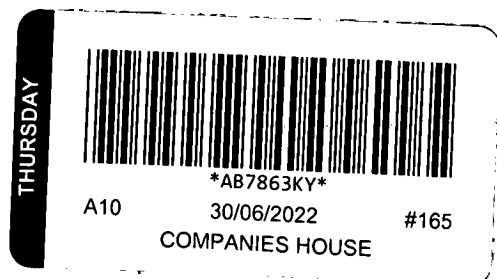


Company Number: 05880755

**Report of the Directors and
Financial Statements for the year ended 31 December 2021
for
Optibiotix Health Plc**



Optibiotix Health Plc

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Optibiotix Health Plc

Company Information

For the year ended 31 December 2021

Directors:	S P O'Hara R Davidson M Christie C Brinsmead S Hammond S Kolyda
Secretary:	Mark Collingbourne
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Registered office:	Innovation Centre Innovation Way York YO10 5DG
Auditors:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Nominated adviser:	Cairn Financial Advisers LLP 9 th Floor 107 Cheapside London EC2V 6DN
Brokers:	Cenkos Securities plc 6-7-8 Tokenhouse Yard London EC2R 7AS
Website Address:	www.optibiotix.com

Optibiotix Health Plc

Chairman's Report

For the year ended 31 December 2021

The Group continued to make excellent strategic, commercial, scientific and financial progress during the year, despite the challenging and uncertain trading environment created by the global Covid pandemic. Both the Probiotic and Prebiotic businesses achieved strong turnover growth and improved profits, as they successfully built sales of the first-generation ingredients developed by the Group, secured additional regulatory approvals, and reached new agreements with larger commercial partners to extend their global reach. Since the year-end the Group has successfully floated its formerly wholly-owned probiotic subsidiary, ProBiotix Health plc, as a separate company to maximise its growth potential and deliver increased value to Group shareholders, following the model set by the flotation of SkinBioTherapeutics plc in 2017. The Group's financial strength provides it with an excellent platform to accelerate the commercialisation of first-generation products via partners and increasingly direct sales to consumers, and take to market its second-generation technologies which have the potential for sustained future growth.

Results

Group sales for the 12 months ended 31 December 2021 grew by 45.3% to £2.2m (2020: £1.5m). Administrative expenses (excluding non-cash items such as share-based payments and amortisation) increased by 32.4% to £2.1m (2020: £1.6m), largely due to one-off recruitment and consultancy costs, and investment in strengthening our commercial management team. Gross profit increased by 27.7% to £1.1m (2020: £0.9m). Both the Probiotic and Prebiotic divisions, which first achieved profitability in 2020, delivered substantially increased EBITDA.

The Company received an additional £2.9m (2020: £0.7m) during the year in proceeds from the sale of shares in SkinBioTherapeutics plc (SBTX), which is not included in the Group sales figures. As of 31 December 2021, the Company continued to hold 20.8% of the issued share capital of SBTX, valued at £13.7m (31 December 2020: £8.9m). The increase in the value of the continuing investment in SBTX resulted in a Group net profit for the year of £6.3m (2020: £5.8m).

The Group's financial position remains strong, with total cash on the balance sheet at the year-end increasing by 122% to £2.0m (2020: £0.9m). Once R&D tax credits, recoverable VAT, and debtors and creditors are accounted for the balance is £3.2m (2020: £1.4m).

Strategy

Optibiotix Health is a life sciences business founded on the development of probiotic and prebiotic compounds which modify the microbiome to tackle obesity, high cholesterol, diabetes, and skincare: all markets offering strong growth potential in many parts of the world.

Our proven two-stage growth strategy has been to build the brand presence and early sales of our first-generation products (principally LPLDL® in Probiotics and SlimBiome® in Prebiotics) through deals with multiple partners in multiple territories around the world, while at the same time pursuing the development of our more innovative second-generation products that offer potentially larger future returns. This means that our partners cover the marketing and regulatory costs of entering new markets with new products whilst allowing us to build a brand presence.

This strategy has been designed with two separate legal entities (Probiotix Health Ltd and OptiBiotix Ltd) focused on commercialising products, while the holding company OptiBiotix Health plc acquires and develops the novel technologies to build the new product pipeline, and provide the necessary scientific and clinical studies, publications and regulatory approvals.

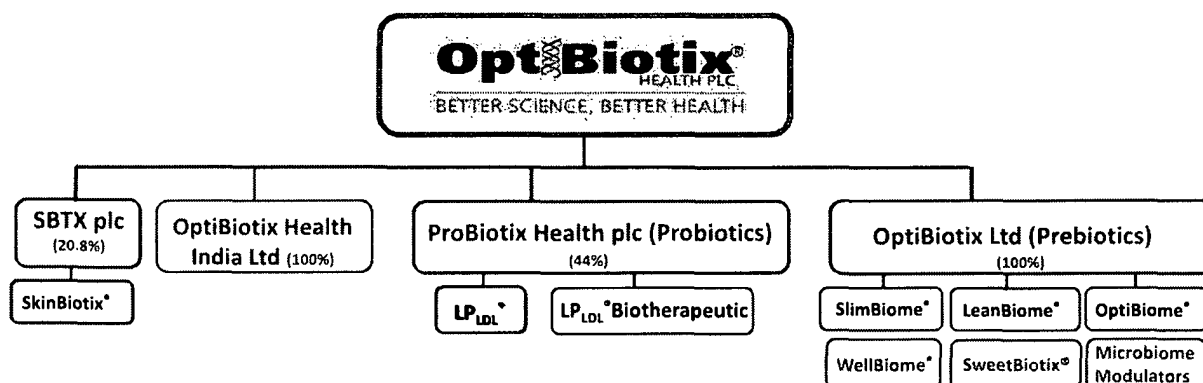
We also have a significant shareholding in a third company, SkinBiotherapeutics plc, which was founded by our group CEO, and has delivered £4.3m of value to our shareholders through share sales since its IPO in 2017, and in which we retain a stake valued at £8.4m as at 1 June 2022.

Optibiotix Health Plc

Chairman's Report

For the year ended 31 December 2021

OptiBiotix Health plc Overview: shareholding and key products



As we have always stated, this structure gives our shareholders exposure to multiple opportunities within the emerging microbiome space, and affords the potential to deliver additional value through separate public listing of the divisions, as we have accomplished since the beginning of the new financial year with the flotation of ProBiotix Health plc. This has allowed ProBiotix Health to raise £2.5m to accelerate the commercial development of its products and has given our shareholders a direct stake in the business through the distribution of shares. The Company retains a substantial shareholding of 44% in its former subsidiary, which will in future be accounted for as an associate.

Business development

Among the many positive developments during the year, which the Chief Executive discusses more fully in his report, I would particularly like to highlight:

- the significant strengthening and professionalisation of our business development and commercial management team, most notably through the appointment of René Kamminga as CEO of our Prebiotic business, OptiBiotix Ltd;
- the conclusion of major new commercial agreements with market-leading partners in both the Probiotic and Prebiotic businesses, moving us towards our goal of having eight to ten large national or international partners for our first-generation products, and two to three partners for each of our second-generation technologies;
- the publication of multiple scientific and clinical studies and industry reports affirming our position as an industry leader in understanding of the microbiome; and
- further regulatory endorsements, including Health Canada approval of our SlimBiome® weight management product.

The Board and senior management

As noted in the last annual report, we significantly strengthened the Board through new appointments in the opening months of the financial year, ensuring that we have the right mix of skills to lead the Group through the next stage of its strategic development.

Optibiotix Health Plc

Chairman's Report

For the year ended 31 December 2021

Christopher Brinsmead CBE joined the Board as a non-executive director on 1 January 2021, bringing to us more than 30 years of experience in the pharmaceutical and healthcare sectors as a senior executive FTSE 350 company director and chairman. Chris was Chairman of AstraZeneca Pharmaceuticals UK and President of AstraZeneca UK and Ireland from 2001-2010, and President of the Association of the British Pharmaceutical Industry (ABPI) from 2008-2010.

Stephen Hammond MP joined the Board as a non-executive director on 2 March 2021, further complementing our skillset through his experience of a successful career in fund management and investment banking with Dresdner Kleinwort Benson and Commerzbank Securities prior to entering Parliament in 2005, and his subsequent senior roles in government.

René Kamminga joined us on 6 April 2021 as Chief Executive Officer of our wholly owned subsidiary OptiBiotix Ltd. We are already seeing the benefits of his long experience and track record of growing sales of speciality ingredients and products, and his extensive network of industry contacts.

Since the year-end we have significantly strengthened our senior executive team below the main Board, as the Chief Executive reports below.

Outlook

Following the restructuring of the Group through the successful flotation of ProBiotix Health plc, we are focused on the development of our exciting prebiotic business OptiBiotix Ltd, while retaining a substantial stake in the continuing growth of ProBiotix Health as an associate.

The three commercial agreements we signed at the end of 2021 with well-known national and international brands are indicative of the future direction of the Group as we move to focus on fewer and larger business partners. This long-planned strategic shift creates the potential for extending our global reach, enhancing the reputation of our products and generating substantial volume sales, though it should also be recognised that these larger partners tend to operate on longer timescales than the smaller and quicker-to-market enterprises with which we forged our initial commercial agreements. It also means that we will receive fewer but much larger orders for our products than in the past, so that revenues will accrue less evenly through the year, and our results for future financial periods may reflect such timing differences.

We have invested substantially in building a stronger professional commercial management team that is well qualified and equipped to lead the business in this next phase of its development, as we look to launch more new products and focus increasingly on selling finished products direct to consumers, while continuing to develop sales of our first-generation ingredients to businesses and working to realise the commercial potential of our development pipeline.

