalties	Total
Year ended 31 March 2012	£	£	£	£
REVENUE				
External revenue	1,958,270	4,543	-	1,962,813
Total revenue	1,958,270	4,543	-	1,962,813
RESULT				
Segment result	(2,746,521)	4,543	-	(2,741,978)
Investment income	197	-	-	197
Finance costs	(15,143)	-	-	(15,143)
Loss before tax	(2,761,467)	4,543	-	(2,756,924)
OTHER INFORMATION				
Capital additions	127,771	-	-	127,771
Depreciation and amortisation	107,625	-	-	107,625
ASSETS				
Segment assets	4,219,099	-	-	4,219,099
Total assets	4,219,099	-	-	4,219,099
LIABILITIES				
Segment liabilities	1,172,484	-	-	1,172,484
Net assets	3,046,615	-	-	3,046,615

1 SEGMENTAL INFORMATION (continued)

Business segments **Year ended 31 March 2011**	*Continuing operations* Product sales £	Licence fees £	Royalties £	Total £
REVENUE				
External revenue	1,897,899	26,548	6,766	1,931,213
Total revenue	1,897,899	26,548	6,766	1,931,213
RESULT				
Segment result	(2,803,494)	26,548	6,766	(2,770,180)
Investment income	3,685			3,685
Finance costs	(823)	-	-	(823)
Loss before tax	(2,800,632)	26,548	6,766	(2,767,318)
OTHER INFORMATION				
Capital additions	155,640	-	-	155,640
Depreciation and amortisation	93,528	-	-	93,528
ASSETS				
Segment assets	4,330,941	-	-	4,330,941
Total assets	4,330,941	-	-	4,330,941
LIABILITIES				
Segment liabilities	734,801	-	-	734,801
Net assets	3,596,140	-	-	3,596,140

1 SEGMENTAL INFORMATION (continued)

Geographical segments

The Group's operations are located in the United Kingdom and the United States of America.

The following table provides an analysis of the Group's sales by geography based upon location of the Group's customers.

Geographical segments **Year ended 31 March 2012**	United Kingdom £	North America £	Rest of the World £	Total £
External revenue	1,428,663	186,944	347,206	1,962,813
Segment assets	3,968,371	250,728	-	4,219,099

Year ended 31 March 2011	United Kingdom £	North America £	Rest of the World £	Total £
External revenue	1,175,932	407,037	348,244	1,931,213
Segment assets	3,887,876	443,065	-	4,330,941

The group generated total revenues, which comprise both in 2012 and 2011 UK product sales from its largest customer of £459,182 (2011: £440,880).

2 LOSS FROM OPERATIONS

Loss from operations is stated after charging / (crediting):

	2012	2011
	£	£
Amortisation	56,564	47,423
Depreciation of property, plant and equipment	51,061	46,105
Loss on sale of fixed assets property, plant and equipment	4,409	(2,886)
Auditor's remuneration		
- as auditor	23,500	23,500
- other services	45,184	49,190
Research & development costs	601,324	480,772
Government grant income	(106,425)	(121,744)
Operating lease costs – office rent	21,998	-
Impairment provision for trade receivables	165,266	136,176
Foreign exchange differences	(6,417)	3,893

Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non-audit services:

	2012	2011
	£	£
Audit Services		
- Statutory audit of parent and consolidated financial statements	23,500	23,500
Other Services		
Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP and their associates	9,975	9,975
Review of interim results	12,500	12,500
Corporate finance services	-	22,000
Other services	18,209	715
Corporate tax compliance services	4,500	4,000
	68,684	72,690

3 PARTICULARS OF EMPLOYEES

The average number of staff employed by the Group, including executive directors, during the financial period amounted to:

	2012	2011
	No	No
Executive directors	3	3
Research and development	9	8
Administration	18	19
	30	30

3 PARTICULARS OF EMPLOYEES (continued)

The aggregate payroll costs, including directors' emoluments, of the above were:

