**Byotrol plc**

UNAUDITED PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 MARCH 2019

Byotrol plc ('Byotrol', the 'Group' or the 'Company') the AIM-quoted anti-microbial technology company presents its Unaudited Preliminary Results for the twelve months ended 31 March 2019.

The Directors are pleased with developments in the year with good progress in all strategic initiatives, plus the completion of a highly complementary acquisition, Medimark Scientific Limited ("Medimark"), in August 2018

Headline unaudited financial results for the year have been heavily influenced by new accounting standard IFRS15 on revenue recognition, especially as it relates to the sale of intellectual property to Solvay in late 2018. Headlines are:

- Revenue at £5.66m (2018: restated £1.82m)
- Gross profit at £3.61m (2018: restated £0.69m)
- EBITDA at £0.82m (2018: EBITDA loss of £1.47m)
- Gross cash of £2.80m (2018: £3.85m), more than sufficient to finance continued growth

If the results had been reported on the same accounting basis as the prior year, reported EBITDA would have been broadly in line with market expectations of negative £0.45m, including absorption of non-recurring costs of acquisition of Medimark of £0.12m and US costs of £0.39m

**Operations highlights include**

- Acquisition of Medimark on a two-year earnout for an enterprise value of up to £4.5m, bringing extensive sales and marketing expertise and leadership into the Group in human and animal health businesses. Medimark contributed £1.8m in sales to Byotrol in the seven months from acquisition until year end

- US surface care – Byotrol24 remains on trial in 207 Target stores in the US with sales to date satisfactory on minimal marketing spend. Following extensive consumer and market research, which has clearly confirmed the value of the proposition to consumers, the Company is now seeking a partner (financial or corporate) to accelerate growth

- Hand hygiene – steadily increasing sales of Invirtu alcohol-free hand sanitisers into healthcare and industry. Exclusive supply contract signed with SC Johnson Professional, which will now be selling our formulations into UK and Irish health services under their brand, supported by their logistics and sales and marketing reach

- Continued progress in EU surface care, including new Professional product launches into the UK and further technical development agreements with sizeable companies, including with Tristel plc for a new sporicidal sanitiser for the healthcare market. Separately, we understand Solvay SA continues to make good progress with its Actizone technology in consumer markets, in which we maintain an ongoing commercial interest

- First class additions to the board, including Sean Gogarty as NED and Nic Hellyer FCA as Chief Financial Officer

- Strengthened operational leadership through addition of Rick Hayman, MD of Medimark, now set for a broader role in the enlarged Group

**Current Trading, year to date FYE 31 March 2020**

Current trading is meeting expectations for the year to date, although financial results are currently being held back by continued (and cautious) net spend in the US and by the delay in achieving financial synergies from the Medimark acquisition, whilst the earnout mechanism remains in place (until 31 March 2020).

**Commenting on the unaudited results, John Langlands, Chairman of Byotrol plc, said:**

"*I am pleased with progress across all aspects of the Group. The acquisition of Medimark is a particularly encouraging development, as it provides the sales and marketing expertise to increase sales volumes across all of our technologies and should start to generate some economies of scale.*

*We are seeing a great deal of consolidation in our markets, much of it driven by competitors with weak technologies or regulatory offers. The Directors remain confident that our technology-led positioning is the right approach in this market and remain confident in our outlook*."

**Enquiries:**


| | |
|---|---|
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**Notes to Editors:**

Byotrol plc (BYOT.L), quoted on AIM, is a specialist developer of antimicrobial technologies, identifying, developing, formulating and commercialising cutting-edge antimicrobial solutions.

Our patented suite of technologies delivers powerful, broad-spectrum efficacy, optimised against commonly-occurring and industry-specific pathogens.

Founded in 2005, the Company seeks to develop and commercialise advanced antimicrobial technologies that create easier, safer and cleaner lives for everyone.

For more information, please go to www.byotrol.co.uk

## Chairman's Report

Another year of progress as the Company made a major acquisition and reported healthy profits, albeit helped by changes in accounting standards. The market demand for products of our type remains strong and many suppliers are struggling to adjust to the continually changing regulatory backdrop.

### Results

The group reported revenues of £5.66m (2018: £1.82m as restated), EBITDA of £0.82million (2018: loss of £1.47m as restated) and a net profit of £0.24million (2018: loss of £1.57m restated). If the results had been reported on the same basis as 2018, the reported EBITDA would have met our expectations of negative £0.45m, after charging Medimark acquisition costs of £0.12m and net US costs of £0.39m.

The new accounting standard on revenue recognition has required the restatement of our results for 2018 with the income on the sale of patents and intellectual property in 2018 now being fully accounted for in 2019.

### Acquisition of Medimark

In August 2018 we acquired Medimark, a leading provider of biocide-based infection control products into the animal and human healthcare markets for an enterprise value of up to £4.5 million (including borrowings assumed and earnout payments). The business continues to trade well but we now expect total consideration payable to be around £3.5 million.

This is a highly complementary acquisition offering extensive sales, marketing and distribution expertise in our core markets. I am confident that the acquisition will enable us to increase sales of Byotrol's core products as the Medimark team are sales professionals and have an energy and focus that will benefit the Group once the integration of the two companies has been completed. In particular we are looking forward to seeing Rick Hayman's team cross-sell Byotrol's technologies into the Professional markets as there are many opportunities for growth here. I am hopeful that we finally have the manpower, skills and contacts to pursue the opportunities properly.

Medimark's arrival should also free up the rest of the Byotrol team to focus again on consumer and on technical development agreements, where we have really good expertise and where we know our products will sell. One particular frustration of mine is that we have effectively again missed targets for consumer sales for Invirtu hand sanitisers in the flu season. I accept this has largely been a question of manpower but we have an excellent product that more people should be using.

### US operations

In the US, the board has been impressed by the progress Alex Espalin has been able to make with Byotrol24, with limited staff and marketing resource. Getting a new product onto Target shelves for trial and to then steadily increase the size of that trial is certainly an achievement. However, the US supply chain is expensive and complex and without a rapid rise in volume we are not going to be able to generate acceptable levels of profit. In order to achieve the increase in volume, secure additional customers and build the brand we will need to increase resources and capabilities and spend significantly more on marketing. So, after much research and analysis, we have now concluded that we need a US partner either financial or corporate to invest with us to accelerate growth and achieve acceptable returns. We have appointed advisors to assist in finding a suitable partner. We have a proven product, protected by US regulations, detailed supporting consumer research and proof that retailers will stock the product.

### Financial Resources

At the year-end we had cash resources of £2.8m (2018: £3.85m) which is sufficient to finance our ongoing operations and the remaining earnout payments to Medimark's vendors but not to fund additional resources, capabilities and nationwide marketing expenditure in the US.

### Strategy

Our strategy continues to be a technology-led company that commercialises those technologies by direct product sales, by licensing sales and by technology sales.

### Board and Employees

The Board and leadership team has been significantly strengthened by some first class hires this year. In particular I am very pleased to welcome to the Board Sean Gogarty as Non-Executive Director and Nic Hellyer as Chief Financial Officer. We have already benefitted greatly from Sean's outstanding marketing expertise, especially with respect to our US consumer strategy and I know that Nic's finance and deal-doing skills are very valuable additions to the team. Byotrol's previous Head of Finance Denise Keenan will remain as Company Secretary and take on a new position as Chief Commercial Officer where her knowledge and experience will bring value in her new role.

I am also pleased to welcome Rick Hayman and his team to the group and look forward to the benefits of integration once the earn out is completed. Our total full-time employees have now increased to 33 and I would like to thank them all for their efforts, commitment and enthusiasm this year.

**Prospects**

We have been able to attract many high calibre people as a result of the team's conviction, energy and commitment to turning Byotrol into a valuable business. We happily sit in the centre of a very large market undergoing substantial change and the macro trends that the team have been identifying since I first came on board do indeed seem to be materialising, founded on regulatory change and complexity. Consolidation is certainly rife, less technically-oriented companies seem to be struggling or disappearing from view and we see many opportunities to grow.

Current trading is meeting expectations for the year to date, although financial results are currently being held back by continued (and cautious) net spend in the US and by the delay in achieving financial synergies from the Medimark acquisition, whilst the earnout mechanism remains in place (until 31 March 2020).

The Directors remain confident that our technology-led positioning is the right approach in this market and remain confident in our outlook

**John Langlands, Chairman**
**30 September 2019**

## Chief Executive's Report

### Current Year Overview

Headline Group revenue for the year to 31 March 2019 was £5.66m (2018: £1.82m restated), EBITDA £0.82m (2018: loss £1.47m restated) and we are pleased to report a net profit for the year of £0.24m (2018: loss £1.57m restated).

These numbers have been boosted substantially compared to the previous year by: (a) the inclusion for seven months in the group of Medimark Scientific Limited ("Medimark"), acquired on 24 August 2018 and (b) the new accounting standard for revenue recognition IFRS15 applied to a major transaction with multi-year payments in 2018, 2019 and beyond. Whilst this was a complex contract with multiple constituents, these parts were inter-linked in the detailed wording of the contract in such a way that new accounting rules now require them to be recognised as one - the underlying cash profile of the transaction is of course unaffected and to our mind better reflects its commercial realities.

One key improvement this year has been a big increase in trading income (product sale and multi-year royalty and commission) compared to history and a decrease in reliance on one-offs. With Medimark now part of the Group, we intend to increase this further to ensure reliable profits and cashflow, whilst still closing one-off transactions to generate extra cash and step-change bottom-line performance.

The Directors are happy with progress over this year and are pleased to report continued satisfactory results for the Group as a whole, with progress in all major initiatives.

### Our market and our strategy

Byotrol develops and commercialises technologies that safely neutralise and remove microbes from places where they can harm living things; ours is a multi-billion dollar, growing, global market. Until relatively recently the industry consisted of commodity-minded multinationals selling high volumes of active ingredients to many smaller product producers selling finished formulations, often with exaggerated claims, or with technologies that may have had higher toxicity than users would recognise.

Since the turn of the century super-regional regulators have been steadily reducing the number of permitted biocides and introducing controls over performance claims and toxicity levels. The approval processes are generally expensive, complex and time-consuming and are still a work in progress, particularly in the EU, but are also making our industry safer and more efficient; we support the new rules and currently expect the UK to persist with them even in the event of a no-deal Brexit.

Our strategy is to take advantage of the changes in a similar way to many pharmaceutical and pesticide firms when they went through similar industry change - by taking a very scientific approach to our industry and developing and commercialising unique, high-performance and trusted technologies that are approved (and then protected) under national and super-national regulatory rules. We then seek to monetise those technologies by way of IP sale and alliances, license agreements and finished product sale, in both business and consumer markets.

Since 2014, we have been developing proprietary chemistries which we could be sure would be regulatory-approved, would meet a specific customer need and would have some element of uniqueness and therefore value to them. Such development work was carried out in parallel with an ongoing sales effort of Byotrol traditional products that we expected would at some stage fall under the regulatory spotlight.

We did this for many years with approximately 18 employees - 7 in the laboratory, only 3 in sales - focussed on three areas, US surface care (regulated by the US EPA) EU surface care and EU and personal care (both regulated under the Biocidal Products Regulations). We financed our activities largely through a series of commercial alliances with partners of substantial sales reach.

The Directors have long recognised, however, that we would best accelerate growth by building our own sales force, with the expertise and contacts to increase the volume of sales of our new technologies, generate economies of scale, build market share and brand presence, and eventually take us to sustainable profitability. This led to the acquisition of UK infection control company Medimark in August 2018.

Medimark is based in Kent and has a broad sales, marketing and distribution expertise in infection control products for use on surfaces, instruments and hands for the Animal Health, Human Health, Laboratory, Environment and Retail markets, and we believe now gives us the required sales and marketing expertise in-house.

