



Byotrol plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended

31 March 2019

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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 £0.34million (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 £0.1m and net US costs of £0.4m.

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 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.

At the time of writing current trading is meeting expectations for the year, although financial results are being impacted by continued (though cautious) net spend in the US and by the delay in achieving financial synergies from the Medimark acquisition (which will continue whilst the earnout mechanism remains in place, until 31 March 2020).

I remain confident in our positioning and outlook and am looking forward to reporting on visible and sustainable profits in the future.

John Langlands, Chairman
11 October 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 £0.34m (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 - this was a complex contract with multiple constituents and 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.

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 £0.39m 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 follow 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. Our team is very energised and extremely positive on the outlook for our Group.

David Traynor
Chief Executive
11 October 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. 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 £0.08m (2018: £0.02m) 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 £0.34m profit before tax compared to the (restated) loss of £1.57m). This resulted in statutory EPS of 0.08p (2018: 0.45p loss restated) and 0.15p on an adjusted basis (2018: 0.46p 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 (as discounted to the balance sheet date). 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.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

Regulatory risks

The regulatory environment within Europe's biocides industry continues to change significantly. At the core of this are the Biocidal Products Regulations, under which the European Union is intending to harmonise the market in Europe for biocidal active substances and products containing them. This means industry participants will be required to (a) register all their formulations with the EU and (b) use only active ingredients specifically approved by the EU authorities.

The Group's management must always be pro-active in responding to any changing market conditions and see the changes as an opportunity to build market share and benefit from consolidation within the biocides industry.

Brexit

The Directors estimate that the Group will sell over £0.5m of products into the EU in FYE 31 March 2020. As such the Group is therefore exposed to negative impacts of Brexit, be it on demand as a result of newly-imposed tariffs or on issues with transport logistics or supply chain. The Directors are monitoring the situation closely.

Credit risks

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.

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

Liquidity risk

As at 31 March 2019, the Group had cash and bank balances of £2.80m. Funds will be used in the marketing of the Group's product range, obtaining regulatory approvals and securing the intellectual property rights. Funds surplus to the Group's short-term requirements will be deposited in an interest-bearing account with UK clearing banks.

Group cash balances are monitored on a weekly basis to ensure that the Group has sufficient funds to meet its needs. Cash flow forecasts are generated and reviewed regularly by management.

The Directors have prepared projected cash flow information for the coming year. The projections take into account the new business opportunities highlighted in the Chairman's and Chief Executive's Statements, the timing and quantum of which will affect the Group's cash requirements, which are continually monitored by the Board. On the basis of these projections, the Group has sufficient working capital facilities for the foreseeable future.

Foreign currency risk

The majority of the Group's cash flows are denominated in Sterling or US dollars. However, currency revenues and expenditure do not match. During the period the Group used the spot market to balance the inflows and outflows. The foreign currency risk is monitored on a monthly basis.

Supply chain risk

The Group's supply chain is undertaking a period of change with the Group seeking to establish relationships with higher quality manufacturers. Agreements with new hand hygiene and surface sanitiser manufacturers have been initiated and a new distribution company is in place.

Other risks

The Group's asset base is founded upon its patent and regulatory approvals. Patent applications and approvals continue to be sought worldwide to protect the intellectual property portfolio. As the products are based upon existing approved biocides, regulatory issues are still complex but not as complex as with a newly designed chemical compound. Nevertheless, we monitor these risks regularly and make extensive use of regulatory consultants and patent lawyers to ensure appropriate actions and protections.

Approval

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

David Traynor
Chief Executive

Nic Hellyer
Chief Financial Officer

11 October 2019

Principal activities

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

Results and dividends

The profit for the financial year to 31 March 2019 attributable to ordinary shareholders amounts to £0.35m (2018: loss of £1.57m restated). The Directors do not recommend the payment of an ordinary final dividend.

Review of the business

A review of the business and the future developments of the Group are presented in the Chairman's Statement on page 3 and 4 with the Chief Executive's Report on pages 5 to 8.

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 a period ending at least 12 months from the date of approval of these financial statements. These projections include assumptions around the quantum and timing of receipts from customers. Sensitivity analysis has been performed to take into account the variation in the timing and quantum of the new business opportunities. These significantly affect the Group's cash requirements and are therefore continually monitored by the Board.

In the event that the Group is unable to achieve its forecast cash inflows, the Directors have opportunities available to them which will enable them to reduce costs so that the business can continue to exist within its current funding arrangements. Based on this analysis and available cash resources of £2.80m at year end 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.

Accounting policies

The Group's accounting policies are detailed on pages 43 to 53.

Post year end

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

Risks and uncertainties

Risks and uncertainties are inherent in all businesses and the Group is no exception. Risk management is seen as an important element of internal control and is used to mitigate the Group's exposure to such risks. In addition to the risks identified in the strategic report and in note 15 to the financial statements, the Directors have identified the following significant risks:

Commercial Risks

- Performance depends on the continued ability to develop and sustain sales;
- Performance also depends heavily on the continued patent protection; and
- The Group is also affected by the lead times in conducting trials by prospective customers and by the lead times involved in converting strong interest into contracts.

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

Operational Risks

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

Financial Risks

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

Future developments

Reference to future developments can be found within the Chief Executives' Report.

Research and development

The Group invests in the research and development of further anti-microbial products and has seven employees in its research and development department.

In order to achieve a return on the investment made, Byotrol must ensure that the intellectual property developed is protected so it alone can exploit the developments made. Therefore, Byotrol seeks to apply for patent protection on all new technologies in the key markets where it anticipates exploiting those technologies and will robustly defend any breach of its patent protection.

It also uses the services of highly regarded research institutions to supplement the internal resource. In the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

Political and charitable donations

The Group made no such donations in the year.

Disabled employees

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

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

Employee involvement

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

Directors

The Directors during the year were:

Executive Directors

David T Traynor (Chief Executive Officer)
Dr Trevor Francis (Chief Technology Officer)

Non - executive Directors

John T Langlands
Dr Till Medinger
Sean Gogarty (appointed 24 January 2019)

Nic Hellyer was appointed on 28 May 2019. The retiring directors are Sean Gogarty and Nic Hellyer who will offer themselves for election at the Annual General Meeting. The Annual General Meeting will be held at 10.30 on 14th November 2019 at 60 New Broad Street, London, EC2M 1JJ. The notice of that meeting, together with a proxy card, accompanies this document.

Directors' interests

The Directors at 31 March 2019 and their interests, including family interests, in the share capital, were as follows:

	31 March 2019 Ordinary Shares	31 March 2018 Ordinary Shares
John Langlands	8,000,000	4,100,000
David Traynor	9,691,142	9,691,142
Till Medinger	2,307,224	2,307,224
Trevor Francis	4,470,214	2,253,216
Sean Gogarty	nil	n/a

Directors' indemnity

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

Substantial shareholdings

The Company has been notified of the following holdings of persons, other than Directors, who held an interest of more than 3% of the ordinary share capital of the Company at 11 October 2019:

	Number of Shares	% of Ordinary Shares
Amati Global Investors	25,000,001	5.80
Walker Crips Investment Management	22,726,139	5.17
Fidelity International	21,084,808	4.89
Fiske	18,559,116	4.31
Mr & Mrs David Newlands	15,555,000	3.61
Interactive Investor (EO)	15,512,075	3.60
Tonex Holdings	15,251,538	3.54
Maven Capital Partners	14,266,312	3.31
?What If! Holdings	13,689,569	3.18

Payment policy

Appropriate payment terms have been negotiated with each supplier and undisputed accounts are generally settled, once requested, in accordance with the agreed terms. The Group had 72 days of purchases outstanding in trade payables as at 31 March 2019 (2018: 67 days).