	2012	2011
	£	£
Wages and salaries	1,414,165	1,507,313
Social security costs	164,293	153,200
Other pension costs	51,931	67,394
	1,630,389	1,727,907

4 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2012	2011
	£	£
Emoluments receivable	387,004	507,266
Termination payment	-	110,875
Pension contributions	30,500	42,053
Total emoluments	417,504	660,194

The emoluments of the highest paid director were:

	2012	2011
	£	£
Emoluments receivable	141,193	105,892
Termination payment	-	110,875
Pension contributions	12,000	10,478
	153,193	227,245

Number of directors accruing benefits under money purchase scheme	2012	2011
	Number	Number
	3	4

5 FINANCE INCOME/(COST)

	2012	2011
	£	£
Bank interest receivable	197	3,685
Bank loans and overdrafts – interest payable	(14,748)	(428)
Finance lease interest	(395)	(395)
	(14,946)	2,862

6 TAXATION ON ORDINARY ACTIVITIES

	2012	2011
	£	£
Current tax:		
Corporation tax at 26% (2010: 28%)	-	-
Share of joint venture corporation tax	-	-
Research and development tax credits received	-	9,680
Adjustment in respect of prior periods	-	-
Total current tax	-	9,680
Deferred tax:		
Tax losses	-	-
Origination and reversal of temporary differences	-	-
	-	-
Income tax credit	-	9,680

There is no tax charge as the Group has made losses in both the current and the previous year. The tax credit in 2011 related to research and development expenditure. At 31 March 2012 the Group had an unrecognised deferred tax asset relating to unutilised trading losses and other temporary differences of £3,407,190 (2011: £3,223,641).

The charge for the year can be reconciled to the loss per the Consolidated Statement of Comprehensive Income as follows:

	2012	2011
	£	£
Loss for the year	(2,756,924)	(2,767,318)
Income tax credit	-	9,680
Loss on ordinary activities before tax	(2,756,924)	(2,757,638)
Tax at the UK corporation tax rate of 26% (2011: 28%)	(716,800)	(772,139)
Expenses not deductible for tax purposes	11,299	121,432
Depreciation in excess of capital allowances	(457)	(8,061)
Research and development tax credit	-	9,680
Unrelieved tax losses	705,958	658,768
Total tax credit	-	9,680

7 LOSS PER SHARE

	2012 £	2011 £
Loss on ordinary activities after taxation	(2,756,924)	(2,757,638)
Weighted average number of shares (No) For basic and fully diluted loss per ordinary share	123,776,268	99,604,998
Loss per ordinary share – basic and fully diluted	(2.23)p	(2.77)p

The weighted average number of shares and the loss for the year for the purposes of calculating the fully diluted earnings per share are the same as for the basic loss per share calculation. This is because the outstanding share options and warrants would have the effect of reducing the loss per ordinary share and would, therefore, not be dilutive under the terms of IAS 33.

8 PROPERTY, PLANT & EQUIPMENT

Group – 2012	Leasehold Improvements £	Computer equipment £	Plant & machinery £	2012 Total £
Cost				
At 1 April 2011	22,647	47,690	227,914	298,251
Additions	-	15,349	17,523	32,872
Disposals	-	-	(20,108)	(20,108)
At 31 March 2012	22,647	63,039	225,329	311,015
Depreciation				
At 1 April 2011	22,647	32,365	93,932	148,944
Charge for the year	-	10,840	40,221	51,061
On disposals	-	-	(15,734)	(15,734)
At 31 March 2012	22,647	43,205	118,419	184,271
Net book value				
At 31 March 2012	-	19,834	106,910	126,744