As part of the deal, Byotrol agreed to pay the vendors of Medimark via an earn-out mechanism, which remains in place. Despite this the Byotrol and Medimark teams are starting to work well together. At year end the combined Byotrol team now numbers 33 staff, including 7 lab scientists, 10 sales people, 6 technologies and strengthened leadership across all business units.

### Markets

***Professional***

Including seven months of Medimark, full year revenues increased to £2.71m from £0.92m and gross profit to £1.09m from £0.18m. Excluding Medimark, Byotrol's underlying full year revenues in Professional were broadly flat year on year at £0.90m.

Gross margin across both Byotrol and Medimark benefited from some good work in supply chain in the year, also comprehensively reducing quality issues compared to previous years

We continue to service long-standing food manufacturing customers with a variety of specialist products, but those relationships are decreasing further in number as we focus on the bigger opportunities and higher margins in healthcare related segments, across human and animal markets. Our Professional business is therefore now focused on:

- Medimark's presence in veterinary and in human health markets, primarily in the UK but increasingly in export. Medimark has continued to trade well since the acquisition and is making good progress in all its main markets. It has also brought to the Group new products and technologies that open up new opportunities for Byotrol as a whole
- Invirtu alcohol-free hand sanitiser increased across all Professional customers. At year end our products were in over 20 UK NHS hospitals, including 2 total conversions from suppliers of alcohol-based products. We are pleased to report here that post year end we completed a supply agreement with SC Johnson Professional Ltd, whereby Byotrol will now be supplying the Invirtu formulation to the UK and Irish health services, exclusively under SCJP branding. This will result in increased volumes of our product to more healthcare professionals and users, supported by premier league marketing, logistics and sales-support.
- Actizone-based surface disinfectants, which we have now started selling to UK facilities management, janitorial/sanitation and healthcare providers, again mostly via distributors. Again, we are very encouraged by responses to the early sales calls and see this as a strong revenue-generator in FYE 2020.

Alongside the product sale business, we continue to enter into technical development contracts with large companies with complementary products and customer bases. One such transaction has been completed post year end with Tristel plc, for a surface sanitising product that combines their best-in-class chlorine dioxide chemistry, with our long-lasting germ-killing technology; we expect this product to be launched in late 2019.

***Petcare***

Petcare revenues for the year increased to £0.77m from £0.73m in the previous year. Gross profit fell slightly to £0.33m from £0.34m as a result of increased manufacturing costs in the UK.

Sales to established European customers, Pets at Home, Savic and Beaphar remain stable. This year saw Beaphar extend the distribution of Byotrol surface care products into Eastern Europe following successful national regulatory registrations.

Japanese distributor, Good Smile International experienced excellent sales growth, following the launch of its new Byotrol surface wipe. Byotrol and Good Smile continue to have a successful and collaborative partnership.

Following a rebranding project on our Byopet range, Pet Lovers Centre relaunched the range into Singapore and Malaysia with an integrated marketing campaign, resulting in the highest months sales for the range since 2015.

Chinese customer Sunon experienced some overstocking in H1, which resulted in lower sales this year, however the Chinese pet market is forecasted to experience strong growth over the coming years and Byotrol is committed to strengthening its position in the market.

Petcare continues to be a solid performer for Byotrol and a segment that will undoubtedly benefit further from our consumer concept testing in the US and Medimark's expertise in animal hygiene markets.

***Consumer***

Headline consumer revenues and gross profits totalled £2.18m (2018: £0.17m restated), boosted by a change in treatment as a result of the introduction of IFRS15.

Direct sales of finished Byotrol products to retailers and consumers were largely flat year on year, with the team focussing more on sales via partners and alliances.

We understand that Solvay is making good progress with its newly-acquired (from us) Actizone technology and is steadily increasing its technical investment. Whilst we cannot reliably project future revenue (including via success payments to Byotrol), we are confident that the initiative is in excellent hands and that Solvay is taking the project further and faster than we would have been able on our own

In the US, the trial of Byotrol24 continues in over 200 Target supermarket stores in 2 sku formats. Since our last report we have been investing in detailed consumer research to support the proposition and to model likely

marketing required spend. That research has yet again confirmed consumer interest in the product claims, but has also indicated a need to spend significantly more on marketing and other capabilities to gain market traction. As a result, the Directors have now begun a formal search for a US-based financial or corporate partner to assist in growing Byotrol24, so improving the risk/reward profile compared to other group initiatives. This year, we have incurred costs of £385k in the US and have continued to spend at a similar run rate post year end.

In the UK, Boots is now again stocking second-generation alcohol-free hand sanitisers under its own brand (with Byotrol logo front of pack). We continue to see this formulation as a winning product for Byotrol and are seeking more retailers for the formulation.

Post year end we came to the end of our licence relationship with Robert McBride plc and therefore to supplying surface sprays to Tesco. This was an excellent arrangement for us for many years, but it has now run its course and we expect to generate higher margin opportunities with better brand equity from other consumer initiatives.

**Technology, Supply Chain and Regulatory Environment**

We have now completed an upgrade of our supply chain, radically improving quality and reliability. This has in some cases squeezed gross margin but has reduced losses from quality problems. As volumes increase, we expect to more than offset any gross margin reduction from the change

We continue to improve our formulations, partly driven by customer needs and partly driven by regulation. In particular we have been working with the Medimark team to future-proof their formulations under EU regulations, as well as optimizing performance versus product claims.

The R & D team remains very excited about our newly-patented biocide technology based on seaweed. Since the last report we have discovered very interesting combinations of anti-viral properties that open up the possibility of the formulation as an animal feedstuff additive or pharmaceutical. This is a very exciting development, but we recognise it is not our core area of expertise and will only be developed further with a partner or consortium, which we are now investigating.

**Outlook**

We continue to following developments on Brexit very carefully and have taken all necessary steps to ensure there is minimal impact on our business. However, with 10% of our enlarged business now comprising export to the EU, newly imposed tariffs would be bound to have some impact – albeit manageable - on our results.

In our last public reporting (at the time of the interim results in December), the Group was focused on (a) monetising Actizone and Invirtu products (b) increasing US distribution within a sensible risk/reward profile and (c) maximising cost and revenue synergies through integrating Medimark within the earnout framework and (d) keeping financially stable whatever the economic and political circumstances.

At the time of writing, all of the above are progressing satisfactorily, although complete integration with Medimark is pending completion of the earnout period. The teams are working constructively on technology and on future strategy, but we will not benefit from many financial synergies until calendar 2020.

We are keen to underpin our results with steady, visible profit streams, so we will continue to work on increasing income from product sales and multi-year licenses, most likely via the Medimark sales team, We will also continue to look for one-off technical development and IP-based deals to generate cash and to increase profits, which have served us well to date. We do recognise that as a larger Group now, such deals should form the 'cherry' rather than the 'cake', but I remain very pleased to have the skills in-house to do both and am confident that a blended approach will bring the biggest financial returns.

The Directors remain very confident in our strategy. As we expected, weaker technologies are now being forced out of the market by regulators, competitors are merging or selling out to larger entities and private equity is getting increasingly involved in our expanding, very complex market place. It is very encouraging, especially as the depth and spread of skills in the board and leadership teams to take advantage of the opportunities has now increased so substantially. Your team is very energised and extremely positive on the outlook for our Group.

**David Traynor**
**Chief Executive**
30 September 2019

## FINANCIAL REVIEW

### Business Review

The principal activity of the Group during the year was the development, patenting, licensing and sale of anti-microbial products and technologies for business and consumer use.

### Key performance indicators

Management uses a range of performance measures to monitor and manage the business. Management consider the primary financial KPIs for the Group to be revenue and gross margins by product segment, adjusted as appropriate for one off or unusual revenue streams. These are both measured and monitored closely. Current year revenue is £5.66m (2018: £1.82m as restated) and gross margin for the year is 64% (2018: 38% as restated). Further details of the revenue and gross margin by segment are given below.

In addition to the financial KPIs, the Directors measure and monitor various non-financial KPIs such as the timeliness and efficiency of the research and development team against project timelines and objectives and monitoring the OTIF (on time in full) logistics performance ensuring that customers are being delivered to on time and in full.

The Board believes these KPIs are suited to the needs of a growing business. Further analysis of the Group's performance is set out in the Chief Executive's Report.

### Development and financial performance during the year

The results show both success in monetising proprietary technologies developed by the Group as well as the benefits of continuing efforts to focus on higher margin business on more efficient commercial structures. The acquisition of the Medimark business has diversified the Group's product range and brought a significant new customer base.

- Gross profit increased to £3.61m on turnover of £5.66m (compared to gross profit of £0.69m on turnover of £1.82m in the previous year, as restated for the effects of applying IFRS 15)
- EBITDA of £0.82m versus a loss of £1.47m the previous year
- Cash and cash equivalents at the year-end of £2.80m compared to £3.85m in the prior year

## INCOME STATEMENT

### Revenue

As detailed further below, the Group implemented *IFRS 15 Revenue from Contracts with Customers* ("IFRS 15") with effect from 1 April 2018. The principal change resulting from its application was the recognition of revenue from the sale of licenses, IP and related post-contract services on the satisfaction of their separate performance obligations, without reference to contractual invoicing milestones. In certain cases where the deliverables in a contract are not considered to be distinct (for example where the customer could not benefit from any of the services provided on a stand-alone basis) such deliverables are combined as a single performance obligation and the revenue recognised on the completion of the contract overall.

In addition, certain contracts which have terms which allow for instalment payments or similar over an extended period are now treated as contracts with a "Significant Financing Component"; accordingly, the Group recognises effective interest income on the amounts deemed to be credit extended to the customer.

The principal effect on the Group financial statements of the adoption of IFRS 15 was to recognise approximately £1.93m of revenue in 2019 which had previously been part-recognised in 2018 (approximately £1.32m). This change in recognition arises as the terms of the relevant contract were deemed to represent one performance obligation which was satisfied in the 2019 financial year. To enable users properly to understand the significance of this change, the 2018 results have been restated accordingly, with a consequent increase to the reported loss in 2018.

The implementation of IFRS 15 has not affected the reporting of revenues from other trading activities of £3.73m (2018: £1.82m).

### Cost of sales

Cost of sales of £2.06m (2018: £1.13m) represents the direct manufacturing costs of products. Given the mix of Byotrol's activities, gross margin across the sales mix is not a particularly meaningful measure of performance and

is better considered on a segmental basis where the gross margin in the Professional segment increased to 40% (2018: 20%), boosted by the acquisition of Medimark, and in Pet a slight decrease to 43% (2018: 47%). The increase in Consumer margin largely reflects the income from sale of patents and IP over 2018 and 2019, as discussed in the Chief Executive's report.

**Overheads**

The increase in overhead costs from £2.09m in 2018 to £2.73m is largely due to the acquisition of the Medimark business which brought some 13 additional staff and management. Within this, research and development costs (expensed) have remained broadly constant at £0.44m (2018: £0.45m).

Administrative costs include £0.12m of legal and other advisory costs relating to the acquisition of Medimark (2018: £nil).

**Finance expense**

Finance expense of £0.19m (2018: £0.024m) is principally comprised of the non-cash cost of amounts relating to the discounting of contingent consideration relating to the acquisition of Medimark to their expected value as at the balance sheet date. The balance comprises interest on a factoring facility in Medimark and bank charges.

**Profitability and earnings per share**

After the revenue adjustments and costs noted above the Group made £0.23m profit before tax compared to the (restated) loss of £1.57m). This resulted in statutory EPS of 0.05p (2018: 0.45p loss restated) and 0.15p on an adjusted basis (2018: 0.45p loss restated).