Awareness of relevant audit information

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

Auditor

A resolution for the appointment of Mazars LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

David Traynor
Chief Executive
11 October 2019

Nic Hellyer
Chief Financial Officer

Remuneration Committee

The Group has established a Remuneration Committee comprising the three non-executive Directors. The Committee is constituted in accordance with the recommendations of the Quoted Companies Alliance. The members of the committee during the year were John Langlands (Chair), Till Medinger and Sean Gogarty.

Remuneration Policy

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

There are four main elements of the remuneration packages for Executive Directors and senior management:

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

The remuneration packages are regularly reviewed.

Basic salary

Basic salary is reviewed annually with increases taking effect from 1 April. In addition to basic salary, the Chief Executive Officer and Chief Financial Officer also receive a benefit in kind of private medical insurance.

Annual bonus

The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The purpose of the bonus is to reward Executive Directors and other senior employees for achieving above average performance which also benefits shareholders. The maximum performance related bonus that can be paid is 50% of basic salary. There were no incentive payments for the year ended 31 March 2019 nor for the year ended 31 March 2018.

Share options

The Company has two share option schemes, the Executive Scheme and the Enterprise Management Incentive Scheme ('EMI'). As at 31 March 2019, the Directors had options to subscribe for ordinary shares under the Company's share option schemes as follows:

	Options held at 1 April 2018	Movement in the period	Options held at 31 March 2019	Exercise Price	Date of grant	Expiry Date
Non-Executive Directors						
John Langlands	2,700,000	-	2,700,000	4.125p	01/02/2017	14/10/2021
Dr Till Medinger	500,000	-	500,000*	3.5p	24/07/2014	24/01/2022
Sean Gogarty	-	2,000,000	2,000,000*	2.1p	28/01/2019	28/06/2024
Executive Directors						
David Traynor	2,700,000	-	2,700,000*	3.5p	24/07/2014	24/01/2022
Dr Trevor Francis	1,350,000	-	1,350,000*	3.5p	24/07/2014	24/01/2022
David Traynor	1,200,000	(480,000)	720,000*	3.5p	03/12/2015	03/06/2023
Dr Trevor Francis	600,000	(240,000)	360,000*	3.5p	03/12/2015	03/06/2023
David Traynor	2,000,000	-	2,000,000	4.125p	14/10/2016	14/10/2021
Dr Trevor Francis	2,000,000	-	2,000,000	4.125p	14/10/2016	14/10/2021
David Traynor	1,000,000	-	1,000,000*	4.0p	09/11/2017	09/05/2025
Dr Trevor Francis	2,375,000	-	2,375,000*	4.0p	09/11/2017	09/05/2025
Total	16,425,000	1,280,000	17,705,000			

*options granted subject to performance conditions and will lapse if the conditions are not satisfied.

During the year, a proportion of the share options awarded to the Executive Directors in December 2015 lapsed due to share price performance conditions not being met.

Pension arrangements

The Chief Executive Officer and the Chief Technology Officer are both entitled, but have both waived their rights, to receive a 10% salary contribution from the Company to a pension scheme of their choice for the year ended 31 March 2019.

Directors' contracts

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

Non-Executive Directors

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

The Chairman and other non-executive Directors are employed on letters of appointment terminable on three months' notice.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2019 £'000	2018 £'000
Emoluments	303	266
Money purchase pension contributions	-	-
	<u>303</u>	<u>266</u>
	<u><u>303</u></u>	<u><u>266</u></u>

No other distributions or payments were made to the Directors.

Individual Directors' remuneration

The remuneration of the Directors for the year ended 31 March 2019 was as follows:

	Basic salary £'000	Fee £'000	Other benefits £'000	Total 2019 £'000	Total 2018 £'000
<i>Executive Directors</i>					
David Traynor	132	-	2	134	118
Trevor Francis	99	-	-	99	84
	<u>231</u>	<u>-</u>	<u>2</u>	<u>233</u>	<u>202</u>
<i>Non-Executive Directors</i>					
John Langlands	40	-	-	40	40
Till Medinger	-	24	-	24	24
Sean Gogarty	-	6	-	6	-
	<u>40</u>	<u>30</u>	<u>-</u>	<u>70</u>	<u>64</u>

(1) Details of Directors' shareholdings are set out on page 16.

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

Approval

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

John Langlands
Chairman
11 October 2019

Statement of compliance with the 2018 QCA Corporate Governance Code

Chairman's introduction

High standards of corporate governance are a key priority for the Board of Byotrol and, in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-quoted companies to adopt and comply with a recognised corporate governance code, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all shareholders and stakeholders, with effective and efficient decision-making. Corporate governance is an important aspect of this, reducing risk and adding value to the Group's business.

The Directors acknowledge the importance of the ten principles set out in the QCA Code and this section sets out the Group's current approach to complying with those principles.

John Langlands
Non-Executive Chairman

QCA principles

SECTION 1: DELIVER GROWTH

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Our strategy is discussed further in the Chief Executive's statement. As evidenced by continuing progress in winning contracts from new customers as well as new business from existing customers, Byotrol has an increasing reputation in the biocide and infection control industry. To deliver this growth and hence promote long-term value for shareholders, the Board has established a clear business model encompassing (a) development and ownership of differentiated antimicrobial technologies; and (b) monetisation of those technologies by way of product sales, licenses and commercial alliances. It has identified the following key areas of operation to focus on improving on the Group's performance:

- Sales strategy, which encompasses all critical areas progressively to open up new vistas and enable the Group to address larger market opportunities while positioning it as a key player in its chosen space
- Diversification strategy to offer complementary services
- Acquisition-led growth strategy where and when appropriate to expand the business model

The chief internal challenges in executing the business model are (1) ensuring quality and timely supply of our products to customers, which we do through regular audits of our manufacturing base and (2) ensuring regulatory approval for our products, which we maintain through use of consultants as well as dedicated internal resource. The main current external risks are Brexit, which we comment on in the Chief Executives statement, and general macro-economic conditions as they impact our sector, which we review as part of regular leadership meetings. Chief financial risks (which if not controlled will limit growth) are managed via (a) ongoing credit analysis of counterparties (b) regular review of aged debtors and creditors and (c) daily monitoring of Group cash balances – and assessment of risks thereto. The Company always seeks to maintain a strong capital base to enhance investor, creditor and market confidence.

Principle 2: Seek to understand and meet shareholder needs and expectations

Introduction

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences, hosting capital markets days and our regular reporting.

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed by the Chairman, the CEO and now the CFO who make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results. The Non-executive Chairman and Non-executive Directors are also available to meet investors, whenever required.

Private shareholders

Shareholders are encouraged to attend the annual general meeting ("AGM") at which the Group's activities and results are considered, and questions answered by the Directors. The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website.

Private shareholder events are also attended by the Chairman, the CEO and now the CFO.

The Board

At every Board meeting, the Chief Executive Officer and the CFO provide a summary of the content of any engagement they have had with investors to ensure that major shareholders' views are communicated to the Board as a whole. The Board is also provided with brokers' and analysts' reports when published. This process enables the Chairman and the other Non-executive Director to be kept informed of major shareholders' opinions on strategy and governance, and for them to understand any issues or concerns.

The Non-executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman attends meetings with investors and analysts as required.

Investors may also make contact requests through the Company's Nominated Adviser, finnCap Group plc.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for longer-term success

To be successful in the antimicrobial markets, with our technically-oriented business model, the Company needs to ensure its employees are working effectively together with undoubted scientific expertise, undoubted ethics and recognition of our broader stakeholder and social responsibilities. Biocides can cause damage to society and to the environment if used incorrectly, which in turn will limit the success of our business.

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making.

Employees

Aside from our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups and the Board therefore closely monitors and reviews the performance and satisfaction of our employees through regular dialogue and a regular appraisal programme as well as other feedback it receives to ensure alignment of interests.