Group – 2011	Leasehold Improvements £	Computer equipment £	Plant & machinery £	2011 Total £
Cost				
At 1 April 2010	22,647	35,184	204,863	262,694
Additions	-	12,506	24,751	37,257
Disposals	-	-	(1,700)	(1,700)
At 31 March 2011	22,647	47,690	227,914	298,251
Depreciation				
At 1 April 2010	22,647	26,697	53,831	103,175
Charge for the year	-	5,668	40,437	46,105
On disposals	-	-	(336)	(336)
At 31 March 2011	22,647	32,365	93,932	148,944
Net book value				
At 31 March 2011	-	15,325	133,982	149,307

Included within the carrying value of plant and machinery are assets with a net book value of £7,474 (2011: £9,965) leased by the group under finance leases. Depreciation charged on these assets amounted to £2,491 (2011: £1,424).

8 PROPERTY, PLANT & EQUIPMENT (continued)

Company	2012 Plant & machinery £	2011 Plant & machinery £
Cost		
At 1 April and 31 March	5,996	5,996
Depreciation		
At 1 April	5,996	5,996
Charge for the year	-	-
At 31 March	5,996	5,996
Net book value		
At 31 March	-	-

9 INTANGIBLE ASSETS

Group – 2012	Software intangibles £	Patents and licenses £	Total £
Cost			
At 1 April 2011	42,946	499,110	542,056
Additions	-	94,899	94,899
At 31 March 2012	42,946	594,009	636,955
Amortisation			
At 1 April 2011	42,946	73,655	116,601
Charge for the year	-	56,564	56,564
At 31 March 2012	42,946	130,219	173,165
Net book value			
At 31 March 2012	-	463,790	463,790

9 INTANGIBLE ASSETS (continued)

Group – 2011	Software intangibles £	Patents and licenses £	Total £
Cost			
At 1 April 2010	42,946	380,727	423,673
Additions	-	118,383	118,383
At 31 March 2011	42,946	499,110	542,056
Amortisation			
At 1 April 2010	41,381	27,797	69,178
Charge for the year	1,565	45,858	47,423
At 31 March 2011	42,946	73,655	116,601
Net book value			
At 31 March 2011	-	425,455	425,455

Company	2012 Patents and licenses £	2011 Patents and licenses £
Cost		
At 1 April	499,110	380,727
Additions	94,899	118,383
At 31 March	594,009	499,110
Amortisation		
At 1 April	73,655	27,797
Charge for the year	56,564	45,858
At 31 March	130,219	73,655
Net book value		
At 31 March	463,790	425,455

Amortisation is recognised within administrative expenses in the Consolidated Statement of Comprehensive Income. The intangible assets relate to the acquisition of Byofresh and to the development of patents.

The Directors consider that due to the integration of Byofresh within the rest of the business they have considered that the recoverable amount using fair value less of cost to sell can be based on the market value of the business using the quoted share price of the company at the reporting date as this is considered to be an active market.

As a result of this review, management believes that no impairment provision is required.

10 FINANCIAL ASSET INVESTMENTS

GROUP
JOINT VENTURE

	2012 £	2011 £
Investment in joint venture	23,814	23,814
Share of joint venture losses	(680,950)	(660,462)
Share of long term funding	331,244	431,244
	(325,892)	(205,404)

The Company owns 50% of the issued share capital of the joint venture, Byotrol Consumer Products Limited which was formed on 30 July 2007. The company's investment in Byotrol Consumer Products Limited comprises the legal costs incurred in the setting up of the joint venture. This company's principal place of business is The Glassworks 3-4 Ashland Place London W1U 4AH. Its principal activity is to market and sell consumer products. This company is jointly managed by its 7 directors, 4 from Byotrol plc and 3 (one to be appointed) from its other investor, What If Innovation Capital Nominees Limited. During the period the group recharged salary and other administrative costs amounting to £186,063 (2011: £271,585). For further details see note 18.