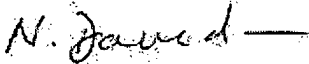
British Retail Consortium accreditation, achieved at the beginning of the new financial year, demonstrates our compliance with an internationally recognised food safety standard that will allow us to greatly accelerate the development and sales of finished products to consumers through the retail channel.

Optibiotix Health Plc

Chairman's Report

For the year ended 31 December 2021

Although the war in Ukraine and global inflationary pressures have created an undoubtedly challenging trading environment for many companies including our own, I am confident that we have the right structure, strategy, management skills, technologies and commercial partners to deliver growing value for our shareholders and an exciting long-term future for the Group.



N Davidson
Chairman

27 June 2022

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2021

OptiBiotix offers investors a unique opportunity to participate in the growth potential afforded by one of the most progressive and exciting areas of biotechnological research: the modulation of the human microbiome. This is a market projected to grow at a CAGR of 31% between 2023 and 2029 (Markets and Markets, 2022). The Group develops unique innovative products across multiple areas of the microbiome that are protected by an extensive and growing international portfolio of patents and trademark underpinned by strong science and clinical studies. Products are transferred for commercial exploitation to trading divisions which have the ability to deliver additional shareholder value through the achievement of separate listings or exits. Everything we do is designed to maximise the earning potential of each of our products while maintaining tight cost control and limiting investor risk.

STRATEGIC DEVELOPMENT

We are successfully progressing a two-stage strategy that continues to deliver for our investors as planned. In the first stage of development, our two independent trading businesses have built a strong recurring revenue base and achieved profitability through the development of business-to-business sales of our first-generation functional ingredients: principally LP_{LDL}® in Probiotics and SlimBiome® in Prebiotics. The Group has also benefited substantially from our investment in SkinBioTherapeutics plc (SBTX).

Our business model has been designed to maximise the income potential of each of our products while limiting investment risk and managing costs by securing appropriate business partners in a wide and growing range of territories.

Having established our scientific and brand credibility through an initial focus on smaller partners that were able to bring products quickly to market, we are now able to develop a smaller number of relationships with larger partners that offer the opportunity both to increase volume sales in existing markets, and to extend our geographical reach.

As anticipated, the increasing association of our products with internationally recognised retail and pharmaceutical partners and established brands (e.g. MyProtein, OptiSlim) has created a virtuous circle of further interest from other potential partners and markets. As we engage with an increasing number of larger partners, the Company will have to manage competing interests for product and territory exclusivity.

Now we have established a strong financial base and brand credibility through our business-to-business sales, we are increasing our efforts on developing higher-margin final product sales, including direct sales to consumers in strategic markets. This direct sales strategy will have a mutually beneficial effect in also driving sales of ingredients included in final products we sell direct to consumers.

Our products continue to gain endorsement from scientific studies, industry awards and regulatory approvals. We were particularly pleased that SlimBiome® won first place in the Weight Maintenance Category of the US Nutrition Industry Executive Awards in 2021 and was approved as a licensed product with strong health claims for weight management by Health Canada, which is renowned as one of the world's most demanding regulators. We believe these are substantive achievements for early-stage products.

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2021

Following the separate flotation of our Probiotic business as ProBiotix Health plc in March 2022, we are now strongly placed to focus on the growth potential of our Prebiotic business, OptiBiotix Ltd, through our new CEO, René Kamminga. The conclusion of three new commercial agreements with market-leading partners in the UK, India and Saudi Arabia at the end of the year have delivered an important extension of our geographic reach for SlimBiome® in the main markets of Europe and Asia, while the launch of new lean muscle mass ingredient, LeanBiome® provides us with a point of entry to the lucrative and fast-growing sports nutrition market.

After COVID-19 delayed product development we are making good progress with the commercialisation of our second-generation prebiotic products: the growing SweetBiotix® family of functional fibres that act as low calorie, prebiotic sweeteners; and Microbiome Modulators to target a range of human diseases. These products carry higher development risks than our first-generation products but address much larger market opportunities, affording very substantial potential for future growth in revenues and profits.

FINANCIAL RESULTS

As the Chairman has noted, Group sales for the 12 months ended 31 December 2021 grew by 45.3% to £2.2m (2020: £1.5m), despite difficult global trading conditions.

The Probiotic business, contained within our wholly owned subsidiary ProBiotix Health Ltd, increased sales by 34.0% to £1.1m (2020: £0.8m). However, income for the prior year included a £250,000 milestone payment for the development of LP_{LDL}® into a pharmaceutical, so that underlying product sales growth year-on-year was 92.6%. The division delivered a 104% increase in EBITDA to £179K (2020: £88K).

The Prebiotic business, within our wholly owned subsidiary OptiBiotix Ltd, increased sales by 59.3% to £1.1m (2020: £0.6m), with underlying sales (excluding licensing fees) growing by 122%, with an EBITDA of £13K (2020: £36k).

Group administrative expenses (excluding non-cash items such as share-based payments and amortisation) increased by 32.4% to £2.1m (2020: £1.6m), largely due to one-off recruitment and consultancy costs, and investment in strengthening our management team.

As the Chairman has noted, the Company received an additional £2.9m (2020: £0.7m) during the year from the sale of shares in SkinBioTherapeutics plc (SBTX), which is not included in the Group sales figures. As of 31 December 2021, the Company continued to hold 20.8% of the issued share capital of SBTX, valued at £13.7m (2020: £8.9m). The increase in the value of the continuing investment in SBTX resulted in a Group net profit for the year of £6.3m (2020: £5.8m).

SBTX continues to make progress commercialising its products. It is worth noting that our initial investment of approximately £700,000 in this business in 2016 has delivered £4.3m of value to OptiBiotix shareholders through share sales to date (a multiple of 6.1 of our initial investment). If OptiBiotix had raised funds via a placing rather than sold SBTX shares this would equate to an additional 9.7m shares (11.1%) and associated shareholder dilution. The Company's continuing interest in SBTX is valued at approximately £8.4m as of 1 June 2022.

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2021

PROBIOTICS: ProBiotix Health plc

The cornerstone of our Probiotic business is LP_{LDL}®, a unique probiotic for cardiovascular health, the sales of which, either as an ingredient or final product, grew by 34% during the year, or as direct comparison by 92.6% when excluding the £250K milestone payment received in 2020.

The Group developed the science, carried out human studies to confirm product safety and efficacy, and protected its commercial interests with a broad IP portfolio comprising some 36 patents. In line with our strategy, ProBiotix Health then took responsibility for commercialising the product by building a supply chain of licensed partners to manufacture, formulate, and distribute LP_{LDL}® around the world.

By the end of 2021 we had partners commercialising LP_{LDL}® in over 60 countries including the world's largest probiotic market, the USA, in partnership with Seed Health. Four new commercial agreements were concluded in 2021, of which the most significant was the signing in August of a new agreement with Seed Health expanding its territories from the US to include Europe, Oceania (Australia, New Zealand etc.) and Asia (excluding India) for the supply of LP_{LDL}® in Seed's DS-01 multi-strain synbiotic product.

We reached new agreements with Compson Biotechnology in Taiwan, INSCOBEE Inc in South Korea and Bioscience Marketing in Malaysia, all covering both LP_{LDL}® and our own branded CholBiome® range containing it, designed to build the reputation and brand awareness of our own label products across Asia.

We have developed our own unique range of patented and proprietary food supplements containing LP_{LDL}® under the CholBiome® brand, comprising CholBiome_{x3} to reduce cholesterol, CholBiome_{BP} to lower blood pressure and CholBiome_{VH} to promote vascular health. This gives us a product portfolio which allows us to create different formulations to allow us to enter international markets around the world. This is important as regulatory conditions vary widely across the world. For example, Monacolin K is used extensively across Asia but prohibited in food supplements in North America and has restricted dosage in Europe. Our CholBiome product range has been developed to meet existing and anticipated regulatory requirements in international markets.

Actial Farmaceutica Srl, with which we announced an agreement in July 2020 for the distribution of CholBiome® products, is taking longer to launch products than originally planned due to COVID-19 delays impacting on regulatory approvals. However, ProBiotix Health hopes to announce progress on this in the months ahead.

Whilst ProBiotix Health's focus is on commercialising products into the supplement and over the counter pharma markets there is potential for the further development of LP_{LDL}® in drug biotherapeutics. This is a complex area where regulatory pathways are not fully established, timescales are long and investment costs and development risks are high. As such, this is being progressed with partners with the necessary skills and expertise to take drug products to market who pay milestones and royalties.

As part of our exploration of potential additional applications for the product, we announced in January that we are jointly funding a PhD studentship and clinical study into the role of the microbiome

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2021

in stress, anxiety and sleep disorders with the Universities of Southampton and Trento. We hope to have some early data at the start of 2023.

LP_{LDL}® has been determined as Generally Recognized As Safe ('GRAS') by the US Food and Drug Administration (FDA) and has pharmaceutical GMP manufacture designation. Post period we began to see the benefits of achieving GRAS with our partner in Uruguay, Grancha Poncha, launching a yoghurt, Yo-Life®, with a cholesterol health claim. This is a significant milestone, as it extends the use of LP_{LDL}® into functional dairy foods with a health claim which may be replicated in other territories and other functional foods on a global scale. The launch follows over two and a half years of product development to ensure the addition of LP_{LDL}® to yoghurt does not change its taste, texture, or shelf life, and provides an active dose in milligram amounts and a cost advantage over stanols or sterols which typically require doses of 2gms.

With the dairy sector accounting for over 85% of the global probiotic market, we believe that this is an area with potential for significant future growth.