The Group believes that having empowered and responsible employees who display sound judgment and awareness of the consequences of their decisions or actions, and who act in an ethical and responsible way, is key to the success of the business.

Corporate social responsibility

The Group recognises the increasing importance of corporate social responsibility and endeavours to take it into account when operating its business in the interests of its stakeholders, including its investors, employees, customers, suppliers, business partners and the communities where it conducts its activities.

The operation of a profitable business is a priority and that means investing for growth as well as providing returns to its shareholders. To achieve this, the Group recognises that it needs to operate in a sustainable manner.

The Group aims to conduct its business with integrity, respecting the different cultures and the dignity and rights of individuals in the countries where it operates. The Group supports the UN Universal Declaration of Human Rights and recognises the obligation to promote universal respect for and observance of human rights and fundamental freedoms for all, without distinction as to race, religion, gender, language or disability.

Customers

The Group encourages feedback from its customers through engagement with individual customers throughout a project. Despite the number of customers having more than doubled in the past year, the overall number of customers means that there is regular interface with customers and their needs are appreciated.

Health and safety

The Directors are committed to ensuring the highest standards of health and safety, both for employees and for the communities within which the Group operates. The Group seeks to exceed legal requirements aimed at providing a healthy and secure working environment to all employees and understands that successful health and safety management involves integrating sound principles and practice into its day-to-day management arrangements and requires the collaborative effort of all employees. All employees are positively encouraged to be involved in consultation and communication on health and safety matters that affect their work.

Environment

The Directors are committed to minimising the impact of the Group's operations on the environment. The Group recognises that its business activities have an influence on the local, regional and global environment and accepts that it has a duty to carry these out in an environmentally responsible manner. It is the Group's policy to endeavour to meet relevant legal requirements and codes of practice on environmental issues so as to ensure that any adverse effects on the environment are minimised.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. The Board, with the assistance of the Audit Committee, maintains a system of internal controls to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces.

The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Group and the close day to day control exercised by the executive directors. However, the Board will continue to monitor the need for an internal audit function.

Further details of the principal risks faced by the Group, together with their potential impact and the mitigation measures in place, are set out in the section on "Principal risks and uncertainties" on page 12 in this Annual Report. The Board believes these risks to be currently the most significant with the potential to impact the Group's strategy, financial and operational performance and ultimately, its reputation.

The Board considers risk to the business on an ongoing basis and the Group formally reviews and documents the principal risks at least annually. Both the Board and senior management are responsible for reviewing and evaluating risk and the executive Directors meet on a regular basis to review ongoing trading performance, discuss budgets and forecasts and any new risks associated with ongoing trading, the outcome of which is reported to the Board.

SECTION 2: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5: Maintain the Board as a well-functioning balanced team led by the Chairman

The current Board structure comprises the Non-Executive Chairman, the Chief Executive, the Chief Technology Officer, Chief Financial Officer and two Non-Executive Directors. The biographies of all serving Directors appear on page 27 and 28. Till Medinger has served as a Non-Executive Director for more than 10 years, but any independence threat posed by this long association, is mitigated by more recent appointments of other directors.

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

The Board has a formal schedule of matters reserved to it and meets at least quarterly in person and monthly by conference call. It is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financing matters. The Chairman, John Langlands, is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role, setting its agenda and ensuring that the Directors receive accurate, timely and clear information. The Chairman also ensures effective communication with shareholders and facilitates the effective contribution of the other Non-executive Directors. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises three executive and three non-executive Directors, including the Chairman, with an appropriate balance of sector, financial and public market skills and experience. The skills and experience of the Board are set out in their biographical details on pages 27 and 28. The experience and knowledge of each of the Directors gives them the ability constructively to challenge the strategy and to scrutinise performance. The Board also has access to external advisers where necessary.

Executive and non-executive Directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The executive directors are employed under

service contracts requiring 6 months' notice (by either party). The non-executive directors and the Chairman receive payments under appointment letters which are terminable on three months' notice.

The Board encourages the ownership of shares in the Company by executive and non-executive Directors alike and in normal circumstances does not expect Directors to undertake dealings of a short-term nature. The Board considers ownership of Company shares by non-executive Directors as a positive alignment of their interest with shareholders. The Board will periodically review the shareholdings of the non-executive Directors and will seek guidance from its advisers if, at any time, it is concerned that the shareholding of any non-executive Director may, or could appear to, conflict with their duties as an independent non-executive Director of the Company. Directors' emoluments, including Directors' interest in shares and options over the Company's share capital, are set out on pages 17 to 19.

The Board currently meets at least 6 times a year. It has established an Audit Committee and a Remuneration Committee. The Board does not have a formally-established Nominations Committee. All matters concerning the appointment and removal of Directors, and for Executive and Non-Executive Director succession planning are considered by the full Board (with any appointments subject to a shareholder vote at the next Annual General Meeting)

Throughout their period in office the Directors are continually updated on the Group's business, the industry and competitive environment in which it operates and other changes affecting the Group by written briefings and meetings with the executive Directors. They are reminded by the Company Secretary of these duties and are also updated on changes to the legal and governance requirements of the Group, and upon themselves as Directors, on an ongoing and timely basis.

The Board considers that it has an appropriate blend of sector, financial and public markets experience and personal skills and capabilities to enable it to deliver its strategy. Three members of the Board have been involved in the consumer product sector for many years and two of the directors have significant public markets experience. Directors attend trade events and seminars to ensure that they remain up to date with current developments.

The Company has adopted a code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and which is in accordance with Rule 21 of the AIM Rules and the Market Abuse Regulations.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The performance of individual Executive Directors is reviewed not less than once a year by the Remuneration Committee (by reference to their general contribution).

The Chairman monitors the performance of individual Non-Executive Directors, who themselves may feed back to the CEO with any concerns regarding the Chairman. Throughout, each Director has access to the Company's nominated advisor (who in turn may provide feedback on the Board as a whole or individual Directors).

At this stage of the Group's development there are no formal systems of appraisal of Board members. When the Group's size and resources justify it, such appraisal systems will be implemented. Regard is also given to the views of key shareholders and other stakeholders as appropriate.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Group adopts a policy of equal opportunities in the recruitment and engagement of staff as well as during the course of their employment. It endeavours to promote the best use of its human resources on the basis of individual skills and experience matched against those required for the work to be performed. The Board is committed to embodying and promoting a sound corporate culture and has endorsed various policies which require ethical behaviour of staff and relevant counterparties (such as those mandating anti-corruption, anti-counterfeiting, fair treatment and equality of opportunity).

The Group recognises the importance of investing in its employees and, as such, the Group provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

The Group recognises that commercial success depends on the full commitment of all its employees and commits to respecting their human rights, to provide them with favourable working conditions that are free from unnecessary risk and to maintain fair and competitive terms and conditions of service at all times.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role, setting its agenda and ensuring that the Directors receive accurate, timely and clear information. The Chairman also ensures effective communication with shareholders and facilitates the effective contribution of the other non-executive Directors. David Traynor as CEO is responsible for the operational management of the Group and the implementation of Board strategy and policy. By dividing responsibilities in this way, no one individual has unfettered powers of decision-making.

There is a formal schedule of matters reserved for decision by the Board in place which enables the Board to provide leadership and ensure effectiveness. Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies, corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls.

The appropriateness of the Board's composition and corporate governance structures are reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the Group develops.

Beneath the Board, there is an operational governance framework via the Operating Board (overseen by the Executive Directors) which facilitates the effective management of the business. This organisational structure is kept under continual review and evolves as the needs of the business change as it grows and develops.

Board committees

The Board has established Audit and Remuneration Committees.