The following amounts are included in the Group's financial statements:

	2012 £	2011 £
Share of income	309,554	154,777
Share of current assets	274,441	236,991
Share of current liabilities	(754,793)	(681,781)
Share of long term liabilities	(200,548)	(215,622)
	(371,346)	(505,635)

COMPANY	Shares in subsidiary undertakings £	Investment in joint venture £
At 1 April 2011	347,750	(205,404)
Movement in share of joint venture losses	-	(20,488)
Movement in share of long term funding	-	(100,000)
Movement in share based payments	-	-
At 31 March 2012	347,750	(325,892)

10 FINANCIAL ASSET INVESTMENTS (continued)

Details of subsidiaries included in the consolidated financial statements are as follows:

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business	Capital and reserves at 31 March 2012 £	Profit / (loss) for the year ended 31 March 2012 £
Byotrol Technology Limited	England	Ordinary share capital	100%	Anti-microbial products	(6,171,298)	(1,373,098)
Byotrol Inc	United States	Ordinary share capital	100%	Anti-microbial products	(2,707,407)	(223,799)

11 INVENTORIES

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Raw materials and consumables	124,394	203,852	-	-
Finished goods and goods for resale	268,222	361,513	-	-
	392,616	565,365	-	-

Included above are finished goods for resale of £62,324 (2011: £11,929) carried at net realisable value.

Inventories expensed in the Consolidated Statement of Comprehensive Income are included within Cost of Sales.

Inventories with a carrying value of £167,821 (2011: £174,983) were written down to £nil (2011: £17,541). No earlier writedowns were reversed during the current or preceding period.

12 TRADE AND OTHER RECEIVABLES

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade receivables	805,970	1,148,613	-	-
Amounts owed by joint venture	660,481	486,671	609,109	486,671
Tax repayable	-	-	-	-
Other receivables	79,714	138,148	7,308	2,045
Prepayments and accrued income	65,164	143,385	48,424	66,215
	1,611,329	1,916,817	664,841	554,931

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group had 124 days of revenue outstanding in trade receivables as at 31 March 2012 (2011: 195 days). Included within trade receivables is £101,801 (2011 £141,626) denominated in US dollars.

12 TRADE AND OTHER RECEIVABLES (continued)

The Group's maximum exposure to credit risk equates to the carrying value of cash held on deposit and trade and other receivables.

The Group's credit risk is primarily attributable to trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances of £183,563 (2011: £154,575) for doubtful receivables. This allowance has been based on the knowledge of the financial circumstances of individual receivables at the reporting date. The Group has some concentration of credit risk, with some exposure to larger customers. The majority of the exposure is spread over a number of counterparties and customers.

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bad debt provision brought forward	154,575	40,000	-	-
Amounts written off	(128,606)	(17,440)	-	-
Bad debt charge	157,594	132,015	-	-
Bad debt provision carried forward	183,563	154,575	-	-

The age profile of the net trade receivables for the Group at the year end was as follows:

		Debt age – "days overdue"					
2012	Current	0-30 Days	31-60 Days	61-90 days	91-120 days	Over 120 days	Total
Trade receivables Value (£)	277,517	164,351	48,784	133,518	40,897	140,903	805,970
%	34.4	20.4	6.0	16.6	5.1	17.5	100.0

		Debt age – "days overdue"					
2011	Current	0-30 Days	31-60 Days	61-90 days	91-120 days	Over 120 Days	Total
Trade receivables Value (£)	805,011	42,063	50,497	13,912	4,172	232,958	1,148,613
%	70.1	3.7	4.4	1.2	0.4	20.2	100.0

As at 31st March 2012 there was £364,102 worth of trade receivables overdue but not impaired.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group. The carrying amount of the asset approximates the fair value.

Cash is held with government supported UK based banks £1,602,532 and a limited amount £22,088 with one US bank.

14 TRADE AND OTHER PAYABLES

Current:	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade payables	430,389	330,738	65,784	121,738
Other payables	108,413	36,680	100	1,440
Other taxes	138,260	34,792	45,597	27,287
Accruals and deferred income	164,517	118,997	75,323	59,651
	841,579	521,207	186,804	210,116

The carrying amount of trade and other payables approximates to their fair values.