PREBIOTICS: OptiBiotix Ltd

Our Prebiotic business continues its focus on growing sales of its first-generation prebiotic weight management ingredient SlimBiome®, and on continuing to progress the commercialisation of more innovative second-generation products including SweetBiotix® and Microbiome Modulators.

SlimBiome®/LeanBiome®

Despite the global slump in the weight-management sales during the COVID-19 pandemic (Nutritional Outlook, 24, 4) sales of SlimBiome® and LeanBiome® as an ingredient or final product grew by 122% during the year, aided by significant new product launches such as THG and range extensions in the UK and Oceania.

Our established UK partner Holland & Barrett expanded their SlimExpert® own brand range of weight management products containing SlimBiome® from three to eight products in March 2021, with the range now including powdered beverages, shakes and porridge.

In July 2021, Arrotex Pharmaceuticals, Australia's largest private pharmaceutical company, launched a Very Low Calorie Diet (VLCD) weight management product containing SlimBiome®, Bioslim VLCD, through pharmacies and online across Australia.

Also, in July 2021 our existing customer Optipharm expanded their portfolio of products containing SlimBiome® with the launch of the Optiman brand, sold exclusively through the Chemist Warehouse online pharmacy.

In October 2021 we extended our market reach by entering the sports nutrition market with LeanBiome® a scientifically formulated sports nutrition ingredient which supports athletes seeking to increase lean muscle mass to change their body composition.

In December 2021 we signed a number of significant new commercial agreements with large partners Apollo Hospitals in India and Nahdi Medical in Saudi Arabia which extended the geographic reach of the business and will hopefully lead to important new product launches in 2022.

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2021

In January 2022 The Hut Group's Myprotein launched the Impact Diet Lean (IDL) product range containing LeanBiome®, developed to build lean muscle mass faster. IDL shakes were launched into the main markets of Europe and Asia during Q1 and will be followed up by product range extensions throughout the year.

SweetBiotix®

Our second-generation SweetBiotix® family of products is based on the concept of creating a sweet fibre that has a low glycaemic index, which enhances the microbiome. The concept uses recent advances in science, requires new manufacturing processes to be developed, and represents a step change from existing products on the market or to the best of our knowledge and partner discussions, known to be under development. Our aim is to build a broad range of products suitable for a wide range of application areas which can meet the needs of multiple partners, on applications as diverse as dairy, cereals, and hot and cold beverages. Each of these must be assessed in terms of flavour optimisation, stability (typically 12 months with 24 months preferred), dosage, safety, tolerance, health benefits, and the final product cost profile.

We are progressing the commercialisation of SweetBiotix® on a number of fronts. Following the agreement we signed in the second half of 2020, our US manufacturing partner has successfully manufactured SweetBiotix® using an industrial scale process and is now optimising yields and reducing wastage. Our agreement, covering only one part of the SweetBiotix® portfolio, grants an exclusive licence in return for our partner making a significant investment to cover all the manufacturing, marketing and commercialisation costs, while paying annual royalties to OptiBiotix.

Additionally, we are working with one of the world's leading companies specialising in taste and sweetness on jointly developing, scaling up and commercialising another group of SweetBiotix® products. A number of corporates with leading positions in the food and beverages markets have also signed Material Transfer Agreements to develop applications for SweetBiotix®.

Microbiome Modulators

The Company has developed an innovative approach to allow it to precision engineer the microbiome. This is one of the most exciting areas of microbiome therapeutics as it creates the potential for targeted treatment of a range of human diseases. Development work was slowed by COVID-19 reducing access to Universities and Contract Research Organisations in 2020 and early 2021. This work has now progressed and we have achieved the production of Microbiome Modulators using a process suitable for industrial scale-up. Work is ongoing to optimise the process and test whether the functionality has been retained before initiating full scale-up and commercialisation.

This is a really exciting area of development which, if successful, could revolutionise the use of the microbiome therapies in healthcare, potentially allowing the creation of precision prebiotics which can engineer the gut microbiome to prevent, manage and treat human diseases. We will be increasing our investment in Microbiome Modulators to accelerate the development activities currently taking place.

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Chief Executive's Report

For the year ended 31 December 2021

INTELLECTUAL PROPERTY

Our Intellectual Property strategy has been based on building a portfolio of overlapping patents to protect our commercial interests and reduce the risk of any particular patents failing to grant or being opposed by a competitor. This means that we have multiple composition, application, and process patents to protect each area of our business. Whilst this approach is more costly, it reduces our future commercial risk. As patents are granted in key territories (typically the US, Europe, Canada, Japan, Australia, India) the Group has been able to refine its patent portfolio to reduce IP costs whilst continuing to protect its commercial interests.

Our strategy and investment have enabled the Group to build an extensive and valuable intellectual property portfolio of more than 100 patents worldwide: 36 in ProBiotix Health and 73 in OptiBiotix. In addition to these patents, we have registered approximately over 80 trademarks (21 in ProBiotix Health and 62 in Optibiotix) providing 'double IP' – a combination of patents and supporting trademarks which allows the Group to build its trademarked brands supported by its patents. This approach allows the Group to protect its commercial interests and limit competitors from launching similar products and in combination creates a valuable IP portfolio in the microbiome field. We are constantly reviewing and updating our patent and trademark portfolio according to commercial needs.

MANAGEMENT

As the Chairman has reported, we substantially strengthened our Board and senior management team through new non-executive and executive appointments in the early months of the financial year under review. I am pleased to note that a number of these new senior colleagues have demonstrated their commitment to the Group, and their confidence in our future prospects, by making personal investments in the Company's shares. It is also pleasing to note that other members of the Board and senior management team took the opportunity to invest in OptiBiotix during 2021.

Since the beginning of the new financial year, we have made a number of senior appointments below the level of the main Board. Paul Cannings joined us in January 2022 as Head of Operations & Quality, and in March 2022 we announced the appointments of Zac Sniderman as Business Development & Sales Director North America, Shiraz Butt as E-Commerce Director, and Karl Burkitt as Marketing Director. These new additions will ensure that we continue to meet the quality and regulatory requirements of our growing network of commercial partners around the world; maintain our drive to expand ingredient sales, particularly in the large North American market; and develop the sales of final products containing our unique ingredients both to businesses and direct to consumers.

PROSPECTS

We have continued to make good progress since the beginning of the current financial year, despite the challenging global trading environment.

Significant developments in the year to date include:

- The achievement of British Retail Consortium accreditation, confirming our compliance with the Global Food Safety Initiative ('GFSI') benchmark. This certification by one of the leading international food safety standards, accepted by most large retailers and their suppliers

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2021

worldwide, is an important support to our commercial strategy of increasing our sales of final product solutions to partners in the retail channel.

- Our entry into the sports nutrition market with the launch of LeanBiome®, a scientifically supported dietary fibres and a trace mineral, developed to support athletes increase lean muscle mass and to improve metabolism, gut health and satiety. Our new distribution agreement with leading e-commerce retailer The Hut Group, signed in December 2021, saw LeanBiome® launched in January 2022 in its Impact Diet Lean product as part of its My Protein range in the UK, with territorial expansion across Europe, Asia and the USA planned in the course of the year.
- The reformulation of WellBiome®, our functional fibre and mineral blend, with new ingredients that will allow us to make new health claims for the products. The new WellBiome® will form the basis for a science-based health and wellness platform offering a range of products to improve cognitive, immune, bone, digestive and cardiovascular health to support healthy ageing.
- Publication in January 2022 of a third human volunteer study on the medical efficacy of LP_{LDL}®, demonstrating through a placebo-controlled trial that LP_{LDL}® delivered large and statistically significant reductions in total cholesterol, LDL-C (bad) cholesterol and Apolipoprotein B (widely accepted as the most important causal agent of atherosclerotic cardiovascular disease), with no compliance, tolerance or safety issues. The results of this and other studies suggest efficacy similar to many statins and other treatments more typically associated with pharmaceuticals, suggesting considerable potential in high value pharmaceutical and OTC markets for the use of LP_{LDL}® in individuals who are unwilling or unable to tolerate other treatments.
- Publication in February 2022 of a consumer study undertaken among purchasers from our own e-commerce website of CholBiome^{x3}, our proprietary food supplement containing LP_{LDL}®, which confirmed its effectiveness in reducing cholesterol with no reports of side-effects or any tolerance issues.
- Admission of ProBiotix Health plc to the AQSE Growth Market on 31 March 2022, raising £2.5m for the further development of our former Probiotic subsidiary through a placing and subscription of new shares, while giving our own shareholders a dividend in specie of 0.554673 ProBiotix share for every OptiBiotix share held.
- Good progress in the development of OptiBiotix Health India, the new subsidiary whose formation we announced in November 2021. This gives us much improved access to a huge, rapidly growing and increasingly prosperous market of 1.3bn people. India is expected to account for the majority of the world's middle-class consumers by 2035. With high levels of cardiovascular disease and obesity already prevalent in the country, we see excellent opportunities to improve engagement with our local manufacturing partners and to develop sales of both ingredients and higher-margin final products in the years ahead.
- The appointment of Steen Andersen as Chief Executive Officer of ProBiotix Health plc. This is part of a long-planned strategy to appoint experienced industry business leaders to each part of the business allowing me, as Group CEO to focus on identifying and developing the

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2021

new technologies that will provide the Group with a pipeline of products to deliver future growth and market value.

As the Group matures, we are moving on from a period when we announced very frequent news reports on our progress in developing the science behind our products and in growing our global network of relatively small business partners. The focus now is on building our sales by extending product ranges and territories, gaining regulatory approvals for health claims, migrating to larger partners, and developing sales of final products direct to consumers. This will lead to us reporting less news, but of a more substantive nature. It also means, as the Chairman has noted, that our future financial results will reflect fewer but much larger sales to a smaller number of big partners and consequently revenues reported less evenly through the year.