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

The Committee, comprising the Non-Executive Directors and chaired by Till Medinger meets at least two times per year, provides a forum for reporting by the Group's external auditor. Meetings are also attended, by invitation, by the Executive Directors.

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

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

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

The Remuneration Committee, comprising the Non-Executive Directors, is responsible for making recommendations to the Board on the Group's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors on the recommendation of the Chief Executive. The Remuneration Committee comprised John Langlands (Chairman), Till Medinger and Sean Gogarty. The report on Directors' Remuneration is set out on pages 17 to 19.

The terms of reference of each Committee can be downloaded from www.byotrol.com

SECTION 3: BUILD TRUST

Principle 10: Communicate how the Group is governed and is performing

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

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

The Annual General Meeting will be held on 14th November 2019. The notice of the Annual General Meeting may be found in the accompanying separate document.

Going Concern

The Directors confirm that they are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further information on going concern is given on page 14.

Attendance at Board meetings and Committee meetings

The Board met 6 times in the year and its Committees met a further 3 times. Attendance was as follows:
John Langlands (6 Board meetings, 3 Committee meetings), Till Medinger (6 Board meetings, 3 Committee meetings), Sean Gogarty (since appointment 1 Board meeting, 1 Committee meeting), David Traynor (6 Board meetings, 3 Committee meetings (by invitation)), Trevor Francis (6 Board meetings).

David Traynor
Chief Executive
11 October 2019

Non-Executive Directors

John Langlands (Non-executive Chairman)

John was Chief Executive from 2003 to 2016 of British Polythene Industries PLC ("BPI"), one of the largest polythene film producers in Europe. Following a period of successful growth, BPI was acquired by RPC Group PLC in August 2016.

John had joined BPI in 1994 as Finance Director after similar roles at Eclipse Blinds plc, Scottish Enterprise and United Wire Group plc. John was appointed as the Non-executive Chairman of Byotrol PLC on 1 Feb 2017.

He has served on various committees for the Institute of Chartered Accountants of Scotland, the London Metal Exchange and the Bank of England.

John has an LLB from Dundee University and Qualified as a Chartered Accountant in 1976 with KPMG.

Dr Till Medinger (Non-executive Director)

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

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

He is Chairman of Antikor Biopharma Limited and has a Doctorate in Chemistry from Oxford University. Till was appointed to the Board of Byotrol PLC as a non-executive Director on 11 May 2009.

Sean Gogarty (Non-executive Director)

Sean has a wealth of experience developing and running branded businesses, gained particularly from a 20-year career at Unilever, where his roles included Global CEO Unilever Baking, Cooking and Spreads, and Global Category SVP Household Cleaners. In the latter role, he led the rapid growth of a number of well-known household brands, including Domestos, Cif, Lysoform and Sunlight, from a sales value of E800m to over E2.5bn.

Having started his career in the media sector before moving into industry, Sean also has a strong track record of advising a range of leading PE firms and companies on developing business strategies, brand portfolio plans, organisational structures and supply chain strategies.

Sean was appointed to the Board of Byotrol PLC as a non-executive Director on 24 January 2019.

Executive Directors

David Traynor (Chief Executive)

David's early career saw him spend 15 years in investment banking, working in a broad range of corporate finance roles at CS First Boston, UBS and Lehman Brothers, before moving to WhatIf Ventures, the investment arm of the innovation company WhatIf, in 2003.

At WhatIf, David specialised in commercialising new products, in markets including pensions, high street retail, fast food and industrial plastics.

Prior to becoming CEO at Byotrol plc, David ran Byotrol Consumer Products (BCP) from inception in 2007 within his partnership role at WhatIf Ventures, moving to full time early 2013. He led BCP to profitability in 2011 and then to the full acquisition by Byotrol plc in October 2013. David was appointed to the Board of Byotrol PLC as an executive Director on 9 October 2013.

David has an MBA from London Business School and a BA from Oxford University.

Dr Trevor Francis (Chief Technology Officer)

Trevor is an ex Vice President of Global R & D at Unilever with over 28 years in the Consumer Goods industry. His multi-national experience working in various roles in Research and Development and previously in Manufacturing saw him lead a number of new innovations in Homecare that were successfully commercialized in various regions.

Trevor left Unilever in 2005 and established his own technology consultancy company. This in turn led him to work with Byotrol plc where he has worked in a number of different roles before being appointed to the Executive Board on 25 November 2014.

During 2012, Trevor was invited to attend the UK Science and Technology Select Committee review of "Bridging the valley of death: improving the commercialisation of research" and to be a Panel Member of the Royal Society's review by Sir Tim Wilson of Business-University collaboration in the UK. He has also been a Board Trustee at Liverpool School of Tropical Medicine from 2007 until earlier this year.

Trevor has a Doctorate in Applied Chemistry from Queen's University of Belfast and prior to joining Unilever as a management trainee, he carried out post-doctoral research at DWI Aachen, Germany.

Nic Hellyer (Chief Financial Officer)

Nic joined the board on 28 May 2019 on a part-time basis alongside his other executive finance director role at AIM-quoted Pelatro Plc. Nic is a Chartered Accountant who brings extensive board level experience from his 25 years in investment banking, the majority of which he spent at UBS and HSBC, advising on a wide range of transactions including public takeovers, private M&A, IPOs and other equity fund raisings. Nic is also a non-executive director of Defenx plc.

Nic has a B.Sc. (Joint Honours) from King's College London.

Directors' Responsibilities Statement

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

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

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

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

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

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

David Traynor
Chief Executive
11 October 2019

Independent auditor's report to the members of Byotrol Plc

Qualified opinion

We have audited the financial statements of Byotrol Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

The Group's cash and cash equivalents balance included in the Consolidated statement of financial position of £2,797,000 as at 31 March 2019 consists of various bank accounts across more than one bank. Included within the Group cash and cash equivalents balance was £89,000 across four Lloyds Bank Plc accounts within two subsidiary entities. We have not received a response from Lloyds Bank Plc to our request for confirmation of bank account balances and of any other facilities or arrangements that the Group has with Lloyds Bank Plc other than an acknowledgment of receipt, which confirms that an account previously held by the parent company with a trivial balance recognised in the Company statement of financial position is closed.

We were able to review bank reconciliations for three of the four open Lloyds Bank Plc accounts referred to above, with the fourth account having a trivial balance for which bank statements indicate trivial movement during the year. However we were unable to perform all our planned audit procedures and we considered that alternative audit procedures did not fully address the risk of completeness of bank facilities across the Group and parent company financial statements.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The impact on our audit of uncertainties due to the United Kingdom exiting the European Union ('Brexit')

The directors' view on the impact of Brexit is disclosed within the Strategic Report as part of principal risks and uncertainties facing the business on page 12.

The terms on which the United Kingdom may withdraw from the European Union are not clear and it is therefore not currently possible to evaluate all the potential implications for the Group's and parent company's trade, customers, and suppliers, and to the wider economy.

