19 December 2019

Byotrol Plc

("Byotrol" or the "Group")

Interim results

Byotrol Plc (AIM: BYOT), the anti-microbial technology company, is pleased to announce today its interim results for the six months ended 30 September 2019.

Highlights

- Sales of £2.17m v. £1.12m in H1 2018 (as restated for application of IFRS15)
- Adjusted operating loss before share based charges (and including cash receivable for R & D tax credits) of £0.51m versus £0.92m in H1 2018
- Gross cash and cash equivalents of £2.01m at period end, sufficient to complete growth plans
- All business units and strategic initiatives progressing satisfactorily.
- Medimark running ahead of previous year
- Continued confidence in positive EBITDA at year end

John Langlands, non-executive Chairman of Byotrol commented:

"*We are pleased with progress in the year to date*

Trading losses are reducing rapidly and will continue to do so as the formal integration with Medimark concludes at year end. The team is also working on a number of business development and monetisation opportunities that should improve results for the full year. The board remains confident that the Company is on target to deliver sustainable operating profits.

We remain very excited about the business outlook for Byotrol."

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This announcement is released by Byotrol Plc and, prior to publication, the information contained herein was deemed to constitute inside information under the Market Abuse Regulations (EU) No. 596/2014. Such information is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Byotrol Plc was Nic Hellyer, CFO.

Notes to editors

Byotrol plc (BYOT.L), quoted on AIM, is a specialist anti-microbial technology company, operating globally in the Food, Industrial, Healthcare and Consumer sectors, providing low toxicity products with a broad-based and targeted efficacy across all microbial classes; bacteria, viruses, fungi, moulds, mycobacteria and algae.

Byotrol's products can be used stand-alone or as ingredients within existing products, where Byotrol can significantly improve their performance, especially in personal hygiene, domestic and industrial disinfection, odour control, food production and food management.

Byotrol develops and commercialises technologies that create easier, safer and cleaner lives for everyone.
For more information, please go to www.byotrol.co.uk

Chief Executive's report

I am pleased to report that performance in the period under review in our enlarged group has improved versus the comparable period in 2018:

- Sales increased to £2.17m versus £1.12m in H1 2018 (as restated for the application of IFRS 15)
- Adjusted operating loss before share based charges (and including R&D tax credits) of £0.51m versus £0.92m (restated)
- H1 results include US losses of £0.12m for the period (£0.14m in H1 2018)
- Cash and cash equivalents of £2.01m at period end.

All strategic initiatives are progressing satisfactorily across the Group. In the US, we continue to seek a partner for Byotrol24 and are now engaged in a number of early-stage discussions. As this process continues we are reducing marketing spend linked to the Target retail trial and are now expecting the in-store trial to lapse at the end of March 2020. We hope to be in an alternative relationship with a better risk/reward profile by this time.

Results by segment

As part of the continued improvements in the Group we are now simplifying our reporting segments into two – Professional (Byotrol and Medimark products for use within businesses and institutions) and Consumer (Byotrol and Medimark products for individual consumers, including their pets).

Professional

H1 revenues increased to £1.77m from £0.67m, boosted by six months of contribution from Medimark, against a one month contribution in the comparable period. On the same basis, gross profit increased from £0.2m to £0.75m. Gross margins in Professional are already benefiting from the greater scale and pricing power that Medimark brings and we expect that to accelerate as we rationalise and focus the product portfolio across the Group.

Invirtu, our alcohol-free hand sanitiser, has excellent brand potential and its sales continue to increase year on year: SC Johnson Professional has now launched our products under their brand in UK and Irish hospitals and we are very excited about the potential of this relationship. Sales into elite sports teams are also gathering momentum, including international cricket teams, Tour de France cycling teams, English Premier League football teams and British Olympic athletes.

Medimark is performing well across all of its market sectors, with sales, gross profit and costs all improved on the comparable period in 2018. Highlights include new launches into the UK dentistry segment, with a range of products for decontaminating and protecting dental facilities, and successful transition of Medimark's medical device portfolio into an EU accredited regulatory body for post Brexit sales.

Consumer

Headline H1 revenues in this segment were £0.41m versus £0.45m in H1 2018 (as restated). Petcare remains the largest element of day-to-day sales in consumer, accounting for 92% of consumer sales in the period. Regulatory changes in EU petcare are now affecting all petcare suppliers and customers are migrating to our new, approved formulations, solidifying relationships and consolidating product ranges. A particular win was with European pet healthcare brand Beaphar, extending their range of Byotrol surface care products into the UK pet market.