The strong growth in revenues and profits in 2021 despite the difficult global environment is testimony to the effectiveness of our strategy. We continue to make good progress against our stated aims of focusing on a smaller number of large partners in key strategic markets and grow our direct-to-consumer sales, the benefits of which we expect to begin realising in the current year. There is an exciting opportunity for growth as we bring the second-generation products to market, while we retain exposure to the growth potential in probiotics and skincare through the Group's shareholdings in ProBiotix Health plc and SkinBioTherapeutics plc.

Our strong financial position has allowed us to invest in expanded sales and marketing capabilities that will help us to increase our sales of final products direct to consumers through retail channels. We hope to see the return on this investment later this year and beyond. It also gives us the capability to in-license or acquire additional technologies that will ensure a continuous pipeline of solutions to deliver diversified growth for the Group and strengthen our position as one of the leading companies in the rapidly growing microbiome space.



Stephen O'Hara
Chief Executive

27 June 2022

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2021

REVIEW OF BUSINESS

A review of the business of the Group, together with comments on future developments is given in the Chairman's and Chief Executive's Statements on pages 3 to 14

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Technology and products

The Group is involved in the discovery and development of microbiome modulation products. The development and commercialisation of its intellectual property and future products will require human nutritional studies and there is a risk that products may not perform as expected. This risk is common to all new products developed for human consumption.

Technologies used within the food, beverage and healthcare marketplace are constantly evolving and improving. There is a risk that the Group's products may become outdated or their commercial value decrease as improvements in technology are made and competitors launch competing products. To mitigate this risk the Group is working with industry key opinion leaders, will attend international conferences and intends to develop a research and development department which will keep up with the latest developments in the industry.

Intellectual Property

The Group is focused on protecting its IP and seeking to avoid infringing on third parties' IP. To protect its products, the Group is building and securing patents to protect its key products. However, there remains the risk that the Group may face opposition from third parties to patents that it seeks to have granted and that the outstanding patent applications are not granted. The Group engages legal advisers to mitigate the risk of patent infringement and to assist with the protection of the Group's IP.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The directors constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure of credit risk and liquidity risk. They are confident that suitable policies are in place and that all material financial risks have been considered. The financial risk management objectives and policies can be found within note 23 of the financial statements.

The Board's objective is to maintain a balance sheet that is both efficient and delivers long term shareholder value. The Group had cash balances of £2,007,448 as at 31 December 2021 and had no short-term borrowings. The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2021

PRINCIPAL RISKS AND UNCERTAINTIES

Market Risks	Impact	Mitigation
Brexit	New regulations could add complexity and delays to operations.	The current consensus is that Brexit will not affect the regulations that are relevant to our business.
	Currency fluctuations could increase costs and affect profitability.	Currency fluctuations will impact both sales and costs. Our initial product offering is not price-sensitive. Substantial cost increases will be passed on.
COVID-19	The global implications of the economic impact of COVID-19 could affect sales and profitability	Although COVID-19 has affected some parts of the consumer business. The majority of sales are in the business to business sector across many countries so the impact is very limited.
Technology	The Group's platform is currently unique. Rapid technological advances could see competitor products being launched.	The Group has product development plans in place for improved technology as well as for a wider product portfolio that includes additional innovative solutions for the targeted consumer groups.

Financial Risks	Impact	Mitigation
Future funding requirements	Our current funding covers current requirements. Potential as yet unidentified opportunities may not be pursued with the existing funding.	Management will analyse major opportunities and present them in additional business cases when warranted.

Legal Risks	Impact	Mitigation
Intellectual Property litigation	Any claim brought against us would detract the Company from its business.	The Group engages with IP specialists to ensure we have a strong position. To our knowledge we do not infringe on any patents.

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2021

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Operational Risks	Impact	Mitigation
Loss of key personnel	Material adverse impact on the Group's financial condition and prospects.	Competitive remuneration packages, nil cost options to reduce market volatility
Technology	The Group is launching products that are not already available in the consumer market.	The Group has responded to consumer demand.
Commercialisation	The Group is making the transition from a research-based organisation to a full commercial organisation. <i>Manufacturing set-up and learning curve could delay sales or could impact our rate of growth.</i>	The Group recruited experienced management and consultants to manage the process and negotiate contracts.
Working capital	The Group has encouraged customers to build up material stocks of ingredients to meet user demand from end user customers. Flexible payment terms have been given to customers to pay for stock. If stocks are not used, would they become unusable.	Ingredients have a three-year shelf life risk of non-usability is reduced. As end user requirements become formalised and production time frames for ingredients come down it will be possible for Group customers to hold less stock of ingredients which will in turn reduce the debtor balances outstanding at period end.
Cyber attacks	Cyber-attacks could delay or impair operations as which would have financial implications.	Training, anti-virus software, all users have multifactor authorisation for accounts, weekly review of attempts

KEY PERFORMANCE INDICATORS

Financial

	Year to 31 December 2021 £'000	Year to 31 December 2020 £'000
Revenue	2,213	1,523
Operating Loss	(1,365)	(1,111)
Profit/(Loss) for the period	6,261	5,802
Cash as at 31 December 2021	2,007	865

During the year to 31 December 2021 the company has achieved a number of key objectives to build shareholder value, these are laid out in the CEO report on pages 7 to 14.

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2021

Non-financial

The Board recognises the importance of KPI's in driving appropriate behaviour and enabling of Group performance. For the year to 31 December 2021 the primary KPI's were the completion of commercial agreements and the expansion of the Optibiotic® platform. The Group intends to review the following non-financial KPI's going forward:

1. Customer relationships
2. IP and trademark registrations
3. Service quality and brand awareness
4. Attraction, motivation and retention of employees

DIVIDENDS

No dividends can be distributed for the year to 31 December 2021 .

FUTURE DEVELOPMENTS

The Chairman's and Chief Executive Statement on pages 3-14 gives information on the future outlook of the Group.

Corporate Governance

Executive Management:

The Group's current executive team comprises:

S O'Hara	Executive Director and CEO; with overall responsibility for all Group activities.
Dr S Kolyda	Executive Director - Research and Development Director
M Havid -Hansen	Executive Director –Probiotix Health Limited
Rene Kamminga	Executive Director – Optibiotix Limited

Corporate Responsibility

The Board takes regular account of the significance of social, environmental and ethical matters affecting the Group wherever it operates. It has developed a specific set of policies on corporate social responsibility, which seek to protect the interests of all of its stakeholders through ethical and transparent actions and include an anti-corruption policy and code of conduct.

Corporate Governance:

The Group is committed to high standards of corporate governance and seeks to continually evaluate its policies, procedures and structures to ensure that they are fit for purpose.

In order to protect the interests of its shareholders and other stakeholders the Board has chosen to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and mid-size Quoted Companies (the "QCA Code"), and the Directors are always prepared, where practicable, to enter into dialogue with all such parties to promote a mutual understanding of objectives.

By complying with this code the Company ensured compliance with the new AIM Rules regarding Corporate Governance introduced September 2018.

Full details of the Company's policy on Corporate Governance can be found on the website under:

<https://www.optibiotix-ir.com/content/investors/corporate-governance>

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2021

Composition of the Board of Directors

The Board of Directors is currently comprised of the Chairman, Chief Executive Officer, the Managing Director Prebiotix division, the Research and development Director, CEO Probiotix Health Limited and the three Non-Executive Directors.

Role of the Board:

The role of the Board is to agree the Group's long-term strategy and direction and to monitor achievement of its business objectives. The Board meets several times per annum, either by teleconference or in person. Furthermore, it holds additional meetings as are necessary to transact ongoing business.

Board Committees:

Remuneration Committee

The Remuneration Committee is made up of Chris Brinsmead, as Chairman with Neil Davidson and Sean Christie and has access to external expertise should that be required. This committee is responsible for the scale and structure of the remuneration of the Chief Executive, the Executive Directors and reports to the Chief Executive. The recommendations of the committee must be approved by the Board of Directors. No director or manager shall be involved in decisions relating to his/her own remuneration.

AIM Rules Compliance Committee

The AIM Rules Compliance Committee is chaired by Neil Davidson. This committee is charged with ensuring that the Group has sufficient procedures, resources and controls in place to ensure compliance with the AIM rules for companies. Among other things, the committee shall ensure that an Executive Director is at all times able to respond to requests for information from the Nominated Adviser and that all Directors and employees are aware of their obligations with regards to the disclosure of any trading in the Group's shares.

Audit Committee

The Audit Committee, is chaired by Sean Christie with Neil Davidson and Chris Brinsmead. This committee is required to monitor the integrity of the financial statements of the Group, including the interim and annual reports. The committee also reviews financial returns to regulators and any financial information contained in announcements of a price sensitive nature. The committee shall also consider and make recommendations to the Board regarding resolutions to be put to shareholders for approval at the Annual General Meeting, with respect to the appointment or re-appointment of the Group's external auditors. The Audit Committee, together with the external auditors, are responsible for determining the scope of the annual audit.

Nomination Committee

The Company does not currently have a nomination committee as the Board does not consider it appropriate to establish such a committee at this stage of the Company's development. Decisions which would usually be taken by the nomination committee will be taken by the Board as a whole.

Employees

The Group engages its employees in all aspects of the business and seeks to remunerate them fairly. The Group gives full and fair consideration to applications for employment regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation. The Board takes employees' interest into account when making decisions. Any suggestions from employees aimed at improving the Group's performance are welcomed.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is crucial to the success of its business, and seeks to build and maintain this goodwill through fair and transparent business practices. The Group aims to settle genuine liabilities in accordance with contractual obligations.