**Taxation**

Taxable profits arising in the year to 31 March 2019 were wholly off-settable against tax losses brought forward and accordingly no taxation was payable. A tax credit arises from the amortisation of a deferred tax liability relating to the intangible assets acquired as a result of the acquisition of Medimark.

Significant tax losses remain available to the Group, however no deferred 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.

**STATEMENT OF FINANCIAL POSITION**

**Intangible assets**

*Customer relationships and acquired brands*

As at the effective date of the acquisition, the Directors calculated the fair value of the Medimark business acquired at £2.93m. As explained in more detail in the notes below, intangible assets acquired pursuant to the acquisition comprised customer relationships, various brands and other IP relating to the capitalised value of efficacy testing and other relevant licensing activities. The fair value for the acquisition was allocated approximately £1.86m to customer relationships, £0.57m to brands (and £0.50m to other IP), with the residual balance over and above other net assets acquired being ascribed to goodwill. The customer relationships and brands acquired are being amortised over 10 years, and the other IP acquired (in common with the Group's existing capitalised development costs) over 10 years. Net of accumulated amortisation for the 7 months from the effective date of acquisition, the net book value of the intangible assets thus acquired was approximately £2.69m at the year end, which the Directors consider to be in line with their fair value.

*Development costs*

Development costs represent the capitalised value of work undertaken (either internally or externally by appropriate consultants) to develop and protect patents, know-how and other similar assets when they pass the criteria for capitalisation under the Group accounting policy. The amortised balance at 31 March 2019 was £0.85m reflecting both the £0.50m fair value of such assets acquired as part of the Medimark business as well as continuing development work carried out by both the Byotrol business and Medimark itself.

**Trade and other receivables and contract assets**

Trade receivables increased from £0.38m in 2018 to £0.93m largely as a result of the Medimark acquisition which significantly increased the number of customers and trading activity in the Group. Contract assets of £0.18m (non-current) and £0.28m (current) result from the recognition of certain revenue under IFRS 15.

**Trade and other payables**

Trade payables increased significantly from £0.34m in 2018 to £0.84m, again principally as a result of the acquisition of the Medimark business which brought a significant level of contracted out manufacturing activity to the Group.

**Other financial liabilities**

Other financial liabilities represent the payments potentially due to the vendors of Medimark under the terms of the sale and purchase agreement for the Medimark acquisition. On acquisition these liabilities were provisionally assessed at an aggregate fair value of £1.27m (as discounted to the present value at the time of acquisition) based on expectations at the time. Following a re-assessment of accounting classifications in the Medimark business, the performance in the 7-month period since acquisition and updated business projections for 2020 trading, at the completion of the measurement period at 31 March 2019 the contingent consideration liability for payments potentially due in the period 2019 to 2020 was reassessed at £0.82m. The difference between the original fair value of the contingent consideration and the fair value of the contingent consideration at the reporting date has been deducted from goodwill arising on acquisition. The carrying value of this liability will continue to be reassessed at future reporting dates.

**CASH FLOW**

Operating cash flow for the year was positive at £0.33m; this strengthening cash flow in part enabled the Group to make the strategic acquisition of Medimark, which acquisition resulted in a cash payment of £1.13m to the vendors (net of cash acquired). Capital expenditure comprised £0.28m (2018: £0.15m) on the development of intangible assets for use within the Group as well as a minor amount on property, plant and equipment.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | *Notes* | **2019 £'000** | **2018 £'000** *(restated)* |
|---|---|---|---|
| **REVENUE** | 1 | **5,660** | **1,820** |
| Cost of sales | 1 | (2,055) | (1,129) |
| GROSS PROFIT | | 3,605 | 691 |
| Sales and marketing costs | 1 | (963) | (549) |
| Research and development costs | 1 | (436) | (451) |
| Other administrative costs | 1 | (1,328) | (1,095) |
| Share based compensation | 17 | (60) | (67) |
| **EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)** | | **818** | **(1,471)** |
| Expense on amendment of convertible loan note terms | | - | (26) |
| Depreciation | 8 | (24) | (19) |
| Amortisation | 9 | (538) | (157) |
| **OPERATING PROFIT/(LOSS)** | | **256** | **(1,673)** |
| Finance income | 5 | 41 | 3 |
| Finance expense | 5 | (191) | (24) |
| Research and development (R & D) tax credits | 1 | 124 | 129 |
| **PROFIT/(LOSS) BEFORE TAX** | 1 & 2 | **230** | **(1,565)** |
| Taxation | 6 | 11 | - |
| **PROFIT/(LOSS) FOR THE FINANCIAL YEAR** | | **241** | **(1,565)** |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | | |
| *Other comprehensive income which may be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | | 7 | 3 |
| Other comprehensive income | | 7 | 3 |
| TOTAL COMPREHENSIVE INCOME/(LOSS)FOR THE YEAR | | 248 | (1,562) |
| Earnings/(loss) per share - basic | 7 | 0.05p | (0.45)p |
| Earnings/(loss) per share - fully diluted | 7 | 0.05p | (0.45)p |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **2019**<br>**£'000** | **2018**<br>**£'000**<br>*(restated)* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 58 | 44 |
| Intangible assets | 9 | 3,751 | 686 |
| Contract assets | 12 | 176 | - |
| | | 3,985 | 730 |
| **Current assets** | | | |
| Inventories | 11 | 416 | 185 |
| Trade and other receivables | 12 | 1,521 | 932 |
| Contract assets | 12 | 275 | - |
| Cash and cash equivalents | 13 | 2,797 | 3,853 |
| | | 5,009 | 4,970 |
| | | 8,994 | 5,700 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 1,438 | 594 |
| Other financial liabilities | 19 | 520 | - |
| | | 1,958 | 594 |
| **Non-current liabilities** | | | |
| Other financial liabilities | 19 | 297 | - |
| Deferred tax liabilities | 6 | 441 | - |
| | | 738 | - |
| **Equity** | | | |
| Share capital | 20 | 1,077 | 1,007 |
| Share premium account | | 28,282 | 27,468 |
| Merger reserve | | 1,065 | 1,065 |
| Retained earnings reserve | | (24,126) | (24,434) |
| **TOTAL EQUITY** | | 6,298 | 5,106 |
| **TOTAL EQUITY AND LIABILITIES** | | 8,994 | 5,700 |

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Convertible loan note reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Balance at as 1 April 2017 as previously reported | 670 | 22,849 | 1,065 | 69 | (23,008) | 1,645 |
| Impact of change in accounting policy | - | - | - | - | - | - |
| **Restated balance at 1 April 2017** | **670** | **22,849** | **1,065** | **69** | **(23,008)** | **1,645** |
| Restated loss for the year (note 22) | - | - | - | - | (1,565) | (1,565) |
| *Other comprehensive income:* | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | 3 | 3 |
| Restated total comprehensive loss for the year | - | - | - | - | (1,562) | (1,562) |
| *Transactions with owners:* | | | | | | |
| Share issue | 310 | 4,647 | - | - | - | 4,957 |
| Share issue costs | - | (381) | - | - | - | (381) |
| Share based payments | - | - | - | - | 67 | 67 |
| Conversion of convertible loan notes | 27 | 353 | - | (69) | 69 | 380 |
| **Restated balance at 31 March 2018** | **1,007** | **27,468** | **1,065** | **-** | **(24,434)** | **5,106** |
| Profit for the year | - | - | - | - | 241 | 241 |
| Exchange differences on translation of foreign operations | - | - | - | - | 7 | 7 |
| Total comprehensive income for the year | - | - | - | - | 248 | 248 |
| Share issue | 70 | 814 | - | - | - | 884 |
| Share based payments | - | - | - | - | 60 | 60 |
| As at 31 March 2019 | 1,077 | 28,282 | 1,065 | - | (24,126) | 6,298 |

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2019<br>£'000 | 2018<br>£'000<br>*(restated)* |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit / (Loss) for the year before tax | 230 | (1,565) |
| Adjustments for: | | |
| Share based payments | 60 | 67 |
| Expense on the amendment of convertible loan note terms | - | 26 |
| Depreciation | 24 | 19 |
| Amortisation | 538 | 157 |
| Finance income | (41) | (3) |
| Finance costs | 191 | 25 |
| Changes in working capital | | |
| (Increase) / Decrease in inventories | (70) | 15 |
| (Increase) /n trade and other receivables | (390) | (72) |
| Increase in contract assets | (451) | - |
| Increase/(decrease) in trade and other payables | 239 | (155) |
| **CASH USED IN / GENERATED FROM OPERATING ACTIVITIES** | **330** | **(1,486)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payments to acquire property, plant and equipment | (23) | (19) |
| Cash (outflow) on acquisition of businesses net of cash acquired | (1,131) | - |
| Payments to acquire intangible assets | (283) | (152) |
| Interest received | 41 | 3 |
| Finance costs | (13) | - |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(1,409)** | **(168)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds on issue of ordinary shares | - | 4,957 |
| Share issue costs | - | (381) |
| Movement in invoice discounting facility | 16 | - |
| Interest paid | - | (23) |
| **NET CASH INFLOW / (OUTFLOW) FROM FINANCING** | **16** | **4,553** |
| **Net increase / (decrease) in cash and cash equivalents** | **(1,063)** | **2,899** |
| Cash and cash equivalents at the beginning of the financial year | 3,853 | 951 |
| Effect of foreign exchange rate changes | 7 | 3 |
| **Cash and cash equivalents at the end of the financial year** | **2,797** | **3,853** |

## BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for certain financial instruments and share-based payments that have been measured at fair value, and in accordance with the AIM Rules, International Financial Reporting Standards ("IFRS") as adopted by the European Union that are applicable to the Group's statutory accounts for the year ended 31 March 2019 and the applicable provisions of the Companies Act 2006.

The Company is a limited liability company incorporated and domiciled in England and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The registered office address is shown on page 2. The consolidated financial information of Byotrol plc is presented in Pounds Sterling (£), which is also the functional currency of the parent. Details of the Group operations and principal activities are shown on page 10.

## 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.

The Company Statement of Comprehensive Income has not been disclosed in accordance with Section 408 Companies Act 2006. The profit for the year of the parent company amounted to £879,000 (2018: loss of £908,000).

## 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 the Group being able to generate recurring and sustainable revenues and free cash flow from existing customers and opportunities as well as the sales opportunities highlighted in the Chairman and Chief Executive's Statements. The Directors have prepared projected cash flow information for the period ending 12 months from the date of approval of these financial statements. These projections include assumptions around the quantum and timing of receipts from customers. Based on this analysis, the Directors 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. The cash and cash equivalents of the Group as at 31 March 2019 was £2,797,000.

## ADOPTION OF NEW AND REVISED STANDARDS

### Standards, amendments and interpretations adopted in the year

Certain new standards and amendments to existing standards that have been published and are mandatory for the first time for the financial year beginning 1 April 2018 have been adopted and their impact on the Group and Company is explained later in this section. New standards, amendments to standards and interpretations which have been issued but are not yet effective (and in some cases had not been adopted by the EU) for the financial year beginning 1 April 2018 have not been adopted early in preparing these financial statements. The main new accounting standards which are relevant to the Group are set out below:

### IFRS 9 Financial Instruments

The Group has adopted IFRS 9 from 1 April 2018, replacing IAS 39 *Financial* Instruments: *Recognition and Measurement.* IFRS 9 sets out the requirements for assessing the impairment of financial assets, requiring consideration of the likelihood of their default or impairment, firstly by splitting out the high-risk balances and

continuing to provide for these separately, and then applying a loss rate to the remaining balance where it is known from experience that the loss rate is not nil.