Included in trade payables is £53,263 (2011: £16,351) denominated in US dollars.

Foreign currency risk

The Group operates in a number of markets across the world and is exposed to foreign exchange risk arising from various currency exposures in particular, with respect to the US dollar. The Group is exposed to foreign currency risk arising from recognised assets and liabilities as well as commitments arising from future trading transactions. Although the countries that the Group trades with have relatively stable economies, management has set up a policy which requires Group companies to manage their foreign exchange risk against their functional currency by closely monitoring spot rate to balance inflows and outflows.

Fair values of financial liabilities and financial assets

The fair values based upon the market value or discounted cash flows of financial liabilities and financial assets, held in the Group was not materially different from their book values.

15 OBLIGATIONS UNDER FINANCE LEASES

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts payable under finance leases:				
Within one year	3,640	3,640	-	-
In second to fifth years inclusive	2,124	5,764	-	-
	5,764	9,404		
Less future finance charges	(751)	(1,214)	-	-
	5,013	8,190	-	-

15 OBLIGATIONS UNDER FINANCE LEASES (continued)

It is the Groups policy to lease certain of its plant and machinery under finance leases. The average lease term is 4 years. For the year ended 31 March 2012 the average effective borrowing rate was 5%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling. The fair value of the groups lease obligations approximately their carrying amount. The group's obligations are secured by the lessor's charge over the leased assets. The net book value of secured assets is disclosed in note 8.

16 COMMITMENTS UNDER OPERATING LEASES

The minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts due:				
Within one year	43,505	-	43,505	-
In second to fifth years inclusive	130,515	-	130,515	-
In fifth year and beyond	-	-	-	-
	174,020	-	174,020	-

Operating lease payments represent rentals payable by the Group for its office property. The lease is negotiated for a term of five years and rentals are fixed for this period.

17 SHARE BASED PAYMENTS

The Company has granted equity settled share options to selected employees. The exercise price is the market value of the shares at the date of grant. The vesting period is two years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of the share options and warrants outstanding during the year are as follows:

	2012		2011	
	Number of share options and warrants	Weighted average exercise price (in p)	Number of share options and warrants	Weighted average exercise price (in p)
Outstanding at beginning of year	7,234,000	17.1	6,449,000	17.5
Share options granted during the year	200,000	10.5	1,100,000	17.5
Share options lapsed during the year	(480,000)	19.2	(65,000)	29.2
Warrants lapsed in the year	-	-	(250,000)	23.0
Outstanding at the end of the year	6,954,000	16.8	7,234,000	17.1

17 SHARE BASED PAYMENTS (continued)

The number of options exercisable at 31 March 2012 is 2,179,600 (2011: 2,231,600).
The Group recognised the following expenses related to share based payments:

	2012 £	2011 £
(Credited) / Charged to Consolidated Statement of Comprehensive Income	(63,593)	334,028

The credit comprises a charge of £36,407 in respect of share options and a credit of £100,000 in respect of potential bonuses payable, at the Company's discretion in cash and/or shares.

The fair value of options granted under the employee option schemes is measured using the Black-Scholes model. The inputs to the model are as follows:

	New Grants
Grant date	22.06.11
Share price at grant date	10.5p
Exercise price	10.5p
Number of employees	1
Share options granted	200,000
Vesting period (years)	1-2
Expected volatility	70%
Option life (years)	10
Expected life (years)	5
Risk free rate	2.04%
Expected dividends expressed as a dividend yield	0.00
Fair value per option	7.0p

The grant of 200,000 options was made to an employee as part of their incentive scheme and is subject to performance conditions. 50% vest at 31 March 2012 and the other 50% at 31 March 2013.