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2021

Health and Safety

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development and maintenance of the Group's health and safety strategy, in order to protect all of its stakeholders

Section 172 Statement

Under s172 of the Companies Act 2006 the Directors have a duty to act in good faith in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long term, the interests of the Company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

Key decisions made by the Board during 2021 were related primarily to

- the significant strengthening and professionalisation of our business development and commercial management team, most notably through the appointment of René Kamminga as CEO of our Prebiotic business, Optibiotix Ltd,
- the conclusion of major new commercial agreements with market-leading partners in both the Probiotic and Prebiotic businesses, moving us towards our goal of having eight to ten large national or international partners for our first-generation products, and two to three partners for each of our second-generation technologies;
- the publication of multiple scientific and clinical studies and industry reports affirming our position as an industry leader in understanding of the microbiome;
- further regulatory endorsements, including Health Canada approval of our SlimBiome® weight management product.
- As well as ensuring the Group had sufficient cash runway to meet the slowdown associated with the pandemic.

During the year, the Group augmented the cash balance by raising £2,900,936 via the partial disposal of its holdings in SkinBioTherapeutics plc.

Employee engagement

As a very small company in terms of staff, Board members have multiple points of contact with staff; through Board meeting feedback, participation in regular management meetings involving all staff, and ad hoc interactions in relation to specific matters. These forums provide staff with an opportunity to give their views which can then be taken into account in making decisions likely to affect their interests. Specific matters of concern to them as employees are dealt with in management meetings and by email. Corporate developments and Company performance are discussed in regular management meetings. All staff are eligible for the Group's share option scheme and this encourages involvement in the Company's performance.

Stakeholder Engagement

The Group has a small number of major suppliers and distributors that support its delivery of strategy and corporate goals. The selection of, relationships with, and execution of, contracted work by these parties is considered regularly by the Executive Directors and at each Board meeting by all Directors.

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2021

Shareholder Engagement

Due to the ongoing effects of the COVID-19 pandemic, face-to-face engagement with shareholders during the year was limited. However, the Directors continued to engage with shareholders via regular regulatory news announcements as well as interactive investor meetings in order to keep them up to date on progress.

Environmental and Community Impact

There was no adverse impact on the community or environment from the decisions made by the Board during the year.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'S P O'Hara'.

S P O'Hara
27 June 2022

Optibiotix Health Plc

Directors' report

For the year ended 31 December 2021

The Directors present their report and the audited financial statements of the group for the year to 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the group is that of identifying and developing microbial strains, compounds and formulations for use in food ingredients, supplements and active compounds that can impact on human physiology, deriving potential health benefits.

DIRECTORS

The directors who served the company during the year and up to the date of this report were as follows:

Executive Directors

S P O'Hara
S Kolyda
F Narbel (Resigned 26 May 2021)

Non-executive Directors

P Wennstrom (Resigned 1 January 2021)
R Davidson
M Christie
C Brinsmead (Appointed 1 January 2021)
S Hammond (Appointed 2 March 2021)

Directors' Remuneration

The directors are entitled to receive relevant fees, as detailed in the directors' remuneration in Note 4.

Directors and their interests

The directors of the group held the following beneficial interests in the shares and share options of Optibiotix at the date of this report:

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of £0.02 each	Percentage Held	Ordinary shares of £0.02 each	Warrant exercise price	Ordinary shares of £0.02 each	Option exercise price
S P O'Hara	10,212,986	11.60%	-	-	6,099,135	£0.08
R Davidson	503,000	0.57%	-	-	385,000	£0.73
M Christie	150,000	0.17%	-	-	100,000	£0.95
S Kolyda	-	-	-	-	165,000	£0.73
S Kolyda	-	-	-	-	358,722	£0.20
C Brinsmead	-	-	-	-	-	-
S Hammond	50,000	0.06%	-	-	-	-

The share options held by S P O'Hara were granted on 17 September 2016 and are exercisable at £0.08 at any time up to 16 September 2024, subject to vesting conditions.

The share options held by R Davidson were granted on 13 July 2018 and are exercisable at £0.73 at any time up to 13 July 2024, subject to vesting conditions.

Optibiotix Health Plc

Directors' report

For the year ended 31 December 2021

The share options held by M Christie were granted on 21 September 2018 and are exercisable at £0.95 at any time up to 21 September 2028, subject to vesting conditions.

The 358,772 share options held by S Kolyda were granted on 10 March 2015 and are exercisable at £0.20 at any time up to 10 March 2025, subject to vesting conditions.

The 165,000 share options held by S Kolyda were granted on 13 September 2018 and are exercisable at £0.73 at any time up to 13 September 2019, subject to vesting conditions.

SUBSTANTIAL SHAREHOLDINGS

Substantial shareholdings include directors as at 27 June 2022 were as follows:

	% of shares issued
Stephen O'Hara	11.6
Finance Yorkshire Seedcorn LP	10.7

The share price per share at 31/12/2021 was £0.46 (31/12/2020: £0.58)

FINANCIAL INSTRUMENTS

The Group's exposure to financial risk is set out in note 23 to the financial statements.

RESEARCH AND DEVELOPMENT

The Chairman's and Chief Executive Statement on pages 3 - 4 gives information on the Group's research and development activities.

EVENTS AFTER THE REPORTING PERIOD

Refer to Note 25 to the financial statements for further details.

PUBLICATION OF ACCOUNTS ON GROUP WEBSITE

Financial statements are published on the Group's website. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibilities also extend to the financial statements contained therein.

GOING CONCERN

The financial statements have been prepared on the assumption that the Group is a going concern. When assessing the foreseeable future, the Directors have looked at the budget for the next 12 months from the date of this report, the cash at bank available as at the date of approval of this report and are satisfied that the Group should be able to cover its quoted maintenance cost, other administrative expenses, as well as its ongoing research and development expenditure.

Management have not seen a material disruption to the business as a result of the COVID-19 outbreak, however events are being kept under constant review, and remedial action will be taken if the situation demands it.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

Optibiotix Health Plc

Directors' report

For the year ended 31 December 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have, as required by the AIM Rules for Companies of the London Stock Exchange, elected to prepare financial statements in accordance with UK adopted international accounting standards (IFRS). 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 of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether the Group and parent company financial statements have been prepared in accordance with IFRS subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of the information.

AUDITOR

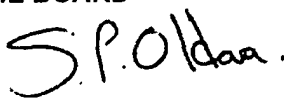
Jeffreys Henry LLP will be proposed for re-appointment as auditors at the forthcoming Annual General Meeting.

STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 the Group chooses to report the future outlook and the risks and uncertainties faced by the Group in the Strategic Report on page 14.

ON BEHALF OF THE BOARD

S P O'Hara



27 June 2022

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

Opinion

We have audited the financial statements of Optibiotix Health Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, 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 the preparation of the Group financial statements is applicable law and United Kingdom adopted International Accounting Standards (IFRSs) as applied in accordance with the provision of the Companies Act 2006.

In our opinion:

- 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 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs;
- the parent company financial statements have been properly prepared in accordance with IFRS's 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 opinion

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 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 opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviews of expected cash flows for a period of 12 months, to determine expected cash burn, which was compared to the liquid assets held in the entity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

Our approach to the audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 4 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Optibiotix Health plc, Optibiotix Limited, Probiotix Health Limited and The Healthy Weight Loss Company Limited reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). The Group engagement team performed all audit procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments and recoverability of group receivables – Company risk The amount owed to the Company at the year end by the subsidiary Optibiotix Limited was written off in the year (£932k). The amount owed by Probiotix Health Limited was £318k. The carrying values of investments in group companies was as follows: Optibiotix Limited: £2,000,000 Probiotix Health Limited: £1,000 The Healthy Weight Loss Company Limited: £50,000 Carrying value of investments - Group risk	 We carried out a review of the investments held in the subsidiaries. Management's impairment workings were reviewed and the underlying assumptions audited. We reviewed management's basis for impairment across the Company and agree with their approach. As part of the review of management's forecasts, consideration was given to the capability of the subsidiary to repay the amount within a 12-month period. The estimation of the residual value held in The Healthy Weight Loss Company Limited has been assessed.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

<p>At the year end the group had investments of £13.65m made up of the investment in SkinBiotherapeutics plc.</p> <p>There is a risk that the investment in Skinbiotherapeutics PLC requires impairment.</p>	<p>Following derecognition as an associate the investment was revalued to market value. This was agreed to open market information.</p>
<p>Carrying value of intangible assets and capitalisation of development costs</p> <p>The Group had intangible assets of £2.64m at the period ended 31 December 2021, of which £194k is in relation to development costs capitalised in the year.</p> <p>Intangible assets comprise of development costs and fair value of patents acquired on the acquisition of Optibiotix Limited.</p> <p>The patents are amortised in a straight line over 20 years, the period in which the directors believe the assets will generate revenue.</p> <p>The development costs are amortised in a straight line over 10 years, a period the directors believe to be in line with industry standard.</p>	<p>Intangible assets in the accounts have been allocated useful lives and therefore an annual impairment test is not required. We considered if there were indicators of impairment and reviewed the discounted cash flow forecasts.</p> <p>The development costs capitalised in the period were evaluated against the recognition criteria of IAS38.</p> <p>The estimated useful economic life assigned to the costs was reviewed.</p>
<p>Key audit matter</p> <p>Recoverability of trade receivables</p> <p>The group had trade receivables amounting to £1,413,882 as receivable as at the year end.</p> <p>There is a risk that these are not fully recoverable and require impairment.</p>	<p>How our audit addressed the key audit matter</p> <p>We reviewed post year end receipts to ensure debtors were recovered satisfactorily.</p> <p>Where amounts were not recovered we reviewed other support and correspondence to ensure the existence of the debtor and to assess the likelihood of recovery.</p> <p>We further challenged management and sought corroborative evidence where amounts were considered due and not fully recovered.</p>
<p>Revenue recognition</p> <p>The Group has multiple revenue streams comprising sales of goods, licensing agreements and royalty arrangements, including ongoing and milestone payments.</p> <p>The recognition of revenue of these items is determined by the terms of agreement with customers and as such is widely varied.</p> <p>We identified a risk of inaccurate or incomplete recognition of revenue due to the incorrect allocation of milestones to service contracts, and an inappropriate recognition of revenue on sales of goods for which revenue is recognised over time.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> assessed the appropriateness of the Group's revenue recognition accounting policies; reviewed key contracts with customers and tested that the Group has correctly accounted for the revenue arising from these contracts in accordance with the accounting policies; performed detailed testing on individually significant contracts, including substantiating a sample of transactions with underlying documents;