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model: (1) trade receivables from the sale of products and licenses over IP and the provision of services; (2) contract assets arising from long-term license or sale of IP contracts and (3) sundry deposits and other similar assets. The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets: to measure the expected credit losses, trade receivables and contract assets were grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group therefore concluded that the expected loss rates for trade receivables were a reasonable approximation of the loss rates for the contract assets. The expected loss rates were based on the payment profiles of sales over a period of 24 months before 31 March 2019 and the corresponding historical credit losses experienced within this period. No reinstatement adjustment was required on application of this standard.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities and has not had a significant effect on the Group's accounting policy.

**IFRS 15 Revenue Recognition**

IFRS 15 has replaced IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations and has been adopted for the Group's IFRS financial statements for the period beginning on 1 April 2018. This standard introduces a single, five-step revenue recognition model that is based upon the principle that revenue is recognised at the point that control of goods or services is transferred to the customer. The standard also updates revenue disclosure requirements.

The Directors have considered the effect of the adoption of IFRS 15 on the Group's activities, and in particular on (i) the revenue recognition of the Group's sale of IP (and related know-how, if applicable); and (ii) license agreements. Under accounting policies applicable to prior years, the Group recognised the sale of IP on the basis of the value transferred over time and license agreements as depending on the terms of the agreement (which might be structured with both fixed and variable elements to the consideration payable). The sale of finished products into both the business and consumer market is unaffected.

*Revised accounting policies under IFRS 15*

Under IFRS 15 revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Each element of revenue (described below) is recognised only when:

(i) provision of the goods or services has occurred;

(ii) consideration receivable is fixed or determinable; and

(iii) collection of the amount due from the customer is reasonably assured

Some contracts include multiple deliverables, such as the sale of IP and the know-how required for the customer profitably to use it. Certain contracts may include a provision for post-contract support and other technical assistance. Where contracts include such multiple performance obligations, the transaction price is allocated to each performance obligation based on the Group's best estimate of their Standalone Selling Price ("SSP") notwithstanding any absence or contrary allocation of total cost within a contract. Where this is not directly observable, it is estimated based on the best available evidence, for example expected cost plus margin.

IFRS 15 also requires the Group to adjust the expected amount of consideration to reflect the time value of money if the contract has a significant financing component, irrespective of the recognition of sale of IP, license or service income as the case may be.

*Application of IFRS 15*

The Group has applied IFRS 15 retrospectively using the practical expedient in paragraph C5(c) of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognise that amount as revenue for all reporting periods presented before the date of the initial application, i.e. 1 April 2017. The details and quantitative impact of the changes in accounting policies are disclosed below. Furthermore, the Group has elected to make use of the following practical expedients:

- Completed contracts under IAS 11 and IAS 18 before the date of transition have not been reassessed

- As permitted by paragraph 121 of IFRS 15 the Group does not disclose information about the remaining performance obligations that have original expected durations of one year or less

**IFRS 16 Leases (effective for 2019 financial report)**

IFRS 16 (effective for the year ending 31 March 2020), which supersedes IAS 17 *Leases* and related interpretations, will require all leases to be recognised on the balance sheet, eliminating the distinction between operating and finance leases. This IFRS will thus require the Group to recognise any operating leases as both an asset and a rental commitment in its consolidated statement of financial position. Byotrol does not intend to apply the standard retrospectively and so any difference between the carrying value of the asset created and the corresponding liability will be applied as an adjustment to opening equity at the date of initial application. Any such adjustment is not expected to be material.

**ACCOUNTING POLICIES**

**Revenue**

Based on the adoption of IFRS 15 as noted above, the Group applies the following five steps in order to determine the basis for revenue recognition:

(1) identify the contract with the customer;

(2) identify the separate performance obligations ("POs") in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the separate POs; and

(5) recognise revenue when the vendor satisfies a PO.

Once these factors are determined, 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. The Group's principal revenue streams and their respective accounting treatments are as follows:

*Product Sales*

Sales of goods are recognised when the goods are delivered and the material risks and rewards of ownership have been transferred to a third party (subject to any reservation of title in the event of non-payment)

*Royalty income*

Royalty income from licensing agreements is recognised in accordance with the substance of the relevant agreement (e.g. as a percentage of relevant sales) when the later of the following occurs: (a) the sale or usage occurs; or (b) the performance obligation to which some or all of these royalties has been allocated has been satisfied (or partially satisfied).

*Sale of patents and associated intellectual property*

Sales of patents and associated intellectual property are recognised as revenue transactions where considered to be in the normal course of business as a route to market. Sales are recognised when the performance obligation or obligations in the contract are satisfied and amounts due and expected to be recoverable based on best estimates, discounted where amounts receivable includes amounts falling due after more than one year, where such discount amounts are expected to be material.

*Other agreements*

The Group also enters into other forms of agreement including development agreements and joint marketing agreements. In those circumstances, payment schedules may include initial upfront payments, milestone linked payments and success fees, including royalty payments. The Group recognises revenue from such transactions in accordance with the fair value allocable to the relevant performance obligations contained in the contract as and when the performance obligation is satisfied, either at a point in time or over time in the case of sales or usage based variable royalty arrangements.

**Share based payment charge**

The Group issues equity-settled share-based payments to certain employees, for which it has applied the requirements of *IFRS2 Share-Based Payments*. Equity-settled share-based payments are measured at fair value at the date of grant, such fair value being measured by use of the Black-Scholes model, selected by the Directors as the most appropriate model for this purpose. 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. The risk-free rate approximation was taken as the UK Government 10-year bond yield. Vesting conditions relating to staff retention were based on historical average turnover levels for the appropriate staff levels. Vesting conditions relating to market-based performance conditions were made based upon the best estimates of the Directors.

Group share-based compensation expense was previously presented below EBITDA. The comparatives have been restated to include this expense above EBITDA, as considered to be a fairer presentation.

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 equity reserves.

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.

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.

**Current and deferred 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; and

- 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 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. 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. The Directors consider, given the current stage of the development of the business, that deferred tax assets should not be recognised at this stage due to the unpredictability of the timing of future taxable profit streams.

**R&D tax credits**

The Group claims research and development tax credits and these credits are judged to have characteristics akin to grants. Credits are recognised to the extent there is reasonable assurance they will be received which, given the necessary claims processes, can be some time after the original expense was incurred.

**Defined contribution plans**

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

**Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business (whether as a subsidiary or an asset purchase) comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value on the acquisition date and included as part of the consideration transferred in a business combination.

Acquisition-related costs are expensed as incurred.

Business combinations may result in (inter alia) acquired customer relationships, brands and other intellectual property being recognised as separable intangible assets at their fair value at the date of acquisition. These are valued using discounted cash flow methodology, taking into account a number of key assumptions such as retention and net income. In applying this methodology, certain key judgements and estimates are required to be made in respect of future cash flows together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The key sources of estimation uncertainty with respect to customer relationships are the future retention rate and the income per customer generated from those customers; the key sources of estimation uncertainty with respect to brands are the notional royalty rate which would be payable if those brands were owned by a third party, and their likely useful economic life; and the key sources of estimation uncertainty with respect to other intellectual property are the costs of replicating that property and the length of time (and implied loss of profits) so to do.

Accounting for acquisition-related contingent consideration is based on estimates of future performance of the acquired business over the contractual earn-out period, as measured against the contractually agreed performance targets. If the future results of these businesses differ from the forecasts used for these calculations, there may be a material change in the value of these deferred liabilities which would be recorded in the consolidated statement of profit and loss.

Management judgement is also required in assessing the useful economic lives of these assets for the purpose of amortisation.

**Goodwill**

Goodwill is recorded as the excess of the consideration transferred (plus the amount of any non-controlling interest in the acquired entity, if any, and acquisition-date fair value of any previous equity interest in the acquired entity) over the fair value of the net identifiable assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment.

For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually,

or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Where settlement of any part of cash consideration is deferred (whether because it is contingent or otherwise), the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**Impairment of assets**

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 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. An impairment loss recognised on goodwill is not reversed in a subsequent period.

**Customer relationships**

Customer relationships acquired are recognised as intangible assets at their fair values on acquisition, less any impairment. Customer relationships are amortised on a straight-line basis over 10 years.

**Brands**

Brands acquired are recognised as intangible assets at their fair values on acquisition, less any impairment. Customer relationships are amortised on a straight-line basis over 10 years.

**Research and development activities**

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

The Directors have reviewed the R & D activities and have made judgements on the amount of development expenditure it is appropriate to capitalise. The policy is that an intangible asset (such as new products and processes) arising from the Group's development expenditure is capitalised only if all of the following conditions are met:

- it is probable that future economic benefits from the asset will flow to the entity;
- the cost of the asset can be reliably measured;
- it is technically feasibility of completing the intangible asset (so that it will be available for use or sale);
- the Group intends to complete and use or sell the asset;
- the Group is able to use or sell the asset;
- there is an external market or an internal use for the asset;
- the Group has adequate technical, financial, and other resources to complete the asset; and
- the cost of the asset can be measured reliably

Where no intangible asset can be so recognised, development expenditure is recognised as an expense in the period in which it is incurred. The Group has capitalised development expenditure during the year. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over 10 years on a straight-line basis.

In determining the amortisation policy of an intangible asset, its useful economic life in terms of years is considered. Where a finite useful economic life of an asset can be estimated, amortisation is calculated from the point to which the asset is brought into use and charged to profit and loss over its lifetime.

**Patents, licenses and access to framework agreements**

The costs incurred in purchasing licenses and establishing 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 |
| Framework agreements | over the term of the agreement |

Any gain or loss arising on the disposal of intangible assets is recognised within revenue where considered to be in the normal course of business as a route to market.

**Property, plant and equipment**

Property, plant and equipment is 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:

| | |
|---|---|
| Plant and machinery | 20% - 50% on a straight line basis |
| Computer equipment | 33.3% on a straight line basis |

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 profit or loss.

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.

**Deferred and contingent consideration**

Contingent consideration is initially measured at fair value at the date of completion of the acquisition and may be classified either as equity or a financial liability. The accounting for changes in the fair value of contingent consideration arising on business combinations that do not quality as measurement period adjustments depends on how the contingent consideration is classified:

- amounts classified as a financial liability are subsequently remeasured to fair value at subsequent reporting dates and the corresponding gain or loss is recognised in the Statement of Comprehensive Income

- contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity

Where settlement of any part of cash consideration is deferred (whether because it is contingent or otherwise), the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is either (a) the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions (in respect of contingent amounts to be settled in cash or (b) the Group's cost of equity (in respect of contingent amounts to be settled in equity).

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense through profit and loss.

**Investments**

Investments consist of the Company's subsidiary undertakings. 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**

The Group's financial assets consist of cash, loans, deposits, and receivables and related contract assets. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 as described in the revenue accounting policy above.

In accordance with IFRS 9 the Group recognises lifetime expected credit losses ("ECL") for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate.

In adopting IFRS 9 the Group has applied the Simplified Approach applying a provision matrix to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions. The Directors applied a percentage "probability of default" to the receivables balance related to the underlying credit rating of the customer which resulted in a hypothetical expected default amount which was not material to the Group's financial statements. A specific 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. The Group has not to restate comparatives in respect of the application of IFRS 9.

**Contract assets**

Contract assets represent assets resulting from balance sheet reclassifications arising from the adoption of IFRS 15 and relating to income recognised but not yet invoiceable.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and are classified accordingly in the financial statements.

### 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 costs

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.

### 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 profit or loss. 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 in other comprehensive income 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.

