



**The Quoted
Companies Alliance**

17 July 2009

David Blackwell, *Financial Times*

Unlikely outing of minnow's superbug 'breakthrough'

Superbugs, Michael Jackson and a former Tory leader are the unlikely stars of the following tale of an Aim minnow.

Small company bosses, especially those who have real faith in their product, crave publicity. But the news industry is a fickle beast, to be treated with caution.

Byotrol floated on Aim in 2005 to develop a product that kills hospital- acquired infections such as MRSA and clostridium difficile.

Such developments always take for ever, and the company has suffered mounting losses over the past few years on minimal turnover.

In October, it announced that a trial at a leading university hospital was going well. It also declared that in the US the Monroe Hospital in Bloomington, Indiana, had been clear of infections for 24 months after using Byotrol technology. Not many headlines there.

In the interim results in November, the company revealed positive results from the Manchester Royal Infirmary trial, "and we look forward to the conclusion of that trial and the resulting academic paper which we hope to receive early next year". The company also raised a further £3.75m through a placing at 11p a share.

By the time of a trading update in early March – the Manchester trial "continues to show excellent results" – the shares were heading towards the low of 8p.

On June 16, the company reported increased losses of £2.9m on sales down £18,000 to £930,000, and mentioned only that its technology "had continued to perform excellently in the recently completed large scale trial" in Manchester. The shares closed at 11p.

Crain's Manchester Business website ran an article on June 22 entitled "Bug trial verdict may get Byotrol out of jail". The market remained unmoved.

Then on June 27 the Daily Telegraph ran a front-page story headlined "Breakthrough in fight on superbugs" underneath news of Michael Jackson's death.

Written by the newspaper's royal editor, it spoke of "an important breakthrough in the fight against hospital superbugs with a cleaning product that was invented to stop mould growth in bakeries and fish factories". The shares shot up to more than 28p.

Who am I to question the news judgment of a rival organisation? But the market reaction to a story that dates back many months suggests that the company would have been politic to make an announcement to the Stock Exchange on the final, favourable outcome of the Manchester trial.

The sharp rise in the week of June 29 was unfortunate timing in the light of other company announcements in the previous week.

On June 23, Ralph Kugler, the former Unilever executive who became chairman of Byotrol last month, bought 384,000 shares at 13p.

The day after that, the company abandoned its old options scheme, under which some directors had options at an exercise price of 79½p, and announced a new share option scheme, exercisable at 13p.

David McRobbie, Byotrol's chief executive, is at a loss to explain why news so long in the public domain had such an effect, other than to say the company has public relations people working on the case all the time.

The company employs PR firms to help its marketing but has had no financial PR since the end of last year.

As this column has maintained in the past, it is a false economy for publicly quoted companies to ditch financial PR advisers.

Asked why there has been no regulatory news service announcement on the conclusion of the Manchester trial, particularly as one had been made after only a few weeks last October, Mr McRobbie said all decisions were made only after consulting the nomad (nominated adviser), in this case Charles Stanley.

Meanwhile, shareholders might like to challenge the new option scheme at the company's annual meeting this month.

According to the annual report which was published last week, the remuneration committee is constituted in accordance with the recommendations of the Quoted Companies Alliance.

That may be so, but the QCA guidelines on corporate governance for Aim companies include circumstances that may impair a non-executive's independence – such as taking part in the company's share option scheme.

All four Byotrol non-executives have been granted options, including the latest recruit Iain Duncan Smith, the former Conservative leader, who joined the board on June 22.