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

<p>The assumptions and judgements made in estimating the percentage of completion require a significant degree of management judgement and are susceptible to management override and represent a fraud risk.</p>	<ul style="list-style-type: none">evaluated whether revenue has been appropriately presented and disclosed in the financial statements. <p>Based on the audit work performed, we are satisfied that management have appropriately accounted for revenue in line with their accounting policy and in accordance with the requirements of IFRS 15. We are also satisfied that all necessary disclosure have been made in the consolidated financial statements.</p>
<p>Going concern</p> <p>Management judgement is required in assessing whether the group is a going concern as it has historically incurred losses and does not have borrowing facilities.</p> <p>The Directors have considered the cash requirements of the business for the following 12 months. As part of this process, they have taken into account existing liabilities, along with detailed operating cashflow requirements. The projections prepared include ongoing running costs of the group and committed expenditure at the date of approving the financial statements.</p> <p>The key assumptions that impact the conclusions are the levels of future revenue, and the ability to control the operating costs.</p> <p>There are therefore inherent risks that the forecasts may overstate future revenue due to the timing of closure of future contracts, or understate future costs, and that the group will not be able to operate within its cash resources and continue to operate as a going concern.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none">obtained management's forecasts and cash flow analysis, and their going concern assessment;assessed the reliability of forecasts to date by agreeing historical actuals to budgets, and challenging the current forecasts;tested the clerical accuracy of management's forecast;challenged management's forecast assumptions, including reviewing the forecast revenue and corroborated the assumptions; andconsidered the appropriateness of the group's disclosures in relation to going concern in the financial statements. <p>As detailed above, we note that there are inherent risks over the group's forecasts and the potential timing of the conversion of the group's contract pipeline. We further note that the group has historically been loss making given the level of research and development expenditure.</p> <p>Based on the audit work performed we are satisfied that although there are inherent uncertainties associated with the forecast, the group appears to have sufficient funds for at least 12 months following the signing of this audit report. We are also satisfied that all necessary disclosures have been made in the consolidated financial statements.</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 in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

	Group financial statements	Company financial statements
Overall materiality	£202,000 (2020: £206,000)	£178,000 (2020: £120,000)
How we determined it	1% of gross assets (2020: 1.5% gross assets)	1% of gross assets (2020: 1% gross assets)
Rationale for benchmark applied	We believe that gross assets is a primary measure used by shareholders in assessing the performance of the Group, whilst the subsidiaries are in varied states of development and trading.	We believe that gross assets is a primary measure used by shareholders in assessing the performance of the Company, given that it is largely a holding company for the trading subsidiaries.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. This figure was £27,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,100 for the Group (2020: £10,650) and £8,900 for the Parent (2020: £6,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and 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 25, 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- Obtaining confirmation of compliance from the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2021

Other matters which we are required to address

We were reappointed as auditors by the company at the Annual General Meeting to audit the financial statements for the year ending 31 December 2021. Our total uninterrupted period of engagement is 8 years, covering the periods ending 30 November 2014 to 31 December 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

In addition to the audit, the firm provides tax compliance services to Optibiotix Health Plc and its subsidiaries.

Our audit opinion is consistent with the additional report to the audit committee.

Use of this 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.



Sachin Ramaiya (Senior Statutory Auditor)

For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE

27 June 2022

Consolidated statement of comprehensive income

Optibiotix Health Plc

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Revenue from contracts with customers		2,212,932	1,523,247
Cost of sales		(1,089,589)	(643,428)
Gross Profit		1,123,343	879,819
Share based payments		(60,288)	(127,248)
Depreciation and amortisation		(288,455)	(247,895)
Other administrative costs		(2,139,915)	(1,616,069)
Total administrative expenses	6	(2,488,657)	(1,991,212)
Operating loss		(1,365,314)	(1,111,393)
Finance cost	5	(47,600)	(44,954)
Finance income	5	122	98
		(47,478)	(44,856)
Share of loss from associate	11	-	(303,448)
Gain on disposal of an associate	11	-	4,165,223
Gain on investments	11	7,500,681	2,955,739
Profit on disposal of investments	11	88,618	48,967
Profit/(Loss) before tax		6,176,507	5,710,232
Corporation tax	7	84,523	91,635
Profit/(Loss) for the period		6,261,030	5,801,867
Other comprehensive income		-	-
Total comprehensive income for the period		6,261,030	5,801,867
Total comprehensive income attributable to:			
Owners of the company		6,261,030	5,801,867
Non-controlling interests		-	-
		6,261,030	5,801,867
Earnings per share from continued operations			
Basic profit/(loss) per share - pence	8	7.15p	6.65p
Diluted profit/(loss) per share - pence		6.55p	6.07p

All activities relate to continuing operations

The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021 £	As at 31 December 2020 £
ASSETS			
Non-current assets			
Intangibles	9	2,640,672	2,735,621
Investments	11	13,650,927	8,962,564
		<u>16,291,599</u>	<u>11,698,185</u>
CURRENT ASSETS			
Inventories	12	101,877	184,236
Trade and other receivables	13	1,552,490	645,823
Current tax asset	7	191,249	310,435
Cash and cash equivalents	14	2,007,448	864,680
		<u>3,853,064</u>	<u>2,005,174</u>
TOTAL ASSETS		<u>20,144,663</u>	<u>13,703,359</u>
EQUITY			
Shareholders' Equity			
Called up share capital	15	1,758,812	1,758,812
Share premium	16	2,537,501	2,537,501
Share based payment reserve	16	927,595	867,307
Merger relief reserve	16	1,500,000	1,500,000
Convertible debt - reserve	16	92,712	92,712
Retained Earnings	16	11,319,998	5,058,968
Non-controlling interest	16	35,782	35,782
Total Equity		<u>18,172,400</u>	<u>11,851,082</u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	600,904	518,995
		<u>600,904</u>	<u>518,995</u>
Non - current liabilities			
Deferred tax liability	18	552,000	561,523
Convertible loan notes	19	819,359	771,759
		<u>1,371,359</u>	<u>1,333,282</u>
TOTAL LIABILITIES		<u>1,972,263</u>	<u>1,852,277</u>
TOTAL EQUITY AND LIABILITIES		<u>20,144,663</u>	<u>13,703,359</u>

These financial statements were approved and authorised for issue by the Board of Directors on 27 June 2022 and were signed on its behalf by:

S P O'Hara

Director

Company Registration no. 05880755

The notes on pages 41 to 69 form part of these financial statement

S.P.O'Hara

Optibiotix Health Plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Called up Share capital £	Retained Earnings £	Share Premium £	Non- Controlling interest £	Convertible Debt Reserve £	Merger Relief Reserve £	Share-based Payment reserve £	Total equity £
Balance at 31 December 2019	1,708,811	(742,899)	1,646,873	35,782	92,712	1,500,000	740,059	4,981,338
Profit for the year	-	5,801,867	-	-	-	-	-	5,801,867
Issues of shares during the year	50,001	-	950,003	-	-	-	-	1,000,004
Share issue costs	-	-	(59,375)	-	-	-	-	(59,375)
Share options and warrants	-	-	-	-	-	-	127,248	127,248
Balance at 31 December 2020	1,758,812	5,058,968	2,537,501	35,782	92,712	1,500,000	867,307	11,851,082
Profit for the year	-	6,261,030	-	-	-	-	-	6,261,030
Share options and warrants	-	-	-	-	-	-	60,288	60,288
Balance at 31 December 2021	1,758,812	11,319,998	2,537,501	35,782	92,712	1,500,000	927,595	18,172,400

The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Cash flows from operating activities			
Cash utilised by operations	1	(1,759,446)	(928,061)
Tax received		194,664	-
Interest received		121	98
Net cash outflow from operating activities		(1,564,661)	(927,963)
 Cash flows from investing activities			
Purchase of intangible assets		(193,506)	(350,345)
Net cash outflow from investing activities		(193,506)	(350,345)
 Cash flows from financing activities			
Share issues		-	940,629
Disposal of investments		2,900,936	746,751
Net cash inflow from financing activities		2,900,936	1,687,380
 Increase/(decrease) in cash and equivalents		1,142,769	409,072
Cash and cash equivalents at beginning of period		864,680	455,608
Cash and cash equivalents at end of period	2	2,007,448	864,680

The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Notes to the Consolidated Statement of Cash Flows

For the year ended 31 December 2021

1. Reconciliation of loss before income tax to cash outflow from operations

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Operating loss	(1,365,314)	(1,111,393)
Decrease/(Increase) in inventories	82,359	(121,475)
(Increase) in trade and other receivables	(906,666)	(37,190)
Increase/ (Decrease) in trade and other payables	81,910	(42,630)
Depreciation charge	-	393
Share Option expense	60,288	127,248
Amortisation of patents and development costs	288,455	247,502
Net forex differences	(478)	9,484
	<hr/>	<hr/>
Net cash outflow from operations	(1,759,446)	(928,061)
	<hr/>	<hr/>

2. Cash and Cash Equivalents

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Cash and cash equivalents	2,007,448	864,680
	<hr/>	<hr/>

The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Company Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021 £	As at 31 December 2020 £
ASSETS			
Non-current assets			
Investments	11	15,731,832	11,043,469
Other receivables	13	318,127	329,057
		<u>16,049,959</u>	<u>11,372,526</u>
CURRENT ASSETS			
Trade and other receivables	13	65,900	89,420
Cash and cash equivalents	14	1,705,291	532,769
		<u>1,771,191</u>	<u>622,189</u>
TOTAL ASSETS		<u>17,821,150</u>	<u>11,994,715</u>
EQUITY			
Shareholders' Equity			
Called up share capital	15	1,758,812	1,758,812
Share premium	16	2,537,501	2,537,501
Merger relief reserve	16	1,500,000	1,500,000
Share based payment reserve	16	927,595	867,307
Accumulated profit	16	11,055,990	5,268,171
Total Equity		<u>17,779,898</u>	<u>11,931,791</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	41,252	62,924
TOTAL LIABILITIES		<u>41,252</u>	<u>62,924</u>
TOTAL EQUITY AND LIABILITIES		<u>17,821,150</u>	<u>11,994,715</u>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement account.