## 1 SEGMENTAL INFORMATION

Byotrol plc manufactures products based on anti-microbial technology in the United Kingdom ("UK") and also generates revenues from licensing, joint development agreements and sale of patents and associated intellectual property where considered to be in the normal course of business as a route to market. Its customers are based in the UK, North America and the Rest of the World. Financial information is reported to the Board on three reportable segments, being Professional, Consumer and Pet with revenue and gross profits split by operating segments. Segment revenues comprise sales to external customers and excludes gains arising on the disposal of property, plant & equipment and finance income. Segment profit reported to the Board represents the profit earned by each segment before the allocation of central overheads, Directors' salaries, finance costs and tax. For the purposes of assessing segment performance and for determining the allocation of resources between segments, the board reviews the current assets attributable to each segment as well as the financial resources available. All trade receivable assets are allocated to reportable segments. Other current 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 on the basis of revenue earned. Information is reported to the board of Directors on a product sale, licence & royalty fee and other development 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.

Revenue recognised in Consolidated Statement of Comprehensive Income is analysed as follows:

| | **2019**<br>**£'000** | **2018**<br>**£'000**<br>(restated) |
|---|---|---|
| Product sales | 3,503 | 1,648 |
| Royalty and licensing income | 226 | 172 |
| Sale of patents and associated intellectual property | 1,931 | - |
| **Revenue** | **5,660** | **1,820** |

The Group considers the Group's revenue lines to be split into three reportable segments; being Professional (including food service, food manufacturing, industrial and health), Consumer and Pet. This disclosure correlates with the information which is presented to the Group's Chief Decision Maker, the Board. The Group's revenue, profit or loss before taxation and net assets were all derived from its principal activities.

Segmental information is presented using Group policies.

| **Year ended 31 March 2019** | **Professional**<br>**£'000** | **Consumer**<br>**£'000** | **Pet**<br>**£'000** | **Total**<br>**£'000** |
|---|---|---|---|---|
| **REVENUE** | | | | |
| United Kingdom | 2,254 | 164 | 283 | 2,701 |
| North America | 5 | 2,020 | - | 2,025 |
| Rest of World | 451 | - | 483 | 934 |
| **Total revenue** | **2,710** | **2,184** | **766** | **5,660** |
| Cost of sales | (1,617) | - | (438) | (2,055) |
| **Gross profit** | **1,093** | **2,184** | **328** | **3,605** |

Centrally incurred income and expenditure not attributable to individual segments:

| | |
|---|---|
| Sales and marketing costs | (963) |
| Research and development costs | (436) |
| Other administrative costs excluding costs directly attributable to acquisition of subsidiary | (1,210) |
| Costs directly attributable to acquisition of subsidiary | (118) |
| Depreciation and amortisation | (562) |
| Share-based payments | (60) |
| Finance income | 41 |

| | |
|---|---|
| Finance costs | (191) |
| Research and development (R & D) tax credits | 124 |
| **Profit before tax** | **230** |

Included within the revenues of the Professional segment is revenue of £0.19m relating to customer A (2018: £0.24m). Included within the revenues of the Pet segment is revenue of £0.29m relating to customer B (2018: £0.25m). Included within the revenues of the Consumer segment is revenue of £1.93m relating to customer C (2018: £nil).

| | *Continuing operations* | | | |
|---|---|---|---|---|
| **Year ended 31 March 2018** | Professional £'000 | Consumer £'000 | Pet £'000 | Total £'000 |
| **REVENUE (RESTATED)** | | | | |
| United Kingdom | 891 | 172 | 283 | 1,346 |
| North America | 3 | - | - | 3 |
| Rest of World | 23 | - | 448 | 471 |
| Total revenue | 917 | 172 | 731 | 1,820 |
| Cost of sales | (742) | - | (387) | (1,129) |
| **Gross Profit (restated)** | 175 | 172 | 344 | 691 |

| Central income and expenditure not attributable to individual segments: | |
|---|---|
| Sales and marketing costs | (549) |
| Research and development costs | (451) |
| Other administrative costs | (1,095) |
| Depreciation and amortisation | (176) |
| Share-based payments | (67) |
| Expense on amendment of convertible loan note terms | (26) |
| Finance income | 3 |
| Finance costs | (24) |
| Research and development (R & D) tax credits | 129 |
| Loss before tax (restated) | (1,565) |

The Group's operations are located in the United Kingdom.

The following table provides an analysis of the Group's current assets and current liabilities, where identifiable, by segment.

| **Year ended 31 March 2019** | Professional £'000 | Pet £'000 | Consumer £'000 | Total £'000 |
|---|---|---|---|---|
| Segment current assets | 2,594 | 615 | 1,800 | 5,009 |
| Segment current liabilities | 1,756 | 113 | 89 | 1,958 |

| **Year ended 31 March 2018** | Professional £'000 | Pet £'000 | Consumer £'000 | Total £'000 |
|---|---|---|---|---|
| Segment current assets (restated) | 1,481 | 2,007 | 1,482 | 4,970 |
| Segment current liabilities | 226 | 121 | 247 | 594 |

## 2 PROFIT / (LOSS) BEFORE TAX

Profit / (Loss) before tax is stated after charging/(crediting)

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Amortisation | 538 | 157 |
| Depreciation of property, plant and equipment | 24 | 19 |
| Auditor's remuneration | | |
| - as auditor | 55 | 34 |
| - other services | 1 | 2 |
| Research & development costs | 436 | 451 |
| Research and development (R & D) tax credits | (124) | (129) |
| Operating lease costs – office rent | 82 | 82 |
| Impairment of trade receivables | 16 | 82 |
| Foreign exchange differences | 1 | 5 |

Amounts payable to Mazars LLP and their associates in respect of both audit and non-audit services:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Audit Services** | | |
| Statutory audit of parent and consolidated financial statements | 30 | 28 |
| **Other Services** | | |
| Audit of subsidiaries where such services are provided by Mazars LLP and their associates | 25 | 6 |
| Other services | 1 | 2 |
| | 56 | 36 |

## 3 PARTICULARS OF EMPLOYEES

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

| | 2019 No. | 2018 No. |
|---|---|---|
| Executive Directors | 2 | 2 |
| Research and development | 7 | 8 |
| Administration | 7 | 5 |
| Sales | 12 | 3 |
| | 28 | 18 |

The aggregate payroll costs for the Group, including Directors' emoluments, of the above were:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Wages and salaries | 1,346 | 854 |
| Social security costs | 153 | 97 |
| Other pension costs | 34 | 19 |
| | 1,533 | 970 |

Only the Directors are employed by the Company and the payroll costs are disclosed within the Directors remuneration report.

## 4 DIRECTORS' EMOLUMENTS

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

| | 2019 | 2018 |
|---|---|---|

| | £'000 | £'000 |
|---|---|---|
| Emoluments receivable | 303 | 266 |
| Total emoluments | 303 | 266 |

The emoluments of the highest paid director were:

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Emoluments receivable | 134 | 118 |
| | 134 | 118 |

| | 2019<br>Number | 2018<br>Number |
|---|---|---|
| Number of Directors accruing benefits under money purchase scheme | - | - |

## 5 FINANCE (EXPENSE) / INCOME

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Other interest payable | 13 | 24 |
| Finance charge on liabilities relating to contingent consideration | 178 | - |
| Total finance expense | 191 | 24 |
| Finance income arising from unwinding of discounting of non-current contract assets | 20 | - |
| Bank interest receivable | 21 | 3 |
| Total finance income | 41 | 3 |

## 6 TAXATION

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Corporation tax at 19% (2018: 19%) | 13 | - |
| Research and development tax credits received | - | - |
| Total current tax | 13 | - |
| Deferred tax credit | (24) | - |
| | (11) | - |

The current tax charge arises on post-acquisition profits of Medimark only. There is no other current charge due to utilisation of unrecognised trading losses during the year (refer to critical judgements re continuing non-recognition of deferred tax assets on page 47). At 31 March 2019 the Group had an unrecognised deferred tax asset relating to unutilised trading losses and other temporary differences of £3,033,000 (2018: £3,253,000).

**Deferred tax**

The movements in recognised deferred income tax assets during the year were as follows:

| | Trading losses<br>£'000 | Total<br>£'000 |
|---|---|---|
| At 1 April 2018 | - | - |
| Recognised on business combinations | 13 | 13 |
| Utilised against current tax charge | (13) | (13) |

| | | |
|---|---|---|
| **At 31 March 2019** | - | - |

The deferred income tax assets have only been recognised to the extent that it is considered probable that they can be recovered against future taxable profits based on profit forecasts for the foreseeable future.

The movements in deferred income tax liabilities during the year were as follows:

| | **Intangibles £'000** | **Total £'000** |
|---|---|---|
| At 1 April 2018 | - | - |
| Recognised on business combinations | 465 | 465 |
| Recognised in profit or loss | (24) | (24) |
| **At 31 March 2019** | **441** | **441** |

Legislation to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020 has been enacted. The deferred tax balances within these financial statements have been assessed to reflect these rates within the period that any related timing difference is expected to reverse.

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

| | **2019** | **2018** |
|---|---|---|
| | **£'000** | **£'000** |
| Profit / (Loss) for the year | 230 | (1,565) |
| Profit / (Loss) on ordinary activities before tax | 230 | (1,565) |
| Tax at the UK corporation tax rate of 19% (2018: 19%) | 43 | (297) |
| Expenses not deductible for tax purposes | 8 | 3 |
| Tax losses utilised | (53) | - |
| Unrecognised, unrelieved tax losses | - | 294 |
| Total tax | - | - |

## 7 EARNINGS PER SHARE

### Statutory earnings per share

The calculation of basic and diluted EPS is based on the following data:

| | **2019 £'000** | **2018 £'000** |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent | 230 | (1,565) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 430,885,271 | 345,229,785 |
| Effect of dilutive potential ordinary shares: | 2,050,000 | - |
| - in-the-money share options | | |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 432,935,271 | 345,229,785 |

| | | |
|---|---|---|
| Earnings / (Loss) per ordinary share – basic | 0.05p | (0.45)p |
| Earnings / (Loss) per ordinary share – fully diluted | 0.05p | (0.45)p |

The Group has one category of potentially dilutive ordinary share, being those share options granted to employees where the exercise price (plus the remaining expected charge to profit under IFRS 2) is less than the average price of the Company's ordinary shares during the period. The weighted average number of shares for the calculation of diluted earnings per share is computed using the treasury share method.

**Adjusted earnings per share**

Adjusted EPS is calculated as follows:

| | **2019 £'000** | **2018 £'000** |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent | 230 | (1,565) |
| Adjusting items: | | |
| - costs directly attributable to acquisition of subsidiary | 118 | - |
| - amortisation of acquisition-related intangibles | 179 | |
| - share-based payments | 60 | 67 |
| - finance charge on liabilities relating to contingent consideration | 178 | - |
| - expense on amendment of convertible loan note terms | - | 26 |
| - R&D tax credits | (124) | (129) |
| **Adjusted earnings** | 641 | (1,601) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 430,885,291 | 345,229,785 |
| Effect of dilutive potential ordinary shares: | 2,050,000 | - |
| - in-the-money share options | | |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 432,935,291 | 345,229,785 |
| Adjusted earnings / (Loss) per ordinary share – basic | 0.15p | (0.46)p |
| Adjusted earnings / (Loss) per ordinary share – fully diluted | 0.15p | (0.46)p |

The criteria for inclusion of adjusting items in the calculation of adjusted EPS is income or expenditure that is material and arises either from an irregular and significant event or for which the income/expenditure is recognised in a pattern that is unrelated to the underlying operational performance. Materiality is defined as an amount which, to a user, would be expected to influence the decision making and understandability of the financial statements. Acquisition costs include legal and other professional costs incurred directly related to the acquisition of businesses. Adjustments for share based payment charges occurs because (a) once the cost has been calculated, the Directors cannot influence the share based payment charge incurred in subsequent years and (b) the value of the share option to the employee differs considerably in value and timing from the actual cash cost to the Group. Finance charges on liabilities relating to contingent consideration are non-cash costs reflecting the time value of money in arriving at the fair value of such liabilities and the effluxion of time over the period for which they are outstanding. Amortisation of acquisition-related intangibles relates to the amortisation of intangible assets in respect of customer relationships and brands which are recognised on a business combination and are non-cash in nature.