We considered the impact of Brexit on the Group and parent company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and parent company's

future prospects and performance. However, no audit should be expected to predict unknowable factors or all possible implications for the Group and parent company, and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our response and key observations
<p>Revenue recognition (Group and parent company)</p> <p>The impact of adoption of IFRS 15, Revenue from contracts with customers, by the Group and parent company is set out in the adoption of new and revised standards note on pages 45 and 46 with the Group's accounting policy for revenue recognition under IFRS 15 set out in the accounting policies note on revenue on pages 46 and 47.</p> <p>We assessed the risk of material misstatement in revenue recognition as being principally in relation to accounting for a sale and purchase of technology agreement with Solvay entered into March 2018 ("the Solvay agreement") across the audit assertions of cut-off, occurrence, completeness, accuracy, classification and presentation and disclosure under IFRS 15.</p>	<p>We obtained, reviewed and challenged management's IFRS 15 paper, with specific focus on accounting for the Solvay agreement including but not limited to reviewing and challenging management's judgement as to whether the sale of technology in March 2018 and subsequent provision of know-how during the year ended 31 March 2019 are capable of being distinct and therefore separate performance obligations.</p> <p>As set out within critical judgements in the financial statements on page 44, the judgement of the directors, upon which the Board took management expert advice from another accounting professional services firm, was that the promises within the Solvay agreement were not capable of being distinct. On this basis, under IFRS 15, the sale of patents and intellectual property previously recognised in the year ended 31 March 2018 (prior to adoption of IFRS 15) is now recognised over the know-how transfer period that commenced and was completed wholly within the year ended 31 March 2019, with the restatement impact being as disclosed in note 22 of the financial statements.</p> <p><i>Key observations:</i></p> <p>We satisfied ourselves as to the reasonableness and appropriateness of accounting, presentation and disclosure with respect to the Solvay Agreement under IFRS 15, specifically with regards to the significant judgement that the promises under the contract are not capable of being distinct and the implications thereof for revenue recognition.</p>

<p>Business combination fair values under IFRS 3 (Group)</p> <p>The Group's accounting policy for business combinations is set out within the accounting policies note on pages 48 and 49.</p> <p>Under IFRS 3 'Business Combinations' significant management estimation is required, including but not limited to the following: completeness, valuation and allocation of fair value adjustments; and the fair value of consideration.</p> <p>Identification and valuation of intangible assets acquired as part of business combinations are particular areas of significant judgement along with estimation of useful lives of these identified intangibles, as set out within critical judgements in the financial statements on page 45.</p>	<p>We obtained and reviewed the paper prepared by management relating to IFRS 3, specifically with respect to:</p> <ul style="list-style-type: none"> • fair value adjustments made which increase or decrease the book values of assets or liabilities acquired; • intangible assets separately identified under IFRS 3 and whether these are complete and meet the recognition requirements of IAS 38 'Intangible Assets' with valuation and useful lives determined on a reasonable and appropriate basis; and • management's estimation of the fair value of consideration including contingent deferred consideration. <p><i>Key observations:</i></p> <p>We consider the identified assets and liabilities, the associated final fair values recognised and the allocated useful lives of the identified intangibles to be reasonable.</p> <p>We further consider the assessment of contingent deferred consideration to be reasonable taking into account appropriate measurement period adjustments.</p>
<p>Intangible assets – capitalisation of development costs (Group)</p> <p>The Group's accounting policy for capitalisation of development costs is set out within the accounting policies note on research and development activities on page 50.</p> <p>The intangible assets of the Group include development costs. We considered this a key audit matter due to the judgement required in assessing the criteria for capitalisation and the judgements and estimates required in assessing the recoverability of the amounts that are capitalised at 31 March 2019 with a specific focus on the risk of overstatement of capitalised development costs.</p>	<p>We reviewed whether new developments met the criteria for capitalisation and whether continuing developments continued to meet the criteria for capitalisation and corroborated a sample of the amounts capitalised in the year to supporting documentation including invoices for external costs and an approximate evaluation of internal resource/time capitalised.</p> <p>We obtained and reviewed management's reviews for indicators of potential impairment; management's key estimates are set out within the disclosure of critical accounting estimates and judgements on page 45.</p> <p>We reviewed the appropriateness of the amortisation periods in the context of the continuing development of technologies which may give rise to obsolescence, and the expected recovery of the assets against future sales.</p> <p><i>Key observations:</i></p> <p>Based on work performed, we are satisfied that development costs capitalised constitute qualifying development costs on continuing developments not yet complete, new development projects or follow-on sub-projects with no impairment required.</p>
<p>Goodwill impairment review (Group)</p> <p>The Group's accounting policy for goodwill impairment review is set out within the accounting policies note on goodwill on page 49.</p> <p>There is a risk that goodwill arising on the Medimark Scientific Limited business combination may be subject to impairment. Goodwill is required to be assessed for impairment annually as it is not amortised.</p>	<p>We addressed this risk by obtaining, reviewing and challenging the underlying assumptions behind management's detailed goodwill impairment assessments. Where carrying values are based on future performance, our review included challenging budgeted revenue and profitability, requesting and considering sensitivity analysis especially where a reasonably possible change in assumptions might give rise to an impairment.</p> <p><i>Key observations:</i></p> <p>The methodology and key assumptions used by the Board in their impairment review of goodwill as disclosed in note 9 to the financial statements is considered appropriate and reasonable to conclude that no goodwill impairment is required.</p>

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole

Based on our professional judgement, we determined materiality for Byotrol Plc as follows:

	Group	Parent company
Overall materiality	£85,000	£77,000
Basis for determining materiality	1.5% of revenue	4% of net assets, subject to restriction to limit parent company materiality to 90% of Group materiality
Rationale for benchmark applied	Revenue is a key measure of financial performance for users of the financial statements and considered the most appropriate benchmark in the context of volatile result before tax (profit in current year and loss in prior year). Having considered factors such as the Group's AIM listing and the limited external debt, we determined materiality at 1.5% of Group reported revenue for the year.	As this is principally a holding company, albeit with third party revenue from one significant contract, we considered net assets to be the most appropriate benchmark; parent company materiality is restricted to be less than Group materiality.

Overall materiality levels applied to subsidiary entities in full scope audit within the Group ranged between £1,000 and £45,000.

Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Performance materiality was set at 60% of the respective overall materiality levels for the Group and parent company having considered factors such as the Group's control environment.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 3% of overall materiality, being £3,000 for the Group and £2,000 for the parent company as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the Group and company, the structure of the Group and the parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006.

We tailored the scope of our Group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent

company and Group's accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error, review of minutes of directors' meetings in the year and enquiries of management. As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

Our Group audit scope included an audit of the Group and parent financial statements of Byotrol Plc. Based on our risk assessment, all entities within the Group other than Byotrol Inc and Ebiox Limited were subject to full scope audit performed by the Group audit team. The entities that were included within full scope audit comprised 99.5% of Group revenue.

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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

Gareth Hitchmough (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester M2 3DE
Date: 11 October 2019

Byotrol plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2019

	<i>Notes</i>	2019 £'000	2018 £'000 <i>(restated)</i>
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	(80)	(24)
Research and development (R & D) tax credits	1	124	129
PROFIT/(LOSS) BEFORE TAX	1 & 2	341	(1,565)
Taxation	6	11	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		352	(1,565)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
<i>Other comprehensive income which may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		7	3
Other comprehensive income		7	3
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		359	(1,562)
Earnings/(loss) per share - basic	7	0.08p	(0.45)p
Earnings/(loss) per share - fully diluted	7	0.08p	(0.45)p

Byotrol plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

Company Registration No 05352525

	<i>Notes</i>	2019 £'000	2018 £'000 <i>(restated)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	8	58	44
Intangible assets	9	3,862	686
Contract assets	12	176	-
		<u>4,096</u>	<u>730</u>
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
		<u>5,009</u>	<u>4,970</u>
		<u>9,105</u>	<u>5,700</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,438	594
Other financial liabilities	19	520	-
		<u>1,958</u>	<u>594</u>
Non-current liabilities			
Other financial liabilities	19	297	-
Deferred tax liabilities	6	441	-
		<u>738</u>	<u>-</u>
Equity			
Share capital	20	1,077	1,007
Share premium account		28,282	27,468
Merger reserve		1,065	1,065
Retained earnings reserve		(24,015)	(24,434)
		<u>6,409</u>	<u>5,106</u>
TOTAL EQUITY		<u>6,409</u>	<u>5,106</u>
TOTAL EQUITY AND LIABILITIES		<u>9,105</u>	<u>5,700</u>