A similar process of regulatory change is now starting in South-East Asia. We are pleased to see this happening and expect to take advantage of the new opportunities that will emerge, just as we have been doing in the EU

Despite very limited resource investment in non-pet consumer, we are making good progress in household products with some new, initially small, launches expected in the New Year:

- Following the acquisition of Hero Pet Brands earlier this year, Manna Pro's UK division is launching a Multi-Surface Disinfectant Cleaner, powered by Byotrol, under their market-leading Simple Solution brand into the UK pet market in February 2020

- Iconic British heritage brand, Swan, has added Byotrol carpet detergents into its new floorcare offering. Marketed under the new Swan Dirtmaster brand, the range launches into retail stores in the UK in March 2020

- RK Wholesale Ltd have selected Byotrol formulations for their new range of UK floorcare products marketed under their long-standing Tower brand, which has provided consumers with home appliances since 1912, the new range will be launched in March 2020.

We understand that Solvay is making good progress with Actizone surface care products, in which we have an ongoing financial interest via a royalty linked to Solvay's sales. We are not party to the detail of their commercial discussions but we know that Solvay's resource commitment remains strong and our relationship healthy, especially in new product development, and we see potential upside from this relationship for calendar 2020 and beyond.

We continue our search for a partner for Byotrol24 in the US and have engaged professional advice to assist. Sales at Target continue to increase year on year and month on month, but are not large enough to justify continued, national marketing spend by us even at very small levels. We are now preparing for the trial at Target to finish at the end of March 2020.

Implementation of IFRS 16

Byotrol has adopted *IFRS 16 Leases* for the financial year ending 31 March 2020 and has chosen to use the modified retrospective approach to adoption which means there are no restatements to the prior year figures. IFRS 16 introduces a single lessee accounting model, whereby the Group will recognise lease liabilities and "right of use" assets at 1 January 2019 for leases previously classified as operating leases. Within the income statement rental expense is replaced by depreciation and interest expense. The adoption of IFRS 16 has resulted in aggregate right of use assets of £80,000 with corresponding liabilities of £82,000 being recognised as at 30 September 2019

In order to allow users of the accounts to see how the impact of IFRS 16 has affected adjusted EBITDA, we present a reconciliation below:

	Adjusted EBITDA 6 months to 30 September 2019 £'000	**Adjusted EBITDA 6 months to 30 September 2018 £'000**
Consistent with FY 2019 presentation and accounting policy	(502)	(660)

Changes due to IFRS 16	21	-
Consistent with H1 2020 presentation and accounting policy	**(481)**	**(660)**

Expenditure on non-current assets

Expenditure of £0.12m (H1 2018: £0.09m) on relevant product development, and patent and license costs was capitalised in the period.

Medimark acquisition – contingent payments

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 total contingent amount payable under these arrangements was between £nil and £1.8m, payable half in cash and half in Byotrol shares, depending on Medimark's audited profitability in the two financial years to 31 March 2020. We are currently in discussions with Medimark's vendors on the payment for the year to 31 March 2019, and we expect the discussions to conclude in the first quarter of 2020, with the cash payment shortly thereafter.

Outlook

This was a satisfactory half year, with steady progress on all fronts. All key performance metrics continue to improve across the business - sales, gross profit, gross margin – before any financial synergies with Medimark and with negligible one-off/technical or licensing deals so far. Integration planning is underway but synergies will not be realised until next financial year once the earnout on Medimark as completed. This is another area of upside that we see in the business, both on cost and revenue.

One area of focus at present is product rationalisation across the Group. We intend to focus on a small number of underlying technologies for our core products and sales across Professional and Consumer, and looking for alliances and partnerships for the remainder. At the moment we have seven technologies in house, all of which are valuable, but we know we must now focus resources.

The good news is that the Byotrol team now has very much the right mix of sales and technical personnel, cost control and cash reserves. We are now working hard on relaunching as a unified company from April 2020 and expect all the recent efforts to then become visible in results and projections. We remain very positive on our outlook and confident that we are doing the right things strategically and tactically.

Byotrol's results are typically weighted towards the second half and this characteristic is now amplified by the Medimark business which operates with a similar degree of seasonality, but with significantly higher sales than pre-acquisition Byotrol Professional. However, based on progress since period end, the Directors remain confident in reporting EBITDA positive results for the full year, with the degree of profitability dependent on trading in the New Year.