## 8 PROPERTY, PLANT & EQUIPMENT

| **Group** | Computer equipment £'000 | Plant and Machinery £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2018 | 52 | 94 | 146 |
| Additions | 3 | 20 | 23 |
| Acquired as part of business combination | 14 | - | 14 |
| At 31 March 2019 | 69 | 114 | 183 |

| **Depreciation** | | | |
|---|---|---|---|
| At 1 April 2018 | 28 | 73 | 101 |
| Charge for the year | 16 | 8 | 24 |
| At 31 March 2019 | 44 | 81 | 125 |
| | | | |
| **Net Book Value** | | | |
| At 31 March 2019 | 25 | 33 | 58 |

| **Group** | Computer equipment £'000 | Plant and Machinery £'000 | Total £'000 |
|---|---|---|---|
| Cost | | | |
| At 1 April 2017 | 75 | 81 | 156 |
| Additions | 6 | 13 | 19 |
| Disposal | (29) | - | (29) |
| At 31 March 2018 | 52 | 94 | 146 |
| Depreciation | | | |
| At 1 April 2017 | 44 | 68 | 112 |
| Charge for the year | 14 | 5 | 19 |
| On disposal | (29) | - | (29) |
| At 31 March 2018 | 29 | 73 | 102 |
| Net Book Value | | | |
| At 31 March 2018 | 23 | 21 | 44 |

## 9 INTANGIBLE ASSETS

| Group | Goodwill £'000 | Other Intangible Assets £'000 | **Total** £'000 |
|---|---|---|---|
| Cost | | | |
| At 1 April 2018 | - | 1,318 | 1,318 |
| Additions | - | 283 | 283 |
| Created as part of a business combination | 391 | - | 391 |
| Acquired as part of a combination | - | 2,929 | 2,929 |
| Disposal | - | (296) | (296) |
| At 31 March 2019 | 391 | 4,234 | 4,625 |
| Amortisation | | | |
| At 1 April 2018 | - | 632 | 632 |
| Acquired as part of a business combination | - | - | - |
| Charge for the year | - | 538 | 538 |
| Disposal | - | (296) | (296) |
| At 31 March 2019 | - | 874 | 874 |
| **Net Book Value** | | | |
| **At 31 March 2019** | **391** | **3,360** | **3,751** |

Other Intangible Assets

| Group | Framework Access Rights | Customer relationships | Brands | Development costs | Patents and licences | **Total** |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | **£'000** |
| Cost | | | | | | |
| At 1 April 2018 | 114 | - | - | 378 | 826 | 1,318 |
| Additions | - | - | - | 226 | 57 | 283 |
| Created as part of a business combination | - | - | - | - | - | - |
| Acquired as part of a combination | - | 1,861 | 567 | 501 | - | 2,929 |
| Disposal | - | - | - | (147) | (149) | (296) |
| At 31 March 2019 | 114 | 1,861 | 567 | 958 | 734 | 4,234 |
| Amortisation | | | | | | |
| At 1 April 2018 | 56 | - | - | 79 | 497 | 632 |
| Acquired as part of a business combination | - | - | - | - | - | - |
| Charge for the year | 58 | 113 | 34 | 177 | 156 | 538 |
| Disposal | - | - | - | (147) | (149) | (296) |
| At 31 March 2019 | 114 | 113 | 34 | 109 | 504 | 874 |
| **Net Book Value** | | | | | | |
| **At 31 March 2019** | **-** | **1,748** | **533** | **849** | **230** | **3,360** |

The amortisation charge for the year includes accelerated amortisation of £99,000 on patents and £100,000 on development costs linked to the period over which the revenue performance obligation on a major contract was satisfied.

### Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group's CGUs are defined as its subsidiaries, because they represent the smallest identifiable group of assets that generate cash flows. The only subsidiary to which goodwill has been allocated is Medimark. The Medimark CGU comprises the brands, contracts and customer relationships acquired as part of the Medimark Acquisition, as well as certain IP and the related workforce. Given the opportunity to leverage this expertise across Byotrol's existing business and the ability to exploit the Group's thus enlarged customer base, the fair value of the net assets acquired by way of the Acquisition was deemed to be greater than the assessed book value of the net assets as recognised in the financial statements of Medimark, thus leading to the recognition of an amount of goodwill at the date of acquisition.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill is determined from value-in-use calculations which require the use of assumptions as follows:

(i) The operating cash flows for this business for the year to 31 March 2020 are taken from the budget approved by the Board which is closely linked with recent historical performance and current expected levels of activity. The operating cash flows for the years to 31 March 2021 and 2022 are taken from longer-term planning projections also approved by the Board. Operating cash flows for 2023 and 2024 are projected based on the 2022 figures assuming nil real sales growth and a slight reduction in marketing expenditure concomitant with this revenue growth rate. The operating cash flow budget is most sensitive to sales of products containing Medimark's HLD formulation (which accounts for some 2/3 of projected sales in 2020);

(ii) Growth has been assumed in operating cash flows for the remainder of the value in use in line with short term expectations as well as longer-term growth expectations for the cleaning products in the market. Revenue growth after 5 years is forecast at nil in real terms (2% nominal); and

(iii) A pre-tax discount rate of 10.6% has been used (being the weighted average cost of capital of Medimark)

Cash flow projections beyond the 5-year period are extrapolated and incorporate a terminal value; this is considered appropriate as the Group has an increasing revenue base and the Group continues to invest

in the development of the products via this CGU.

The key assumptions for the value in use calculations are those regarding growth rates, discount rates and expected changes to selling prices and direct costs during the period. Changes in selling prices and direct costs, if any, are based on expectations of future changes in the market.

Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money.

*Sensitivity to changes in assumptions*

The Group has conducted a sensitivity analysis on the impairment test of the goodwill's carrying value which reflects the risk profile of the Medimark CGU. The Group believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount. This view is based upon inherently judgemental assumptions, however, it takes account of the headroom in the value in use calculation versus the current carrying value.

*Conclusion*

The Directors have concluded that, based on the above, recoverable value exceeds the carrying value of the goodwill at 31 March 2019.

| Group | Development costs £'000 | Patents and licences £'000 | Framework access rights £'000 | Total £'000 |
|---|---|---|---|---|
| Cost | | | | |
| At 1 April 2017 | 353 | 743 | 70 | 1,166 |
| Additions | 25 | 83 | 44 | 152 |
| Disposal | - | - | - | - |
| At 31 March 2018 | 378 | 826 | 114 | 1,318 |
| Amortisation | | | | |
| At 1 April 2017 | 44 | 431 | - | 475 |
| Charge for the year | 35 | 66 | 56 | 157 |
| Disposal | - | - | - | - |
| At 31 March 2018 | 79 | 497 | 56 | 632 |
| **Net Book Value** | | | | |
| **At 31 March 2018** | **299** | **329** | **58** | **686** |

| Company | 2019 Patents and Licences £'000 | 2018 Patents and Licences £'000 |
|---|---|---|
| Cost | | |
| At 1 April | 826 | 743 |
| Additions | 57 | 83 |
| Disposal | (149) | - |
| At 31 March | 734 | 826 |
| Amortisation | | |
| At 1 April | 497 | 431 |
| Charge for the year | 156 | 66 |
| Impairment | - | - |
| Disposal | (149) | - |
| At 31 March | 504 | 497 |
| Net Book Value | | |

| | | |
|---|---|---|
| At 31 March | 230 | 329 |

The intangible assets relate to the development of patents and also to the acquisition of the Byofresh licence.

All patent and licences of the Group are developed internally.

## 10 INVESTMENTS IN SUBSIDIARIES

| COMPANY | Shares in Subsidiary Undertakings 2019 £'000 | Shares in Subsidiary Undertakings 2018 £'000 |
|---|---|---|
| At 1 April | 2,674 | 2,597 |
| Additions | | 44 |
| *Additions in relation to the acquisition of subsidiary:* | | |
| Initial cash consideration | 974 | - |
| Initial equity consideration | 884 | - |
| Contingent purchase consideration estimated to be paid in cash (at fair value on acquisition) | 378 | - |
| Contingent purchase consideration expected to be settled in equity (at fair value on acquisition) | 261 | - |
| | | - |
| Additions relating to share options issued to subsidiary employees | 48 | 33 |
| At 31 March | 5,219 | 2,674 |

The amount disclosed above of £0.97m in respect of the initial cash consideration in relation to the acquisition of a subsidiary differs from the amount disclosed in Note 21 principally due to an amount settled directly by Medimark in respect of directors' loan accounts which is included in the overall cost of the acquisition to the Group.

Details of all subsidiary undertakings included in the consolidated financial statements are as follows:

| | Country of incorporation | Holding | Proportion of voting rights and shares held | Nature of business | Address |
|---|---|---|---|---|---|
| Byotrol Technology Limited | England | Ord SC | 100% | Anti-microbial products | Address is same as Byotrol PLC |
| Byotrol Inc | United States | Ord SC | 100% | Anti-microbial products | PO Box 18514, GA, 30326, USA |
| Byotrol Consumer Products | England | Ord SC | 100% | Anti-microbial products | Thornton Science Park, Ince, CH2 4NU |
| Winchpharma (Consumer Healthcare) | England | Ord SC | 100% | Anti-microbial products | Thornton Science Park, Ince, CH2 4NU |
| Medimark Scientific Limited | England | Ord SC | 100% | Anti-microbial products | Lords Court, Basildon, SS13 1SS |
| Ebiox Limited | England | Ord SC | 100% | Anti-microbial products | Lords Court, Basildon, SS13 1SS |

## 11 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Raw materials and consumables | 22 | 42 | - | - |
| Finished goods and goods for resale | 394 | 143 | - | - |

| | | | | |
|---|---|---|---|---|
| | 416 | 185 | - | - |

Included above are inventories of £ Nil (2018: £nil) carried at net realisable value.

Inventories recognised as an expense during the year ended 31 March 2019 amounted to £1,726,000 (2018: £956,000). These were included in cost of sales in the Consolidated Statement of Comprehensive Income.

Write-downs of inventories to net realisable value amounted to £7,000 (2018: £38,000). These were recognised as an expense during the year ended 31 March 2019 and included in cost of sales in the Consolidated Statement of Comprehensive Income.

No earlier write downs were reversed during the current or preceding period.

## 12 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

| | Group 2019 Current | Group 2019 Non- Current | Group 2019 TOTAL | Group 2018 Current | Group 2018 TOTAL |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Trade receivables | 932 | - | 932 | 382 | 382 |
| Other tax repayable | 15 | - | 15 | 92 | 92 |
| Other receivables | 293 | - | 293 | 254 | 254 |
| Total trade and other receivables | 1,240 | - | 1,240 | 728 | 728 |
| Contract assets | 275 | 176 | 451 | - | - |
| Prepayments | 281 | - | 280 | 204 | 204 |
| | 1,796 | 176 | 1,971 | 932 | 932 |

| | Company 2019 Current | Company 2019 Non- Current | Company 2019 TOTAL | Company 2018 Current | Company 2018 TOTAL |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Trade receivables | 83 | - | 83 | - | - |
| Other tax repayable | 17 | - | 17 | 55 | 55 |
| Amount owed by group undertakings | 2,058 | - | 2,058 | 438 | 438 |
| Other receivables | - | - | - | 7 | 7 |
| Total trade and other receivables | 2,158 | - | 2,158 | 500 | 500 |
| Contract assets | 275 | 176 | 451 | - | - |
| Prepayments | 54 | - | 54 | 22 | 22 |
| | 2,487 | 176 | 2,663 | 522 | 522 |

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group had 54 days of revenue outstanding in trade receivables as at 31 March 2019 (2018: 43 days). Included within trade receivables is £180,000 (2018: £126,000) denominated in US dollars and £nil (2018: £nil) denominated in Euros.