These financial statements were approved by the Board of Directors and authorised for issue on 11 October 2019 and are signed on their behalf by:

David Traynor
Chief Executive

Nic Hellyer
Chief Financial Officer

	<i>Notes</i>	2019 £'000	2018 £'000 <i>(restated)</i>
ASSETS			
Non-current assets			
Other intangible assets	9	230	329
Investments in subsidiaries	10	5,330	2,674
Contract assets	12	176	-
		<u>5,736</u>	<u>3,003</u>
Current assets			
Trade and other receivables	12	2,212	522
Contract assets	12	275	-
Cash and cash equivalents	13	1,556	3,517
		<u>4,043</u>	<u>4,039</u>
TOTAL ASSETS		<u><u>9,779</u></u>	<u><u>7,042</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	202	216
Other financial liabilities	19	520	-
		<u>722</u>	<u>216</u>
Non-current liabilities			
Other financial liabilities	19	297	-
		<u>297</u>	<u>-</u>
Equity			
Share capital	20	1,077	1,007
Share premium account		28,282	27,468
Merger reserve		1,065	1,065
Retained earnings reserve		(21,664)	(22,714)
TOTAL EQUITY		<u>8,760</u>	<u>6,826</u>
TOTAL EQUITY AND LIABILITIES		<u><u>9,779</u></u>	<u><u>7,042</u></u>

The Company reported a profit for the financial year ended 31 March 2019 of £990,000 (2018: loss of £908,000 restated)

These financial statements were approved by the Board of Directors and authorised for issue on 11 October 2019 and are signed on their behalf by:

David Traynor
 Chief Executive

Nic Hellyer
 Chief Financial Officer

Byotrol plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ending 31 March 2019

	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)
<i>Other comprehensive income:</i>						
Exchange differences on translation of foreign operations	-	-	-	-	3	3
Restated total comprehensive loss for the year	-	-	-	-	(1,562)	(1,562)
<i>Transactions with owners:</i>						
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	-	-	-	-	352	352
Exchange differences on translation of foreign operations	-	-	-	-	7	7
Total comprehensive income for the year	-	-	-	-	359	359
Share issue	70	814	-	-	-	884
Share based payments	-	-	-	-	60	60
As at 31 March 2019	<u>1,077</u>	<u>28,282</u>	<u>1,065</u>	<u>-</u>	<u>(24,015)</u>	<u>6,409</u>

Byotrol plc
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ending 31 March 2019

	Share capital	Share premium	Merger reserve	Convertible loan note reserve	Retained earnings reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2017	670	22,849	1,065	69	(21,943)	2,710
Restated loss for the year (note 22)	-	-	-	-	(908)	(908)
Total comprehensive loss for the year	-	-	-	-	(908)	(908)
Share issue	310	4,647	-	-	-	4,957
Share issue costs	-	(381)	-	-	-	(381)
Conversion of convertible loan notes	27	353	-	(69)	69	380
Share based payments	-	-	-	-	35	35
Share options issued to subsidiary employees	-	-	-	-	33	33
At 31 March 2018	1,007	27,468	1,065	-	(22,714)	6,826
Profit for the year	-	-	-	-	990	990
Total comprehensive income for the year	-	-	-	-	990	990
Share issue	70	814	-	-	-	884
Share based payments	-	-	-	-	12	12
Share options issued to subsidiary employees	-	-	-	-	48	48
At 31 March 2019	1,077	28,282	1,065	-	(21,664)	8,760

Byotrol plc
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2019

	2019	2018
	£'000	£'000
		<i>(restated)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year before tax	341	(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	80	25
Changes in working capital		
(Increase)/decrease in inventories	(70)	15
(Increase) in trade and other receivables	(390)	(72)
Increase in contract assets	(451)	-
Increase/(decrease) in trade and other payables	239	(155)
	<hr/>	<hr/>
CASH GENERATED FROM/(USED IN) 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)	-
	<hr/>	<hr/>
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)
	<hr/>	<hr/>
NET CASH OUTFLOW FROM FINANCING	16	4,553
Net (decrease)/increase 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
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	2,797	3,853
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Byotrol plc
COMPANY CASH FLOW STATEMENT
for the year ended 31 March 2019

	2019 £'000	2018 £'000 <i>(restated)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the year before tax	990	(908)
Adjustments for:		
Share based payments	12	35
Expense on amendment of convertible loan note terms	-	26
Amortisation	156	66
Finance costs	67	25
Finance income	(13)	-
Changes in working capital		
Increase in trade and other receivables	(1,690)	(142)
Decrease in trade and other payables	(14)	(29)
Increase in contract assets	(451)	
CASH USED IN OPERATING ACTIVITIES	(943)	(927)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary	(974)	-
Contingent consideration – acquisition of subsidiary	-	(44)
Payments to acquire intangible assets	(57)	(83)
Interest received	13	
NET CASH USED IN INVESTING ACTIVITIES	(1,018)	(127)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares	-	4,957
Share issue costs	-	(381)
Interest paid	-	(22)
NET CASH INFLOW FROM FINANCING	-	4,554
Net (decrease)/increase in cash and cash equivalents	(1,961)	3,500
Cash & cash equivalents at the beginning of the financial year	3,517	17
Cash & cash equivalents at the end of the financial year	1,556	3,517

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 9.

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 £990,000 (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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Revenue

In determining the trigger event for recognising licence, patent and intellectual property sales and other revenues in accordance with the accounting policy, the Directors assess the contract and make judgements as to the contractual performance obligations therein, and the level of achievement during the life of the contract. Agreements with customers and/or with trading partners may include multiple performance obligations. Determination of the appropriate revenue recognition is considered a critical judgement. The critical judgement includes, but is not limited to, assessment as to whether a performance obligation has been satisfied, allocation of revenue where such agreements involve more than one performance obligation and assessment of any contingent variable future amounts receivable. Assessment of performance obligations also involves determining whether a set of contractual obligations represent distinct performance obligations or whether they are highly dependent on, or highly interrelated with one another and hence fall to be treated as one single performance obligation under IFRS 15.

In the case of the Solvay contract, management judgement was that the contractual obligations contained therein were so interrelated and hence represented one performance obligation. The amounts included in the unaudited interim accounts for the 6 month period to 30 September 2018 in respect of the Solvay revenue were estimated before application of this revised accounting policy (and included in those interim accounts at a value of £0.31m); this amount is included in the £1.93m recognised in respect of Solvay in the year ended 31 March 2019.

Business combinations and related intangible assets

Business combinations may result in acquired customer relationships, brands and other assets 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 merits of the branded product in comparison to other similar branded products which may be available (and hence the Group's ability to valorise it by onward sale to customers) and their likely useful economic life. Notes 9 and 21 give further details of the impact of these judgements on the financial statements.

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 profit or loss. The value of the deferred contingent consideration recognised also depends on a number of judgements inherent in the estimation of fair value of such liabilities, including the discount to published share prices to reflect selling restrictions placed on the vendors of businesses acquired ("lockups") and also discount rates appropriate to reflect the time value of money and risks inherent in achieving the underlying performance targets. Notes 9, 19 and 21 give further details of the impact of these judgements on the financial statements.

Management judgement is also required in assessing the useful economic lives of these assets for the purposes of amortisation. Note 9 gives further details of the impact of these judgements on the financial statements.

Capitalised development costs

Development costs are accounted for in accordance with *IAS 38 Intangible Assets*, and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including assessments of the nature of the work underlying the costs carried out by relevant employees, estimates of the technical and commercial viability of the asset created, and its applicable useful economic life. These estimates are continually reviewed and updated based on past experience and reviews of competitor products available in the market.