David Traynor
Chief Executive

Group statement of comprehensive income

	Note	6 months to 30 September 2019 £'000 *(unaudited)*	6 months to 30 September 2018 £'000 *(unaudited, restated)*	Year to 31 March 2019 £'000 *(audited)*
Revenue	2	**2,174**	**1,123**	**5,660**
Cost of sales and provision of services		(1,259)	(670)	(2,055)
Gross profit		**915**	**453**	**3,605**
Sales and marketing costs		(557)	(405)	(963)
Research and development costs		(177)	(268)	(436)
Other administrative costs		(662)	(558)	(1,328)
Share-based payments		(25)	(37)	(60)
Earnings before interest, tax, depreciation and amortisation		**(506)**	**(815)**	**818**
Depreciation		(33)	(11)	(24)
Amortisation		(57)	(131)	(363)
Adjusted operating (loss)/profit		**(596)**	**(957)**	**431**
Amortisation of acquisition intangibles		(146)	-	(175)
Exceptional items				
Fair value movement on contingent consideration liabilities		142	-	-
Operating (loss)/profit		**(600)**	**(957)**	**256**
Finance income	4	14	4	41
Finance expense	5	(101)	(19)	(80)
R&D tax credits		63	-	124
(Loss)/profit before taxation		**(624)**	**(972)**	**341**
Income tax credit/(expense)		(11)	3	11
(LOSS)/PROFIT FOR THE PERIOD		**(635)**	**(969)**	**352**
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences		(4)	(10)	7
Other comprehensive income/(expense), net of tax		**(4)**	**(10)**	**7**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		**(639)**	**(979)**	**359**
Earnings per share				
Basic	6	(0.15p)	(0.24)p	0.08p
Diluted	6	(0.15p)	(0.24)p	0.08p

Group statement of financial position

	Note	As at 30 September 2019 £'000 *(unaudited)*	As at 30 September 2018 £'000 *(unaudited, restated)*	As at 31 March 2019 £'000 *(audited)*
Assets				
Non-current assets				
Intangible assets	7	3,782	4,068	3,862
Property, plant and equipment		66	60	58
Right-of-use assets	8	80	-	-
Contract assets		-	-	176
		3,928	**4,128**	**4,096**
Current assets				
Contract assets		461	-	275
Inventories		384	326	416
Trade and other receivables		1,253	1,154	1,521
Cash and cash equivalents		2,007	3,552	2,797
		4,105	**5,032**	**5,009**
Total assets		**8,033**	**9,160**	**9,105**
Liabilities				
Non-current liabilities				
Deferred tax liabilities		421	460	441
Other financial liabilities		-	276	297
Lease liabilities	10	42	-	-
Other payables		-	110	-
		463	846	738
Current liabilities				
Lease liabilities	10	40	-	-
Other financial liabilities	11	752	485	520
Contract liabilities		-	1,000	-
Trade and other payables		817	1,521	1,193
Invoice discounting facility		168	260	245
		1,777	3,266	1,958
Total liabilities		2,240	4,112	2,696
NET ASSETS		**5,793**	**5,048**	**6,409**
Issued share capital and reserves				
Share capital		1,077	1,077	1,077
Share premium		28,282	28,282	28,282
Merger reserve		1,065	1,065	1,065
Retained earnings		(24,631)	(25,376)	(24,015)
TOTAL EQUITY		**5,793**	**5,048**	**6,409**