The options outstanding at 31 March 2012 had a weighted average exercise price of 17p and a weighted average remaining contractual life of 7.3 years.

The aggregate of the estimated fair values of the options granted in the year is £14,000.

At 31 March 2012 there were options outstanding over 6,954,000 (2011: 7,234,000) ordinary shares of 0.25p each which are exercisable at prices in the range from 10.5p to 79.5p under the company's various share option schemes exercisable at various times until 22 June 2021.

Expected volatility was based upon the historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

18 RELATED PARTY TRANSACTIONS

Directors

Fees for Directors' services are set out in the Directors' Remuneration Report and in Note 4 to the financial statements. The only other related party to the directors is H Marcel Guest Limited. Details of that relationship are below. The directors are of the opinion that the terms and conditions of the transactions with Stephen Falder and his related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to any other entity on an arm's length basis.

The Group has a trading relationship with HMG Paints Limited, a wholly owned subsidiary of H Marcel Guest Limited a company of which Stephen Falder is a director and shareholder. HMG Paints Limited has a manufacturing agreement with the Group and also provides, on an arm's length basis, office facilities and services in the UK. The Group purchased £nil of product (2011: £7,514) and £214,457 of services (2011: £195,062) from HMG Paints during the period. The Group sold £106,549 of product (2011 - £Nil).The balance due at the year end is £149,387 (2011: £28,370).

Key management personnel

The Board is of the opinion that the key management personnel are the Executive Directors. In addition to their salaries the Group also provides certain non-cash benefits to the Executive Directors. The total compensation comprised:

	2012 £	2011 £
Short term benefits	348,346	429,266
Long term benefits	30,500	42,053
Share based payments	37,000	135,805
Total	415,846	607,124

Subsidiaries

During the year the Company has provided short term funding to its two subsidiaries. The funding provided in the year to Byotrol Technology Limited was £929,406 (2011: £1,041,867) on which no interest was charged, and to Byotrol Inc £146,766 (2011: £120,837) on which interest was charged. The total interest charged to Byotrol Inc was £134,979 (2011: £136,128). The balances due from Byotrol Technology Limited and Byotrol Inc at 31 March 2011 were provided for in full in view of uncertainty over the timing or repayment of the balances, leaving £nil included in the Company's statement of financial position (2011: £nil) in respect of both companies.

Joint venture

During the year the company charged Byotrol Consumer Products Limited with certain costs amounting to £186,063 (2011: £147,864) At 31 March 2012 the amounts owed to the joint venture were £999,493 (2011: £917,885)

19 SHARE CAPITAL

	2012	2011
	£	£
Authorised:		
150,000,000 (2011: 150,000,000) Ordinary shares of 0.25p each	375,000	375,000

	No	£
Issued and fully paid:		
At 1 April 2011	110,783,082	276,957
Shares issued	32,796,594	81,992
At 31 March 2012	143,579,676	358,949

On 8 and 9 November 2011 the Company raised approximately £2.46 million, before expenses, through a placing of 31,709,927 ordinary shares in the Company and a subscription of 1,086,667 ordinary shares in the Company, at a price of 7.5 pence per ordinary share.

	No	£
Issued and fully paid:		
At 1 April 2010	84,116,411	210,290
Shares issued	26,666,671	66,667
At 31 March 2011	110,783,082	276,957

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group considers its capital to include share capital, share premium, merger reserve and the retained deficit. The Group has no external debt.

Share capital represents the nominal value of ordinary shares issued and fully paid.

Share premium represents the excess of funds raised from the placing of equity shares over the nominal value of the shares after deducting directly attributable placing costs.

The merger reserve was established in respect of previous acquisitions, which qualify for Section 131 merger relief.

Retained deficit represent accumulated losses to date.

The Group has no long-term gearing ratio target as it believes that it currently has no assets on which to secure funding.

20 ULTIMATE CONTROLLING PARTY

The Company is listed on AIM. It has no single ultimate controlling party.

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