Impairment reviews

The Group uses long-term forecasts of cash flow and estimates of future growth both to value acquired intangible assets and goodwill and to assess whether goodwill and intangible assets are impaired, and to determine the useful economic lives of its intangible assets. If the results of operations in a future period are adverse to the estimates used, an impairment may be triggered at that point, or a reduction in useful economic life may be required. The Group assesses the carrying value of goodwill and intangible assets annually, or whenever there is an indication of impairment: identifying indicators of impairment requires judgements to be made as to the prospects and value drivers of the individual assets. Note 9 discloses the assumptions used.

Recognition of deferred tax assets

The Group continues not to recognise a deferred tax asset in respect of unutilised tax losses carried forward on the basis that the availability and timing of future taxable profits against which those losses might be offset is uncertain. This requires a judgement over the longer-term profitability of the Group. The underutilised tax losses of the Group are set out in Note 6.

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 from contracts with customers

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. 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 feasible to complete 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 qualify 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	2018
	£'000	£'000
Product sales	3,503	1,648 (restated)
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.

1. SEGMENTAL INFORMATION (continued)

Segmental information is presented using Group policies.

Year ended 31 March 2019	Professional £'000	Consumer £'000	Pet £'000	Total £'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	(80)
Research and development (R & D) tax credits	124
Profit before tax	341

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).

1 SEGMENTAL INFORMATION (continued)

Year ended 31 March 2018	<i>Continuing operations</i>			Total £'000
	Professional £'000	Consumer £'000	Pet £'000	
REVENUE (RESTATED)				
United Kingdom	891	172	283	1,346
North America	3	-	-	3
Rest of World	23	-	448	471
	<u>917</u>	<u>172</u>	<u>731</u>	<u>1,820</u>
Total revenue	917	172	731	1,820
Cost of sales	(742)	-	(387)	(1,129)
	<u>175</u>	<u>172</u>	<u>344</u>	<u>691</u>
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
				<u>129</u>
Loss before tax (restated)				<u>(1,565)</u>

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	<u>1,756</u>	<u>113</u>	<u>89</u>	<u>1,958</u>
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	<u>226</u>	<u>121</u>	<u>247</u>	<u>594</u>

2 PROFIT / (LOSS) BEFORE TAX

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

	2019	2018
	£'000	£'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
Foreign exchange differences	1	5
	<u> </u>	<u> </u>

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

	2019	2018
	£'000	£'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
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

3 PARTICULARS OF EMPLOYEES

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

	2019	2018
	No.	No.
Executive Directors	2	2
Research and development	7	8
Administration	7	5
Sales	12	3
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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

	2019	2018
	£'000	£'000
Wages and salaries	1,346	854
Social security costs	153	97
Other pension costs	34	19
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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 £'000	2018 £'000
Emoluments receivable	303	266
Total emoluments	<u>303</u>	<u>266</u>

The emoluments of the highest paid director were:

	2019 £'000	2018 £'000
Emoluments receivable	134	118
	<u>134</u>	<u>118</u>

	2019 Number	2018 Number
Number of Directors accruing benefits under money purchase scheme	-	-
	<u>-</u>	<u>-</u>

The Directors remuneration report can be found on pages 17 to 19.

5 FINANCE EXPENSE / INCOME

	2019 £'000	2018 £'000
Other interest payable	13	24
Finance charge on liabilities relating to contingent consideration	67	-
Total finance expense	<u>80</u>	<u>24</u>
Finance income arising from unwinding of discounting of non-current contract assets	20	-
Bank interest receivable	21	3
Total finance income	<u>41</u>	<u>3</u>

6 TAXATION

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

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 48). At 31 March 2019 the Group had an unrecognised deferred tax asset relating to unutilised trading losses and other temporary differences of £3,262,000 (2018: £3,280,000 restated).

6 TAXATION (continued)

Deferred tax

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

	Trading losses	Total
	£'000	£'000
At 1 April 2018	-	-
Recognised on business combinations	13	13
Utilised against current tax charge	(13)	(13)
	<u> </u>	<u> </u>
At 31 March 2019	-	-
	<u> </u>	<u> </u>

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	Total
	£'000	£'000
At 1 April 2018	-	-
Recognised on business combinations	465	465
Recognised in profit or loss	(24)	(24)
	<u> </u>	<u> </u>
At 31 March 2019	441	441
	<u> </u>	<u> </u>

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.

6 TAXATION (continued)

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) on ordinary activities before tax	341	(1,565)
Tax at the UK corporation tax rate of 19% (2018: 19%)	65	(297)
Expenses not deductible for tax purposes	8	3
Tax losses utilised	(84)	-
Unrecognised, unrelieved tax losses	-	294
Total tax (credit)	(11)	-

7 EARNINGS PER SHARE

Statutory earnings per share

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

	2019	2018
	£'000	£'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	352	(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: - in-the-money share options	2,050,000	-
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	0.08p	(0.45)p
Earnings / (Loss) per ordinary share – fully diluted	0.08p	(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.

7 EARNINGS PER SHARE (continued)

Adjusted earnings per share

Adjusted EPS is calculated as follows:

	2019	2018
	£'000	£'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	352	(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	67	-
- expense on amendment of convertible loan note terms	-	26
- R&D tax credits	(124)	(129)
Adjusted earnings	<u>652</u>	<u>(1,601)</u>
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	<u>432,935,271</u>	<u>345,229,785</u>
Adjusted earnings / (Loss) per ordinary share – basic	0.15p	(0.46)p
Adjusted earnings / (Loss) per ordinary share – fully diluted	<u>0.15p</u>	<u>(0.46)p</u>

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	<u>69</u>	<u>114</u>	<u>183</u>
Depreciation			
At 1 April 2018	28	73	101
Charge for the year	16	8	24
At 31 March 2019	<u>44</u>	<u>81</u>	<u>125</u>
Net Book Value			
At 31 March 2019	<u>25</u>	<u>33</u>	<u>58</u>
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	<u>52</u>	<u>94</u>	<u>146</u>
Depreciation			
At 1 April 2017	44	68	112
Charge for the year	14	5	19
On disposal	(29)	-	(29)
At 31 March 2018	<u>29</u>	<u>73</u>	<u>102</u>
Net Book Value			
At 31 March 2018	<u>23</u>	<u>21</u>	<u>44</u>

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	502	-	502
Acquired as part of a combination	-	2,929	2,929
Disposal	-	(296)	(296)
At 31 March 2019	<u>502</u>	<u>4,234</u>	<u>4,736</u>
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	<u>-</u>	<u>874</u>	<u>874</u>
Net Book Value At 31 March 2019	<u>502</u>	<u>3,360</u>	<u>3,862</u>

Other Intangible Assets

Group	Framework Access Rights £'000	Customer relationships £'000	Brands £'000	Development costs £'000	Patents and licences £'000	Total £'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	<u>114</u>	<u>1,861</u>	<u>567</u>	<u>958</u>	<u>734</u>	<u>4,234</u>
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	<u>114</u>	<u>113</u>	<u>34</u>	<u>109</u>	<u>504</u>	<u>874</u>
Net Book Value At 31 March 2019	<u>-</u>	<u>1,748</u>	<u>533</u>	<u>849</u>	<u>230</u>	<u>3,360</u>

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.

9 INTANGIBLE ASSETS (continued)

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.