Group statement of cash flows

	6 months to 30 September 2019 £'000 *(unaudited)*	6 months to 30 September 2018 £'000 *(unaudited, restated)*	Year to 31 March 2019 £'000 *(audited)*
Cash flows from operating activities			
Profit/(loss) for the period	(635)	(969)	352
Adjustments for:			
Depreciation of tangible non-current assets	33	11	24
Amortisation of intangible non-current assets	203	131	538
Finance income	(14)	(4)	(41)
Finance costs	101	19	80
Share-based payments	25	37	60
Income tax recognised in profit or loss	31	-	13
(Decrease) in deferred tax	(20)	(3)	(24)
Operating cash flows before movements in working capital	***(276)***	***(778)***	***1,002***
(Increase)/decrease in inventories	32	19	(70)
(Increase)/decrease in trade and other receivables	268	201	(390)
(Increase)/decrease in contract assets	(10)	-	(451)
Increase/(decrease) in trade and other payables	(550)	(81)	239
Increase in contract liabilities	-	1,000	-
Net cash (used in)/generated from operating activities	**(536)**	**361**	**330**
Cash flows from investing activities			
Development of intangible assets	(123)	(82)	(283)
Cash (outflow) on acquisition of subsidiaries net of cash acquired	-	(554)	(1,131)
Acquisition of property, plant and equipment	(21)	(13)	(23)
Interest income	14	4	41
Finance costs	(23)	(3)	(13)
Net cash used in investing activities	**(153)**	**(648)**	**(1,409)**
Cash flows from financing activities			
Repayments of principal on lease liabilities	(20)	-	-
Movement in invoice discounting facility	(77)	(3)	16
Net cash (used in)/ generated by financing activities	**(97)**	**(3)**	**16**
Net (decrease)/increase in cash and cash equivalents	**(786)**	**(290)**	**(1,063)**
Net foreign exchange differences	(4)	(10)	7
Cash and equivalent at beginning of period	2,797	3,852	3,853
Cash and cash equivalents at end of period	**2,007**	**3,552**	**2,797**

Group statement of changes in equity

	Share capital	Share premium	Merger reserve	Retained profits	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 31 March 2018 as previously reported	**1,007**	**27,468**	**1,065**	**(23,114)**	**6,426**
Effect of change of accounting policy (IFRS 15)	-	-	-	(1,320)	(1,320)
Balance at 31 March 2018 as restated	**1,007**	**27,468**	**1,065**	**(24,434)**	**5,106**
Loss after taxation for the period	-	-	-	(969)	(969)
Other comprehensive income:					
Exchange differences	-	-	-	(10)	(10)
Share-based payments	-	-	-	37	37
Transactions with owners:					
Shares issued by Byotrol plc	70	814	-	-	884
Balance at 30 September 2018	**1,077**	**28,282**	**1,065**	**(25,376)**	**5,048**
Profit after taxation for the period	-	-	-	1,321	1,321
Other comprehensive income:					
Exchange differences	-	-	-	17	17
Share-based payments	-	-	-	23	23
Balance at 31 March 2019	**1,077**	**28,282**	**1,065**	**(24,015)**	**6,409**
Effect of change of accounting policy (IFRS 16)	-	-	-	(2)	(2)
Balance at 31 March 2019 as restated	**1,077**	**28,282**	**1,065**	**(24,017)**	**6,407**
Profit/(loss) after taxation for the period	-	-	-	(639)	(639)
Share-based payments	-	-	-	25	25
Other comprehensive income:					
Exchange differences	-	-	-	-	-
Balance at 30 September 2019	**1,077**	**28,282**	**1,065**	**(24,631)**	**5,793**

Notes to the Group financial statements

1 Basis of preparation

The Group has prepared its interim financial statements for the 6 months ended 30 September 2019 (the “interim results”) in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as adopted by the European Union and also in accordance with the recognition and measurement principles of IFRS issued by the International Accounting Standards Board, but do not include all the disclosures that would otherwise be required. They have been prepared under the historical cost convention as modified to include the revaluation of certain non-current assets. Other than the adoption of *IFRS 16 Leases* the accounting policies adopted in the interim financial statements are consistent with those adopted in the Group's Annual Report and Financial Statements for the year ended 31 March 2019 and those which will be adopted in the preparation of the annual report for the year ending 31 March 2019.

As permitted, the interim results have been prepared in accordance with the AIM Rules of the London Stock Exchange and not in accordance with *IAS34 Interim Financial Reporting*. They do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited.

Change in accounting policy - application of IFRS 16 Leases

In the current period the Group has applied *IFRS 16 Leases* (as issued by the IASB in January 2016) for the first time ("IFRS 16" or the "Standard"). The Group has applied the definition of a lease and related guidance set out in the Standard to all lease contracts entered into or modified on or after 1 January 2014, with the date of initial application as 1 April 2019. The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of comparative information.

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

(i) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

(ii) recognises depreciation of right-of-use assets, and interest on lease liabilities, in the consolidated statement of comprehensive income; and

(iii) separates the total amount of cash paid in respect of lease obligations into a principal portion and interest (both presented within financing activities) in the consolidated statement of cash flows.

Lease payments under (i) are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's estimated incremental borrowing rate. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Additionally under IFRS 16, right-of-use assets are tested for impairment in accordance with *IAS 36 Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts. For the leases taken on balance sheet at 1 April 2019 the Group has used a weighted average interest rate of 3.3%.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by the Standard. This expense is presented within other expenses in the consolidated statement of profit or loss.