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

The Group's credit risk is primarily attributable to trade receivables and contract assets. All trade receivables and contract assets have been reviewed for impairment. Unless specific agreement has been reached with individual customers, sales invoices are due for payment either 30 or 60 days after the date of the invoice. Where customers delay making payment, an assessment of the potential loss of customer goodwill arising from the enforcement of contractual payment terms may take place when considering actions to be taken to secure payment. Trade receivables include amounts that are past due at the reporting date for which no

allowance for doubtful debts has been recognised because these amounts are still considered to be recoverable. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group has concentration of credit risk with exposure to three major customers whose year end balances totalled £427,000 (2018: £1,193,000).

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Impairment brought forward | 86 | 4 | 12,059 | 12,059 |
| Amounts written off | (2) | - | - | - |
| Amounts recovered | (25) | - | - | - |
| Specific impairment charge | 16 | 82 | - | - |
| Additional expected credit loss provision | 25 | - | - | - |
| Impairment carried forward | 100 | 86 | 12,059 | 12,059 |

In line with the accounting 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 Company in previous periods, it is reasonable to continue to reflect an impairment in the value of short-term loans and trading advance made to its subsidiaries by the Company, with no change to impairment in the current year. This impairment has been reflected in the financial statements of the Company. The Company continues to reflect an impairment of historic group undertaking amounts totalling £12,059,000 (2018: £12,059,000). Amounts owed by group undertakings have been reviewed and no further impairment is required.

Contract assets represent amounts relating to revenue recognised at the date of the statement of financial position but not yet due or invoiceable under the terms of the contract. These arise most typically for the Group in sales or licenses of IP and/or know-how where the consideration is structured as an upfront payment followed by a series of additional payments, which may comprise fixed sums or sums relating to some measure of (for example) sales made by the purchaser of the IP using the relevant products and/or in the relevant geography. Such payments may extend over several years. Under IFRS 15, if the contract is a "right to use" contract, then the upfront and fixed payments are recognised on transfer of the license or IP at their aggregate present value using an imputed cost of funds. Longer term contracts which give rise to contract assets may contain continuing obligations on the part of Byotrol (for example, to provide updates or improvements to the IP transferred to the extent achieved) but such obligations are typically immaterial to the contract overall.

No impairments have been made in respect of contract assets recognised as at the balance sheet date.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of a provision matrix to measure the lifetime expected losses.

To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and the days past due. The expected loss rates are based on representative historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

The aging analysis of the trade receivables and related specific provisions for impairment as at 31 March 2019 and as at 31 March 2018 were as follows:

Debt age – "days overdue"

| **2019** | **Current** | **0-30 Days** | **31-60 Days** | **61-90 Days** | **91-120 days** | **Over 120 Days** | **Total** |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross | 630 | 157 | 38 | 50 | 27 | 130 | 1,032 |
| Specific impairment | - | - | - | - | - | (75) | (75) |
| Carrying value before additional expected credit loss | 630 | 157 | 38 | 50 | 27 | 55 | 957 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| provision | | | | | | | |
| Additional expected credit trade loss provision | - | (1) | (2) | (5) | (7) | (10) | (25) |
| Trade receivables Value (£) | 630 | 156 | 36 | 45 | 20 | 45 | 932 |
| % of total | 66 | 16 | 4 | 5 | 3 | 6 | 100 |

| **2018** | **Current** | **0-30 Days** | **31-60 Days** | **61-90 Days** | **91-120 days** | **Over 120 Days** | **Total** |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross | 1,250 | 73 | 37 | 41 | 50 | 111 | 1,562 |
| Specific impairment | - | - | - | - | (16) | (70) | (86) |
| Trade receivables Value (£) | 1,250 | 73 | 37 | 41 | 34 | 41 | 1,476 |
| % of total | 85 | 5 | 2 | 3 | 2 | 3 | 100 |

The additional expected credit loss provision for trade receivables as at 31 March 2019 is determined as follows:

| In £'000 | Expected loss rate (%) | Carrying amount after specific provision | Additional expected credit loss |
|---|---|---|---|
| Not past due | 0.3% | 630 | 2 |
| Past due up to 30 days | 0.7% | 157 | 1 |
| Past due between 30 and 60 days | 3% | 38 | 1 |
| Past due between 61 and 90 days | 6% | 50 | 3 |
| Past due between 91 and 120 days | 7% | 27 | 2 |
| Past due after 120 days | 18% | 55 | 10 |
| | 26% | 957 | 25 |

The application of the expected credit risk model under IFRS 9 did not result in an equity impact at 1 April 2018. The ageing analysis for the trade receivables and related specific provisions for impairment as at 31 March 2019 (before incremental expected credit loss provision) and as at 31 March 2018 were as follows:

As at 31 March 2019, £285,000 (2018: £Nil) of trade receivables had been sold to a provider of invoice discounting and debt factoring services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. The proceeds from transferring the debtors of £245,000 (2018: £Nil) are included in other financial liabilities until the debts are collected.

## 13 CASH AND CASH EQUIVALENTS

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

Cash held by the Group is with UK-based banks £2,797,000 (2018: £3,845,000) and a limited amount £28,000 (2018: £10,000) with one US bank. All amounts held by the Company totalling £1,556,000 (2018: £3,517,000) are with UK-based banks.

## 14 TRADE AND OTHER PAYABLES

| | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|
| **Current:** | £'000 | £'000 | £'000 | £'000 |
| Trade payables | 842 | 335 | 125 | 57 |
| Other taxes & social security taxes | 45 | 31 | 11 | 10 |
| Accruals and deferred income | 303 | 184 | 66 | 105 |
| Other payables | 248 | 44 | - | 44 |
| | **1,438** | **594** | **202** | **216** |

In both the Group and Company, the carrying amount of trade and other payables approximates to their fair values. Included in trade payables is £80,000 (2018: £27,000) denominated in US dollars and £ 20,000 (2018: £9,000) denominated in Euros.

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

Payables age – "days past due" at balance sheet date

| 2019 | Current | 0-30 Days | 31-60 Days | 61-90 Days | 91-120 days | Over 120 Days | Total |
|---|---|---|---|---|---|---|---|
| Trade payables | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | 522 | 205 | 95 | 1 | 10 | 9 | 842 |
| % | 62 | 24 | 11 | 0 | 1 | 1 | 100 |

| 2018 | Current | 0-30 Days | 31-60 Days | 61-90 Days | 91-120 days | Over 120 Days | Total |
|---|---|---|---|---|---|---|---|
| Trade payables | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | 210 | 75 | 14 | - | 36 | - | 335 |
| % | 63 | 22 | 4 | 0 | 11 | - | 100 |

## 15 FINANCIAL INSTRUMENTS

Details of the methods adopted for the categorisation and measurement of financial assets and liabilities are set out in the accounting policies.

### 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. A sensitivity analysis of the Group's foreign exchange exposure is not presented as the risk is considered to be insignificant.

### Interest rate risk

The Group is exposed to minimal interest rate risk arising on cash and cash equivalent balances and bank loans and overdrafts in the prior year. The Group does not consider that it is significantly exposed to interest rate risk, either in the current or prior year, and therefore an interest rate sensitivity analysis is not presented.

**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.

**Liquidity risk**

All of the Group's financial instruments, apart from the deferred consideration payable over one year, have been classified as current. The Group's ability and approach to manage its liquidity position is set out in its going concern accounting policy.

**Credit risk**

The Group's principal financial assets comprise cash and cash equivalents and trade and other receivables. As these instruments are conventional risks, they are managed on the simple basis of credit terms, credit worthiness and cash collection or settlement. Further details on trade receivables, including analysis of bad debts and ageing, are given in note 12.

In order to manage credit risk, the Group sets limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Balances that are beyond agreed terms, are actively followed up to ensure collection.

## 16 COMMITMENTS UNDER OPERATING LEASES

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

| | Group 2019 £'000 | Group 2018 £'000 | Company 2019 £'000 | Company 2018 £'000 |
|---|---|---|---|---|
| Amounts due: | | | | |
| - within one year | 24 | 35 | - | 35 |
| - in second to fifth years inclusive | 32 | 1 | - | 1 |
| - in more than five years | - | - | - | - |
| | 56 | 36 | - | 36 |

IFRS 16 Leases (effective for the year ending 31 March 2020), which supersedes IAS 17 Leases and related interpretations, will require all leases to be recognised on the balance sheet, eliminating the distinction between operating and finance leases. The Group has one operating lease arrangement which would require recognition under IFRS 16, the impact of which, if adopted as at 1 April 2019, would be to recognise lease liabilities of approximately £55,000 and a corresponding Right-to-Use asset of approximately £54,000.

In applying the standard retrospectively, the Group intends to take advantage of the practical expedient available in IFRS 16 C5(b) and not restate comparatives; accordingly any difference between the carrying value of the assets created and the corresponding liabilities will be applied as an adjustment to opening equity at the date of initial application.

## 17 SHARE BASED PAYMENTS

The Company has granted equity-settled share options to certain directors and employees. The exercise price is equal to or more than market value of the shares at the date of grant. 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |

| | | (in p) | | (in p) |
|---|---|---|---|---|
| Outstanding at beginning of year | 39,339,250 | 5.19 | 33,532,500 | 5.40 |
| Share options granted during the year | 5,000,000 | 2.10 | 14,516,750 | 4.00 |
| Share options lapsed during the year | (2,891,000) | 3.77 | (8,710,000) | 4.02 |
| Outstanding at the end of the year | 41,448,250 | 4.10 | 39,339,250 | 5.19 |

The number of options exercisable at 31 March 2019 is 7,200,000 (2018: 7,200,000).

The Group recognised the following expenses related to share based payments:

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Charged to Consolidated Statement of Comprehensive Income | 60 | 67 |

Of this amount, £48,000 (2018: £33,000) relates to costs of share options issued to subsidiary employees.

The fair value of options granted under the employee option schemes is measured using the Black-Scholes model.

| | New Grants<br>EMI Scheme | Executive Scheme |
|---|---|---|
| Grant date | 28 December 2018 | 28 January 2019 |
| Share price at grant date | 1.67p | 1.98p |
| Exercise price | 2.00p | 2.10p |
| Number of employees | 2 | 1 |
| Share options granted | 3,000,000 | 2,000,000 |
| Vesting period (years) | 1 | 1 |
| Expected volatility | 44.8% | 46.1% |
| Option life (years) | 10 | 10 |
| Expected life (years) | 5.5 | 5.5 |
| Risk free rate | 0.71 | 0.71 |
| Expected dividends expressed as a dividend yield | - | - |
| Fair value per option | 0.60p | 0.80p |

The options outstanding at 31 March 2019 had a weighted average exercise price of 4.1p (2018: 5.19p) and a weighted average remaining contractual life of 4.1 years (2018: 5.1 years).

The aggregate of the estimated fair values of the options granted in the year is £0.10m (2018: £0.58m).

At 31 March 2019 there were options outstanding over 41,448,250 (2018: 39,339,250) ordinary shares of 0.25p each which are exercisable at prices in the range from 2.0p to 13p under the company's various share option schemes exercisable at various times until 14 April 2025.

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.

Fees for Dr Medinger are paid to Medinger Associates and amounted to £24,000 (2018: £24,000).

Fees for Sean Gogarty are paid to Grove Strategic Advisors and amounted to £5,667 (2018: £nil).