9 INTANGIBLE ASSETS (continued)

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	<u>378</u>	<u>826</u>	<u>114</u>	<u>1,318</u>
Amortisation				
At 1 April 2017	44	431	-	475
Charge for the year	35	66	56	157
Disposal	-	-	-	-
At 31 March 2018	<u>79</u>	<u>497</u>	<u>56</u>	<u>632</u>
Net Book Value At 31 March 2018	<u>299</u>	<u>329</u>	<u>58</u>	<u>686</u>

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	<u>734</u>	<u>826</u>
Amortisation		
At 1 April	497	431
Charge for the year	156	66
Impairment	-	-
Disposal	(149)	-
At 31 March	<u>504</u>	<u>497</u>
Net Book Value At 31 March	<u>230</u>	<u>329</u>

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	Shares in
	Subsidiary Undertakings 2019 £'000	Subsidiary Undertakings 2018 £'000
At 1 April	2,674	2,597
Additions		44
<i>Additions in relation to the acquisition of subsidiary::</i>		
Initial cash consideration	974	-
Initial equity consideration	884	-
Contingent purchase consideration estimated to be paid in cash (at fair value on acquisition)	478	-
Contingent purchase consideration expected to be settled in equity (at fair value on acquisition)	272	-
		-
Additions relating to share options issued to subsidiary employees	48	33
At 31 March	<u>5,330</u>	<u>2,674</u>

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

* Ebiox Limited is held indirectly via Medimark Scientific Limited

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	-	-
	<u>416</u>	<u>185</u>	<u>-</u>	<u>-</u>

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 £'000	Group 2019 Non- Current £'000	Group 2019 TOTAL £'000	Group 2018 Current £'000	Group 2018 TOTAL £'000
	Trade receivables	932	-	932	382
Other tax repayable	23	-	23	92	92
Prepayments	273	-	273	204	204
Other receivables	293	-	293	254	254
Total trade and other receivables	<u>1,521</u>	<u>-</u>	<u>1,521</u>	<u>932</u>	<u>932</u>
Contract assets	275	176	451	-	-
	<u>1,796</u>	<u>176</u>	<u>1,972</u>	<u>932</u>	<u>932</u>
	Company 2019 Current £'000	Company 2019 Non- Current £'000	Company 2019 TOTAL £'000	Company 2018 Current £'000	Company 2018 TOTAL £'000
Trade receivables	-	-	-	-	-
Other tax repayable	25	-	25	55	55
Amount owed by group undertakings	2,141	-	2,141	438	438
Prepayments	46	-	46	22	22
Other receivables	-	-	-	7	7
Total trade and other receivables	<u>2,212</u>	<u>-</u>	<u>2,212</u>	<u>522</u>	<u>522</u>
Contract assets	275	176	451	-	-
	<u>2,487</u>	<u>176</u>	<u>2,663</u>	<u>522</u>	<u>522</u>

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.

12 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (continued)

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	<u>100</u>	<u>86</u>	<u>12,059</u>	<u>12,059</u>

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.

12 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (continued)

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:

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

12 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (continued)

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	-
Past due up to 30 days	0.7%	157	1
Past due between 30 and 60 days	5%	38	2
Past due between 61 and 90 days	10%	50	5
Past due between 91 and 120 days	26%	27	7
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 £2,769,000 (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 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current:				
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:

2019	Payables age – “days past due” at balance sheet date						Total £'000
	Current £'000	0-30 Days £'000	31-60 Days £'000	61-90 Days £'000	91-120 days £'000	Over 120 Days £'000	
Trade payables	522	205	95	1	10	9	842
%	62	24	11	0	1	1	100
2018	Current £'000	0-30 Days £'000	31-60 Days £'000	61-90 Days £'000	91-120 days £'000	Over 120 Days £'000	Total £'000
Trade payables	210	75	14	-	36	-	335
%	63	22	4	0	11	-	100

Reconciliation between opening and closing balances for liabilities resulting in financing cash flows

Group	2019 £'000
At 1 April	-
Invoice discounting liability acquired as part of a business combination (Note 21)	229
Net drawdowns – cash inflow from financing activities	16
At 31 March (included within Group ‘other payables’ above of £248,000)	245

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	-	-	-	-
	<u>56</u>	<u>36</u>	<u>-</u>	<u>36</u>

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.

16 COMMITMENTS UNDER OPERATING LEASES (continued)

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 (in p)	Number of share options	Weighted average exercise price (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	2.04	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	<u>41,448,250</u>	<u>4.90</u>	<u>39,339,250</u>	<u>5.19</u>

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 £'000	2018 £'000
Charged to Consolidated Statement of Comprehensive Income	<u>60</u>	<u>67</u>

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	
	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

17 SHARE BASED PAYMENTS (continued)

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 £'000	2018 £'000
Short term benefits	303	266
Share based payments	13	35
Total	<u>316</u>	<u>301</u>

19 OTHER PAYABLES - CONTINGENT CONSIDERATION

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'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	-
	<u>817</u>	<u>-</u>	<u>817</u>	<u>-</u>

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	<u>1,342,788</u>	<u>1,342,788</u>

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	<u>28,048,800</u>	<u>70</u>
At 31 March 2019	<u>430,885,271</u>	<u>1,077</u>

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 earnings reserve. 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 earnings reserve 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 is payable partially in cash and partially in a variable number of new ordinary shares to be issued to be determined at the settlement date 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 £'000	Adjustment £'000	Fair value £'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 acquired	255	2,284	2,539
Goodwill on acquisition			502
Fair value of assets acquired			3,041
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)			478
Contingent purchase consideration expected to be settled in equity (at fair value on acquisition)			272
Fair value of total consideration payable			3,041

21 BUSINESS COMBINATIONS (continued)

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 "Decrease in trade and other payables" 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 £'000	Impact of IFRS 15 £'000	2018 restated £'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 <i>Other comprehensive income which may be reclassified to profit or loss in subsequent periods:</i>			
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

22 IMPACT OF APPLICATION OF NEW ACCOUNTING STANDARD (continued)

GROUP

	2018	Impact of	2018
	£'000	IFRS 15	£'000
		£'000	
ASSETS			
Non-current assets			
Property, plant and equipment	44	-	44
Intangible assets	487	199	686
Trade and other receivables	425	(425)	-
	<u>956</u>	<u>(226)</u>	<u>730</u>
Current assets			
Inventories	185	-	185
Trade and other receivables	2,026	(1,094)	932
Cash and cash equivalents	3,853	-	3,853
	<u>6,064</u>	<u>(1,094)</u>	<u>4,970</u>
	<u>7,020</u>	<u>(1,320)</u>	<u>5,700</u>
LIABILITIES			
Current liabilities			
Trade and other payables	594	-	594
	<u>594</u>	<u>-</u>	<u>594</u>
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)
	<u>6,426</u>	<u>(1,320)</u>	<u>5,106</u>
TOTAL EQUITY	<u>6,426</u>	<u>(1,320)</u>	<u>5,106</u>
TOTAL EQUITY AND LIABILITIES	<u>7,020</u>	<u>(1,320)</u>	<u>5,700</u>

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.

22 IMPACT OF APPLICATION OF NEW ACCOUNTING STANDARD (continued)

COMPANY	2018	Impact of	2018
	£'000	IFRS 15	£'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)	-
	<u>3,329</u>	<u>(326)</u>	<u>3,003</u>
Current assets			
Trade and other receivables	1,516	(994)	522
Cash and cash equivalents	3,517	-	3,517
	<u>5,033</u>	<u>(994)</u>	<u>4,039</u>
	<u>8,362</u>	<u>(1,320)</u>	<u>7,042</u>
LIABILITIES			
Current liabilities			
Trade and other payables	216	-	216
	<u>216</u>	<u>-</u>	<u>216</u>
Equity			
Share capital	1,007	-	1,007
Share premium account	27,468	-	27,468
Merger reserve	1,065	-	1,065
Earnings reserve	(21,394)	(1,320)	(22,714)
	<u>8,146</u>	<u>(1,320)</u>	<u>6,826</u>
TOTAL EQUITY	<u>8,146</u>	<u>(1,320)</u>	<u>6,826</u>
TOTAL EQUITY AND LIABILITIES	<u>8,362</u>	<u>(1,320)</u>	<u>7,042</u>

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

The application of IFRS15 has given rise to a £99k reinstatement to patents and other 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.