Financial effect of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current period. As the Group has adopted the modified retrospective approach the prior year and period are not restated for its application and hence there is no effect shown.

	6 months to 30 September 2019 £'000 *(unaudited)*
Increase in depreciation	20
Increase in finance costs	1
Decrease in other expenses	(21)
Increase in profit for the period	**-**

Impact on earnings per share for the period

The impact on earnings per share is too small to be reflected in disclosure to the nearest 0.01p,

Impact on assets, liabilities and equity as at 1 April 2019

	As previously reported £'000 *(audited)*	**IFRS 16 adjustments £'000** *(unaudited)*	**As restated £'000** *(unaudited)*
Right-of-use assets	-	99	99
Net impact on total assets	**-**	**99**	**99**
Lease liabilities	-	101	101
Net impact on total liabilities	**-**	**101**	**101**
Retained earnings	-	(2)	(2)
Net impact on total liabilities and equity	**-**	**99**	**99**

The recognised right-of-use assets relate to the following types of assets:

	As at 30 September 2019 £'000 *(unaudited)*	**As at 1 April 2019 £'000** *(unaudited)*
Leasehold properties	53	65
Motor vehicles	27	35
Total right-of-use assets	**80**	**100**

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Impact on consolidated statement of cash flows

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group as under the Standard lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (such payments have no material effect on these financial statements);
- Cash paid for the interest portion of lease liabilities as part of financing activities; and
- Cash payments for the repayment of the principal portions of leases liabilities as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, for the 6 months ended 30 September 2019, the net cash generated by operating activities has increased by £21,000 and net cash used in financing activities decreased by the same amount.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is effective for periods beginning on or after 1 January 2019 and requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to consider if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty

The Group does not believe that it is impacted by IFRIC 23 and therefore opening retained earnings remain unaffected.

Going concern

The Directors have considered trading and cash flow forecasts prepared for the Group, and based on these, and confirmed banking facilities, are satisfied that the Group will continue to be able to meet its liabilities as they fall due for at least one year from the date of these results. On this basis, they consider it appropriate to have adopted the going concern basis in the preparation of the interim results, which were approved by the Board of Directors on 18 December 2019.

Comparative financial information

The comparative financial information presented herein for the year ended 31 March 2019 does not constitute full statutory accounts for that period. Statutory accounts for the year ended 31 March 2019 have been filed with the Registrar of Companies. These statutory accounts were reported on by the Group's auditors and received a qualified auditor's report, which included the following wording:

"*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."

These statutory accounts did not otherwise draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Comparative information for the 6 months ended 30 September 2018 has been restated for the impact of the application of IFRS 15 (as a new accounting standard) and IFRS 3.

2 Segmental analysis

Revenue by geography

The Group recognises revenue in 3 geographical regions based on the location of customers, as set out in the following table:

	Professional	**Consumer**	**Total**
6 months ended 30 September 2019	**£'000**	**£'000**	**£'000**
United Kingdom	1,483	168	1,651
North America	-	29	29
Rest of World	282	212	494
Total revenue	**1,765**	**409**	**2,174**
Cost of sales	(1,013)	(246)	(1,259)
Gross profit	**752**	**163**	**915**
Centrally incurred income and expenditure not attributable to individual segments:			
Sales and marketing costs			(557)
Research and development costs			(177)
Other administrative costs excluding costs directly attributable to acquisition of subsidiary			(662)
Depreciation and amortisation			(90)
Share-based payments			(25)
Amortisation of acquisition intangibles			(146)
Fair value movement on contingent consideration liabilities			142
Finance income			14
Finance costs			(101)
Research and development (R & D) tax credits			63
(Loss) for the period			**(624)**

6 months ended 30 September 2018	Professional £'000	Consumer £'000	Total £'000
United Kingdom	664	222	886
North America	2	53	55
Rest of World	4	178	182
Total revenue	**670**	**453**	**1,123**
Cost of sales	(465)	(205)	(670)
Gross profit	**205**	**248**	**453**
Centrally incurred income and expenditure not attributable to individual segments:			
Sales and marketing costs			(405)
Research and development costs			(268)
Other administrative costs excluding costs directly attributable to acquisition of subsidiary			(440)
Costs directly attributable to acquisition of subsidiary			(118)
Depreciation and amortisation			(142)
Share-based payments			(37)
Finance income			4
Finance costs			(19)
Research and development (R & D) tax credits			-
(Loss) for the period			**(972)**