The profit for the parent Company for the year was £5,787,819 (2020: Loss £1,168,767).

These financial statements were approved and authorised for issue by the Board of Directors on 27 June 2022 and were signed on its behalf by:

S P O'Hara

Director

Company Registration no. 05880755



The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Called up Share capital £	Retained Earnings £	Share Premium £	Merger Relief Reserve £	Share- based Payment reserve £	Total equity £
Balance at 31 December 2019	1,708,811	6,436,938	1,646,873	1,500,000	740,059	12,032,681
Loss for the year	-	(1,168,767)	-	-	-	(1,168,767)
Issues of shares during the year	50,001	-	950,003	-	-	1,000,004
Financing costs	-	-	(59,375)	-	-	(59,375)
Share options and warrants	-	-	-	-	127,248	127,248
Balance at 31 December 2020	1,758,812	5,268,171	2,537,501	1,500,000	867,307	11,931,791
Profit for the year	-	5,787,819	-	-	-	5,787,819
Share options and warrants	-	-	-	-	60,288	60,288
Balance at 31 December 2021	1,758,812	11,055,990	2,537,501	1,500,000	927,595	17,779,898

The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Company Statement of Cash Flows

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Cash flows from operating activities			
Cash utilised by operations	1	(1,754,689)	(369,036)
Interest received		-	46
Net cash outflow from operating activities		(1,754,689)	(368,990)
Cash flows from financing activities			
Net amounts to subsidiaries		26,275	(924,864)
Share issues		-	940,629
Proceeds from disposal of investments		2,900,936	746,751
Net cash inflow from financing activities		2,927,211	762,516
Increase/(decrease) in cash and equivalents		1,172,522	393,526
Cash and cash equivalents at beginning of period		532,769	139,243
Cash and cash equivalents at end of period	2	1,705,291	532,769

The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Notes to the Company Statement of Cash Flows

For the year ended 31 December 2021

1. Reconciliation of loss before income tax to cash generated from operations

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Operating (loss)/Profit	(2,748,727)	(6,760,976)
Increase/(Decrease) in trade and other receivables	23,521	(64,713)
Loan Write off	931,903	6,301,667
(Decrease)/Increase in trade and other payables	(21,673)	27,738
Share Option expense	60,287	127,248
Net cash outflow from operations	<u>(1,754,689)</u>	<u>(369,036)</u>

2. Cash and Cash Equivalents

	As at 31 December 2021 £	As at 31 December 2020 £
Cash and cash equivalents	<u>1,705,291</u>	<u>532,769</u>

The notes on pages 41 to 69 form part of these financial statements

Optibiotix Health Plc

Notes to the Financial Statements

For the year ended 31 December 2021

1. General Information

OptiBiotix Health plc is a Public Limited Company incorporated and domiciled in England and Wales. Details of the registered office, the officers and advisers to the Company are presented on the company information page at the start of this report. The Company's offices are at Innovation centre, Innovation Way, Heslington, York, YO10 5DG. The Company is listed on the AIM market of the London Stock Exchange (ticker: OPTI).

The principal activity is that of identifying and developing microbial strains, compounds, and formulations for use in food ingredients, supplements and active compounds that can impact on human physiology, deriving potential health benefits.

2. Accounting Policies

Statement of compliance

The consolidated financial statements of Optibiotix Health Plc have been prepared in accordance with UK adopted international accounting standards (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. These are the first financial statements prepared under UK adopted international accounting standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. Optibiotix Health Plc transitioned to UK-adopted International Accounting Standards in its consolidated and parent company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no change on recognition, measurement or disclosure in the financial year reported as a result of the change in framework.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The functional currency is GBP.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period under review.

Going concern

The financial statements have been prepared on the assumption that the Group is a going concern. When assessing the foreseeable future, the Directors have looked at the budget for the next 12 months from the date of this report, the cash at bank available as at the date of approval of these financial statements and are satisfied that the group should be able to cover its quoted maintenance costs, other administrative expenses and its ongoing research and development expenditure.

Management have considered its forecast of the group's cash requirements reflecting contracted and anticipated future revenue and the resulting net cash outflows. Management have not seen a material disruption to the business as a result of the COVID-19 pandemic, nor the current political crises in Europe. Management will keep events under constant review, and remedial action will be taken if the situation demands it.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Standards, amendments and interpretations effective and adopted in 2021

Several amendments and interpretations apply for the first time in 2021.

Standard or		Effective for annual periods beginning on or after
<u>Interpretati on</u>	<u>Title</u>	
IFRS 16	COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

Standards, amendments and interpretations issued and effective in 2021 but not relevant

There are no IFRSs or IFRIC interpretations that are effective and not relevant to the Group.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Standards, amendments and interpretations issued but not yet effective in 2021

There were a number of standards and interpretations which were in issue at 31 December 2021 but not effective for periods commencing 1 January 2021 and have not been adopted for these financial statements. The Directors have assessed the full impact of these accounting changes on the Company. To the extent that they may be applicable, the Directors have concluded that none of these pronouncements will cause material adjustments to the Group's financial statements. They may result in consequential changes to the accounting policies and other note disclosures. The new standards will not be early adopted by the Group and will be incorporated in the preparation of the Group financial statements from the effective dates noted below.

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021. (Amendment to IFRS 16)	1 April 2021
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract. (Amendments to IAS 37)	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use. (Amendments to IAS 16)	1 January 2022
IFRS	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 3	Reference to the Conceptual Framework. (Amendments to IFRS 3)	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-current. (Amendments to IAS 1)	1 January 2023
IFRS 17	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.	1 January 2023
IAS 1	Disclosure of Accounting Policies. (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Amendments to IAS 12)	1 January 2023
IAS 8	Definition of Accounting Estimates. (Amendments to IAS 8)	1 January 2023

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Directors anticipate that the adoption of these standard and the interpretations in future period will have no material impact on the financial statements of the company.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Revenue recognition

Revenue is measured at the fair value of sales of goods and services less returns and sales taxes. The Group has analysed its business activities and applied the five-step model prescribed by IFRS 15 to each material line of business, as outlined below:

Sale of products

The contract to provide a product is established when the customer places a purchase order. The performance obligation is to provide the product requested by an agreed date, and the transaction price is the value of the product as stated in our order acknowledgement. The performance obligation is typically met when the product is dispatched and so revenue is primarily recognised for each product when dispatching takes place. In some limited situations when the product is complete but the customer is unable to take delivery the performance obligation is met when the customer formally accepts transfer of risk and control even though the product has not been dispatched.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2.Accounting Policies (continued)

License arrangements

Revenue is recognised when the customer obtains control of the rights to use the IP. The performance obligations are considered to be distinct from any ongoing distribution arrangements which are treated in line with sales of products.

Milestone payments

Where the transaction price includes consideration that is contingent upon a future event or circumstance, the contingent amount is allocated entirely to that performance obligation if certain criteria are met. Revenue is recognised at the point of time of the performance obligation being satisfied.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments at fair value

Equity investments are held at fair value at the balance sheet date with any profit or loss for the year being taken to the Income statement. The value of listed investments being calculated at the closing price on the balance sheet date.

Employee Benefits

The Group operates a defined contribution pension scheme. Contributions payable by the Group's pension scheme are charged to the income statement in the period in which they relate.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules using tax rates enacted or substantially enacted by the statement of financial position date.

Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

(ii) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will

be available against which the deductible temporary differences and the carrying forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost, plus accrued interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Equity investments comprise investments which do have a fixed maturity and are classified as non current assets if they are intended to be held for the medium to long term. They are measured at fair value through profit or loss.

Trade receivables are initially measured at fair value and are subsequently measured at amortised cost less appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments with maturities of three months or less at inception that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables are not interest-bearing and are initially valued at their fair value and are subsequently measured at amortised cost.

Equity instruments are recorded at fair value, being the proceeds received, net of direct issue costs.

Share Capital - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of taxation, from the proceeds.

Financial instruments require classification of fair value as determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Impairment of non-financial assets

At each statement of financial position date, the Group reviews the carrying amounts of its investments 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not 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 (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 re-valued 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 (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.

Capital management

Capital is made up of stated capital, premium, other reserves and retained earnings. The objective of the Group's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the Company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the period ended 31 December 2021.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Convertible Loans

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amount.