**Key management personnel**

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

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Short term benefits | 303 | 266 |
| Share based payments | 13 | 35 |
| Total | 316 | 301 |

## 19 OTHER PAYABLES - CONTINGENT CONSIDERATION

| | Group<br>2019<br>£'000 | Group<br>2018<br>£'000 | Company<br>2019<br>£'000 | Company<br>2018<br>£'000 |
|---|---|---|---|---|
| Contingent consideration on the acquisition of Medimark | | | | |
| - estimate of amount due within one year | 520 | - | 520 | - |
| - estimate of amount due after one year | 297 | - | 297 | - |
| | 817 | - | 817 | - |

Part of the consideration for the Medimark Acquisition in August 2018 was contingent on the achievement of certain EBITDA targets in the two years following the acquisition. The contingent amount payable under these arrangements was between £nil and £1.8m; at the balance sheet date the further consideration payable in respect of the first year earn out is expected to be a nominal (undiscounted) amount of at least £0.62m (and potentially more), leaving a balance of £1.18m potentially payable. The amounts disclosed above are fair value estimates based on a probability-weighted analysis of the potential outturns for the EBITDA for the relevant years which determines the amount paid.

The Directors provisionally assessed the fair value at the date of acquisition of the contingent consideration on a similar basis at an aggregate of £1.27m; the difference arising during the measurement period has been credited to goodwill.

## 20 SHARE CAPITAL

| | 2019 | 2018 |
|---|---|---|
| Authorised: | | |
| 537,115,321 (2018: 537,115,321) Ordinary shares of 0.25p each | 1,342,788 | 1,342,788 |

The Ordinary Shares have full equal voting rights, equal participation in dividends, equal participation in distribution on winding up with no redemption rights.

| | No. | £'000 |
|---|---|---|
| Issued and fully paid Ordinary Shares (par value 0.25 pence): | | |
| At 1 April 2018 | 402,836,471 | 1,007 |
| Shares issued | 28,048,800 | 70 |
| At 31 March 2019 | 430,885,271 | 1,077 |

Shares issued comprise 28,048,780 shares issued as part consideration for the Medimark acquisition.

**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.

The Group has no long-term gearing ratio target as it believes that it currently does not have sufficient assets to secure meaningful levels of funding.

**Reserves**

The nature and purpose of each of the reserves included within equity is as follows:

- 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.
- The convertible loan note reserve represented the equity component for the former convertible loan notes issued by the Group
- Retained deficit represent accumulated losses to date.

## 21 BUSINESS COMBINATIONS

Byotrol acquired the entire issued voting capital of Medimark Scientific Limited ("Medimark") on 23 August 2018 (the "Acquisition"). Medimark is a leading provider of biocide-based infection control products and is a profitable and growing business with a broad sales, marketing and distribution expertise. Medimark's infection control products are used on surfaces, instruments and hands for the Animal Health, Human Health, Laboratory, Environment and Retails markets. The company is based in Sevenoaks, Kent and is ISO9001 quality registered with supporting registration under the Medical Device Directive.

Consideration of up to £4.50m is payable in respect of the Acquisition including certain debt assumed by Byotrol (including an invoice discount facility and directors' loan accounts). Initial consideration valued at a nominal £2.30m was paid on completion, being £1.15m in cash and £1.15m settled by the issue of 28,048,780 new ordinary shares (subject to working capital adjustments and other retentions). An additional £1.80m of consideration is payable subject to Medimark achieving EBITDA targets of £500,000 and £650,000 respectively (subject to certain adjustments if the first year target is missed or exceeded) in the years to 31 March 2019 and 31 March 2020.

This contingent consideration payable half in cash and half in new ordinary shares to be issued at a price determined by reference to an average market price over 15 days.

The amounts recognised in respect of identifiable assets and liabilities acquired is set out in the table below.

| | Book value<br>£'000 | Adjustment<br>£'000 | Fair value<br>£'000 |
|---|---|---|---|
| Intangible non-current assets | | | |
| - customer relationships | - | 1,861 | 1,861 |
| - brands | - | 567 | 567 |
| - capitalised development costs | 194 | 307 | 501 |
| Tangible non-current assets | 13 | - | 13 |
| Other investments | 15 | (15) | - |
| Stock | 160 | - | 160 |
| Trade Receivables | 366 | - | 366 |
| Other debtors | 47 | - | 47 |
| Deferred tax (note 6) | - | 13 | 13 |
| Total identifiable assets acquired | 795 | 2,733 | 3,528 |
| Trade payables | (381) | - | (381) |
| Other payables – current | (25) | (8) | (33) |
| Other payables – non-current | (134) | 24 | (110) |
| Deferred tax liability | - | (465) | (465) |
| Total identifiable liabilities acquired | (540) | (449) | (989) |
| **Net assets/(liabilities) acquired** | **255** | **2,284** | **2,539** |
| Goodwill on acquisition | | | 391 |
| **Fair value of assets acquired** | | | **2,930** |
| Initial cash consideration paid net of £47,000 cash acquired | | | 1,178 |
| Debt assumed on acquisition | | | 229 |
| Initial equity consideration | | | 884 |
| Contingent purchase consideration estimated to be paid in cash (at fair value on acquisition) | | | 378 |
| Contingent purchase consideration expected to be settled in equity (at fair value on acquisition) | | | 261 |
| **Fair value of total consideration payable** | | | **2,930** |

In addition to the initial cash consideration of £1.18m shown above, Medimark also settled during the year an amount due to the vendors of its wholly-owned subsidiary Ebiox Limited in respect of deferred consideration liabilities – these are shown in the table above as "other payables – non current" at their fair value of £0.11m and the amount paid included in the "Cash (outflow) on acquisition of businesses net of cash acquired" line in the Consolidated Statement of Cash Flows.

The goodwill recognised above is attributable to intangible assets in Medimark that cannot be individually separated and reliably measured due to their nature. These items include:

- the technical expertise of the acquired workforce
- the opportunity to leverage this expertise across Byotrol's existing business; and
- the ability to exploit the Group's enlarged customer base

The fair value at acquisition of contingent consideration payable in cash of £674,000 was provisionally estimated based on the Board's expectations at the time of the future trading performance of Medimark and how this would be accounted for as EBITDA under the terms of the SPA; the resulting nominal value was discounted at the Group's notional cost of borrowing over the earn-out period.

The fair value at acquisition of contingent consideration to be settled by the issue of equity of £595,000 was estimated similarly; as the fair value also takes into account the value of the equity expected to be issued to settle the liability, the estimate is based also on expected share prices for the Company's ordinary shares. The resulting nominal value was discounted at the Group's cost of equity over the earn-out period, and treated as a financial liability (rather than equity) as it represents a liability that will be settled in a variable number of the Company's ordinary shares.

Medimark contributed approximately £1.8m of revenue and £311,000 of profit after tax for the year ended 31 March 2019. If the acquisition had been made at the beginning of the financial year, it would have contributed approximately £3.0m of revenue and £391k of profit after tax.

In relation to the acquisition, costs of £118,000 have been expensed in the statement of comprehensive income.

## 22 IMPACT OF APPLICATION OF NEW ACCOUNTING STANDARD

The following tables present the impact of changes relating to the application of IFRS 15.

**GROUP**

| | **2018** | **Impact of IFRS 15** | **2018** restated |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **REVENUE** | **3,140** | **(1,320)** | **1,820** |
| Cost of sales | (1,129) | - | (1,129) |
| GROSS PROFIT | 2,011 | (1,320) | 691 |
| Sales and marketing costs | (549) | - | (549) |
| Research and development costs | (451) | - | (451) |
| Other administrative costs | (1,095) | - | (1,095) |
| Share based compensation | (67) | - | (67) |
| **EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)** | **(151)** | **(1,320)** | **(1,471)** |
| Expense on amendment of convertible loan note terms | (26) | - | (26) |
| Depreciation | (19) | - | (19) |
| Amortisation | (157) | - | (157) |
| **OPERATING (LOSS)** | **(353)** | **(1,320)** | **(1,673)** |
| Finance income | 3 | - | 3 |
| Finance costs | (24) | - | (24) |
| Research and development (R & D) tax credits | 129 | - | 129 |
| LOSS BEFORE TAX | (245) | (1,320) | (1,565) |

| | | | |
|---|---|---|---|
| Taxation | - | - | - |
| LOSS FOR THE FINANCIAL YEAR | (245) | (1,320) | (1,565) |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | | |
| *Other comprehensive income which may be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | 3 | - | 3 |
| Other comprehensive income | 3 | - | 3 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(242)** | **(1,320)** | **(1,562)** |
| Basic and fully diluted loss per share – pence | (0.07)p | (0.38)p | (0.45)p |

| | **2018** | **Impact of IFRS 15** | **2018** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 44 | - | 44 |
| Intangible assets | 487 | 199 | 686 |
| Trade and other receivables | 425 | (425) | - |
| | 956 | (226) | 730 |
| **Current assets** | | | |
| Inventories | 185 | - | 185 |
| Trade and other receivables | 2,026 | (1,094) | 932 |
| Cash and cash equivalents | 3,853 | - | 3,853 |
| | 6,064 | (1,094) | 4,970 |
| | **7,020** | **(1,320)** | **5,700** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 594 | - | 594 |
| | 594 | - | 594 |
| **Equity** | | | |
| Share capital | 1,007 | - | 1,007 |
| Share premium | 27,468 | - | 27,468 |
| Merger reserve | 1,065 | - | 1,065 |
| Retained earnings reserve | (23,114) | (1,320) | (24,434) |
| **TOTAL EQUITY** | 6,426 | (1,320) | 5,106 |
| **TOTAL EQUITY AND LIABILITIES** | **7,020** | **(1,320)** | **5,700** |

The application of IFRS15 has given rise to a £199k reinstatement to patents and development costs included within other intangible assets. Whilst legal title was no longer held at 31 March 2018, the sale of intellectual property was not capable of being distinct from the subsequent know-how transfer and as such the disposal previously recognised at 31 March 2018 has been reversed.

The £1,320,000 impact on retained earnings reserve wholly pertained to the result for the year ended 31 March 2018 with a restatement of the parent company result from a profit of £412,000 to a loss of £908,000

**COMPANY**

| | **2018** | **Impact of IFRS 15** | **2018** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Other intangible assets | 230 | 99 | 329 |
| Investments in subsidiaries | 2,674 | - | 2,674 |
| Trade and other receivables | 425 | (425) | - |
| | 3,329 | (326) | 3,003 |

| | | | |
|---|---|---|---|
| **Current assets** | | | |
| Trade and other receivables | 1,516 | (994) | 522 |
| Cash and cash equivalents | 3,517 | - | 3,517 |
| | 5,033 | (994) | 4,039 |
| | **8,362** | **(1,320)** | **7,042** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 216 | - | 216 |
| | 216 | - | 216 |
| **Equity** | | | |
| Share capital | 1,007 | - | 1,007 |
| Share premium account | 27,468 | - | 27,468 |
| Merger reserve | 1,065 | - | 1,065 |
| Retained deficit | (21,394) | (1,320) | (22,714) |
| **TOTAL EQUITY** | 8,146 | (1,320) | 6,826 |
| **TOTAL EQUITY AND LIABILITIES** | **8,362** | **(1,320)** | **7,042** |

The application of IFRS15 has given rise to a £99k reinstatement to patents and development costs included within other intangible assets. Whilst legal title was no longer held at 31 March 2018, the sale of intellectual property was not capable of being distinct from the subsequent know-how transfer and as such the disposal previously recognised at 31 March 2018 has been reversed.

## 23 ULTIMATE CONTROLLING PARTY

The Company is admitted to trading on AIM. It has no ultimate controlling party.

## 24 POST BALANCE SHEET EVENTS

There were no significant events after the end of the reporting period.