3 Non-GAAP profit measures and exceptional items

Reconciliation of earnings before interest, taxation, depreciation and amortisation ("EBITDA") to adjusted EBITDA:

	6 months to 30 September 2019 £'000 *(unaudited)*	6 months to 30 September 2018 £'000 *(unaudited)*	Year to 31 March 2019 £'000 *(audited)*
EBITDA	**(506)**	**(815)**	**818**
Adjusted for:			
- acquisition expenses	-	118	118
- share-based payments	25	37	60
Adjusted EBITDA	**(481)**	**(660)**	**996**

The criterion for adjusting items in the calculation of adjusted EBITDA is operating income or expenses that are material and either (i) arise from an irregular and significant event or (ii) are such that the income/cost is recognised in a pattern that is unrelated to the resulting operational performance. Materiality is defined as an amount which, to a user, would influence decision-making based on, and understandability of, the financial statements. Adjustment for share-based payment expense is made because, once the cost has been calculated, the Directors cannot influence the share based payment charge incurred in subsequent years, and the value of the share option to the employee differs considerably in value and timing from the actual cash cost to the Group.

Exceptional items are treated as exceptional by reason of their size or nature and are excluded from the calculation of adjusted EBITDA (and adjusted earnings per ordinary share) to allow a better understanding of comparable year-on-year trading and thereby an assessment of the underlying trends in the Group's financial performance. These measures also provide consistency with the Group's internal management reporting.

Exceptional items in 2019 comprise legal and other costs relating to the acquisition of Medimark Scientific Limited and its subsidiary.

Adjusted EPS

The calculation of adjusted EPS is shown in Note 6.

4 Finance income

	6 months to 30 September 2019 £'000 *(unaudited)*	6 months to 30 September 2018 £'000 *(unaudited)*	Year to 31 March 2019 £'000 *(audited)*
Interest receivable on interest-bearing deposits	4	4	21
Finance income arising from unwinding of discounting of contract assets	10	-	20
Total finance income	**14**	**4**	**41**

5 Finance expense

	6 months to 30 September 2019 £'000 *(unaudited)*	6 months to 30 September 2018 £'000 *(unaudited)*	Year to 31 March 2019 £'000 *(audited)*
Interest and finance charges paid or payable on borrowings	23	3	13
Acquisition-related financing expense - unwinding of discount on financial liabilities	77	16	67
Interest on lease liabilities under IFRS 16	1	-	-
Total finance expense	**101**	**19**	**80**

6 Earnings per share

Earnings per share - reported ("EPS")

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

	6 months to 30 September 2019 £'000 *(unaudited)*	6 months to 30 September 2018 £'000 *(unaudited)*	Year to 31 March 2019 £'000 *(audited)*
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	(635)	(969)	352
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	430,885,271	408,507,564	419,742,617
Effect of dilutive potential ordinary shares:			
- in-the-money share options	-	-	2,050,000
	430,885,271	408,507,564	421,792,617

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

Adjusted earnings per share

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

	6 months to 30 September 2019 £'000 *(unaudited)*	6 months to 30 September 2018 £'000 *(unaudited)*	Year to 31 March 2019 £'000 *(audited)*
Earnings attributable to owners of the Parent	(635)	(969)	352
Adjusting items:			
- exceptional items	-	118	118
- amortisation of acquisition-related intangibles	146	-	175
- share-based payments	25	-	60
-finance charge on liabilities relating to contingent consideration	77	16	67
R&D tax credits	(63)	-	(124)
Adjusted earnings attributable to owners of the Parent	(450)	(835)	648
Weighted number of ordinary shares in issue	430,885,271	408,507,564	419,742,617
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	430,885,271	408,507,564	421,792,617

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 Intangible assets

Intangible assets comprise capitalised development costs, acquired software, customer relationships and goodwill.

	Goodwill £'000	Other Intangible Assets £'000	**Total** £'000
Cost			
At 1 April 2019	502	4,234	**4,736**
Additions	-	123	**123**
Fair value adjustment			
At 30 September 2019	502	4,357	**4,859**
Amortisation or impairment			
At 1 April 2019	-	(874)	**(874)**
Charge for the period	-	(203)	**(203)**
At 30 September 2019	-	(1,077)	**(1,077)**
Net carrying amount			

At 30 September 2019	**502**	**3,280**	**3,782**
At 1 April 2019	502	3,360	**3,862**

Other Intangible Assets comprise:

	Framework Access Rights £'000	Customer Relationships £'000	Brands £'000	Development Costs £'000	Patents and licenses £'000	**Total** £'000
Cost						
At 1 April 2019	114	1,861	567	958	734	**4,234**
Additions	-	-	-	96	27	**123**
Fair value adjustment	-	-	-	-	-	**-**
At 30 September 2019	114	1,861	567	1,054	761	**4,357**
Amortisation or impairment						
At 1 April 2019	(114)	(113)	(34)	(109)	(504)	**(874)**
Charge for the period	-	(93)	(28)	(52)	(30)	**(203)**
At 30 September 2019	(114)	(206)	(62)	(161)	(534)	**(1,077)**
Net carrying amount						
At 30 September 2019	**-**	**1,655**	**505**	**893**	**227**	**3,280**
At 1 April 2019	-	1,748	533	849	230	**3,360**

8 Right-of-use assets

Right-of-use assets comprise leases over office buildings and vehicles.

	Office buildings £'000	Vehicles £'000	**Total** £'000
Cost			
At 1 April 2019	-	-	**-**
Effect of change of accounting policy (IFRS 16)	95	47	**142**
Additions in the period	-	-	**-**
At 30 September 2019	95	47	**142**
Depreciation			
At 1 April 2019	-	-	**-**
Effect of change of accounting policy	30	12	**42**
Charge for the period	12	8	**20**
At 30 September 2019	42	20	**62**
Net carrying amount			
At 30 September 2019	**53**	**27**	**80**
At 1 January 2019	-	-	**-**

9 Loans and borrowings

	As at 30 September 2019 £'000 *(unaudited)*	**As at 30 September 2018** £'000 *(unaudited)*	**As at 31 March 2019** £'000 *(audited)*
Invoice discounting facility	168	260	245

Total loans and borrowings	**168**	**260**	**245**

10 Lease liabilities

Lease liabilities comprise liabilities arising from the committed and expected payments on leases over office buildings and vehicles.

Amounts due in less than one year	Office equipment £'000	Vehicles £'000	**Total** £'000
At 1 April 2019	-	-	**-**
Effect of change of accounting policy	23	16	**39**
Leases taken on in the period	-	-	**-**
Repayments of principal	(12)	(7)	**(19)**
Transfers from long to short term liabilities	12	8	**20**
At 30 September 2019	**23**	**17**	**40**

Amounts due in more than one year	Office equipment £'000	Vehicles £'000	**Total** £'000
At 1 April 2019	-	-	**-**
Effect of change of accounting policy	43	19	**62**
Leases taken on in the period	-	-	**-**
Repayments of principal	-	-	**-**
Transfers from long to short term liabilities	(12)	(8)	**(20)**
At 30 September 2019	**31**	**11**	**42**

11 Other financial liabilities

Other financial liabilities comprise the fair value of potential liabilities for the contingent payments due in respect of the Medimark acquisition.

	As at 30 September 2019 £'000 *(unaudited)*	**As at 30 September 2018** £'000 *(unaudited)*	**As at 31 March 2019** £'000 *(audited)*
Contingent consideration on the acquisition of Medimark assets			
- potentially due within one year	752	485	520
- potentially due after one year	-	276	297
Total other financial liabilities	**752**	**761**	**817**

Part of the consideration for the Medimark Acquisition in August 2018 was contingent on the achievement of certain EBITDA targets in the two years following the acquisition. The total contingent amount payable under these arrangements was between £nil and £1.8m. 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 payable.

Following 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 valued at £817,000 (as discounted to the then present value at an imputed cost of funds). At 30 September 2019 the value of this liability was revised downwards to £752,000, a £65,000 decrease (net of the unwinding of the present value discount). This reduction reflected revised expectations of sales and profitability from the business based on the performance in the 6 month period and updated business projections, as well as certain reassessments of accounting classifications in the Medimark business which affect the EBITDA on which the earn-out calculation is based but not underlying cash flow. Accordingly an exceptional gain of £142,000 has been taken to profit and loss, offset by the notional cost of financing of £77,000. The carrying value of these liabilities will continue to be reassessed at future reporting dates.

12 Post balance sheet events

There have been no events subsequent to the reporting date which would have a material impact on these interim financial results

[END]