Convertible debt reserve

The convertible debt reserve is the equity component of the convertible loan notes that have been issued.

Share-based compensation

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off their cost over their estimated useful lives at the following annual rates:

Computer equipment	30%
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Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss in the year in which the asset is derecognised.

Intangibles – Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the patents over their estimated useful life of twenty years once the patents have been granted.

Research and Development

Research expenditure is written off to the statement of comprehensive income in the year in which it is incurred. Development expenditure is written off in the same way unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the 10 years during which the Company is expected to benefit.

Merger relief reserve

The merger relief reserve arises from the 100% acquisition of OptiBiotix Limited whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve in accordance with section 612 of the Companies Act 2006.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2. Accounting Policies (continued)

The resulting accounting estimates will, by definition, differ from the related actual results.

- **Share based payments**

The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

- **Amortisation**

Management have estimated that the useful life of the fair value of the patents acquired on the acquisition to be 20 years. Research and developments that have been capitalised in line with the recognition criteria of IAS38 have been estimated to have a useful economic life of 10 years. These estimates will be reviewed annually and revised if the useful life is deemed to be lower based on the trading business or any changes to patent law.

- **Impairment reviews**

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

- **Derecognition of an associate**

Management have reviewed the existing relationship with Skinbiotherapeutics Plc in light of changes in the Group's power to participate in the financial and operating decisions of the entity, in line with the requirements of IAS28. In the prior year following a significant dilution in shareholding and a change to the board structure of the entity, it was determined that the significant influence had been lost and the associate would be de-recognised. This year it is still considered to be an investment.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

3. Segmental Reporting

In the opinion of the directors, the Group has one class of business, in three geographical areas being that of identifying and developing microbial strains, compounds and formulations for use in the nutraceutical industry. The Group sells into three highly interconnected markets, all costs assets and liabilities are derived from the UK location.

Revenue analysed by market

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Probiotics	1,100,132	821,126
Functional Fibres	1,112,800	702,121
	<u>2,212,932</u>	<u>1,523,247</u>

Revenue analysed by geographical market

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
UK	647,649	369,892
US	827,135	654,524
Rest of world	738,148	498,831
	<u>2,212,932</u>	<u>1,523,247</u>

During the reporting period one customer represented £727,135 (32.9%) of Group revenues. (2020: one customer generated £497,416 representing 32.6% of Group revenues)

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

4. Employees and Directors

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Wages and salaries	181,702	82,448
Directors' remuneration*	493,987	404,500
Directors' fees*	455,400	406,399
Social security costs	82,754	52,231
Pension costs	43,542	33,518
	<u>1,257,386</u>	<u>979,096</u>

*Total Directors' remuneration £949,387 (2020: £810,899) see Directors' remuneration note below

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
The average monthly number of employees during the period was as follows:		
Directors	9	6
Research and development	3	2
	<u>12</u>	<u>8</u>

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Directors' remuneration	841,888	763,399
Directors' share based payments	33,514	102,533
Bonus*	107,500	47,500
Pension	34,882	33,518
	<u>1,017,784</u>	<u>946,950</u>
Total emoluments		
	<u>1,017,784</u>	<u>946,950</u>
Emoluments paid to the highest paid director	<u>254,000</u>	<u>218,000</u>

*Total Directors' remuneration £949,388 see Directors' remuneration note below

Included in total emoluments paid to Directors are capitalised wages of £92,611 (2020: £187,241)

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

4. Employees and Directors (continued)

Directors' remuneration

Details of emoluments received by Directors of the Group for the period ended 31 December 2021 are as follows:

	Remuneration and fees	Share based payments	Pension Costs	Total
	£	£	£	£
A Reynolds*	24,996	-	-	24,996
S P O'Hara	254,000	-	7,800	261,800
F Narbel *	82,867	-	4,143	87,010
S Christie	25,000	8,259	-	33,259
R Davidson	55,000	17,526	-	72,526
S Kolyda	114,250	7,729	5,572	127,551
C Brinsmead	25,000	-	-	25,000
S Hammond	20,738	-	-	20,738
M Hvid-Hansen*	152,002	-	7,600	159,602
R Kamminga	195,535	-	9,767	205,302
Total	949,388	33,514	34,882	1,017,784

*For disclosure in relation to directors' fees please refer to Note 20.

5. Net Finance Income / (Costs)

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Finance Income:		
Bank Interest	121	98
Finance Cost:		
Loan note interest	(47,600)	(44,954)
Net Finance Income / (Costs)	(47,479)	(44,856)

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

6. Expenses – analysis by nature

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Research and development	64,319	85,703
Directors' fees & remuneration (Note 4)*	856,777	623,658
Salaries	181,702	82,448
Auditor remuneration - audit fees (Consolidated accounts £21,250 (2020: £18,250))	41,822	42,720
Auditor remuneration – non audit fees (tax compliance)	12,700	11,400
Brokers & Advisors	208,579	123,531
Advertising & marketing	41,506	86,673
Share based payments charge	60,288	127,248
Depreciation on property, plant and equipment	-	393
Amortisation of patents and development costs	288,455	247,502
Patent and IP costs	114,788	136,762
Consultancy fees	262,262	76,704
Legal and professional fees	28,389	42,625
Public Relations costs	68,185	82,394
Travel costs	16,061	31,434
Other expenses	242,824	190,017
Total administrative expenses	<u>2,488,657</u>	<u>1,991,212</u>

*£856,777 is net of £92,611 capitalised in the year, total remuneration £949,388 as per note 4.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

7. Corporation Tax

Corporation Tax

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Corporation tax credit	(75,000)	(120,000)
Under provision prior year		-
Deferred tax movement	(9,523)	28,185
Overseas tax suffered	-	180
Total taxation	<u>(84,523)</u>	<u>(91,635)</u>

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2021 nor for the year ended 31 December 2020.

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Profit (Loss) on ordinary activities before income tax	<u>6,176,506</u>	<u>5,710,232</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2020 – 19%)	1,173,536	1,084,944
Effects of:		
Disallowables	13,619	89,931
Income not taxable	(1,545,707)	(1,362,287)
Accelerated depreciation	-	75
R&D tax credit claimed	(75,000)	(120,000)
Amortisation	33,342	27,851
Revenue items capitalised	(36,785)	(66,566)
Other timing differences	9,477	28,185
Overseas tax suffered	-	180
Unused tax losses carried forward	342,995	226,052
Tax credit	<u>(84,523)</u>	<u>(91,635)</u>

The Group has estimated losses of £4,626,000 (2020: £4,266,000) and estimated excess management expenses of £3,786,000 (2020: £2,555,000).

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

7. Corporation Tax (continued)

The tax losses have resulted in a deferred tax asset at 25% (2020: 19%) of approximately £1,156,000 (2020: £810,000) which has not been recognized as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

	2021 £	2020 £
Current tax asset - Group		
Balance brought forward	310,435	190,435
Received during the year	(194,663)	-
Prior year adjustment	477	-
Research & development tax credit claimed	75,000	120,000
	<u>191,249</u>	<u>310,435</u>

8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the period.

Reconciliations are set out below:

Basic and diluted EPS	Earnings £	2021 Weighted average Number of shares No.	Profit per-share Pence
Basic EPS	6,261,029	87,574,152	7.15p
Diluted EPS	<u>6,261,029</u>	<u>95,536,395</u>	<u>6.55p</u>

Basic and diluted EPS	Earnings £	2020 Weighted average Number of shares £	Loss per-share Pence
Basic EPS	5,801,867	87,207,703	6.65
Diluted EPS	<u>5,801,867</u>	<u>95,569,946</u>	<u>6.07</u>

As at 31 December 2021 there were 7,632,907 (2020: 8,032,907) outstanding share options and 329,336 (2020: 329,386) outstanding share warrants.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

9. Intangible assets

Group	Development Costs and Patents £
Cost	
At 31 December 2019	3,321,930
Additions	350,345
Disposals	-
	<hr/>
At 31 December 2020	3,672,275
Additions	193,506
Disposals	-
	<hr/>
At 31 December 2021	<u>3,865,781</u>
Amortisation	
At 31 December 2019	689,152
Amortisation charge for the year	247,502
	<hr/>
At 31 December 2020	936,654
Amortisation charge for the year	288,455
	<hr/>
At 31 December 2021	<u>1,225,109</u>
Carrying amount	
At 31 December 2021	2,640,672
At 31 December 2020	<u>2,735,621</u>

The company had no intangible assets

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

10. Property, plant and equipment

Group	£
Cost	
At 31 December 2019	8,461
Additions	-
Disposals	-
	<hr/>
At 31 December 2020	8,461
Additions	-
Disposals	-
	<hr/>
At 31 December 2021	<u>8,461</u>
Depreciation	
At 31 December 2019	8,068
Charge for the year	393
	<hr/>
At 31 December 2020	8,461
Charge for the year	-
	<hr/>
At 31 December 2021	<u>8,461</u>
Carrying amount	
At 31 December 2021	-
At 31 December 2020	-
	<hr/>

The company had no property plant and equipment.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

11. Investments

Group Investments

Set out below is the investment in Skinbiotherapeutics PLC which is material to the Group. The investment treated as an associate of the group until 2 November 2020, after which time the shareholding dropped to 24.65% and has been recalculated as an equity investment. The entity listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also the principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held.

	2021 £	2020 £
Available for sale investments		
At the beginning of the period	8,962,564	2,842,834
Additions		
Revaluations	7,500,681	7,120,962
Share of loss	-	(303,449)
Disposal of shares during year	(2,812,318)	(697,783)
At 31 December	13,650,927	8,962,564

Company Investments

	2021 £	2020 £
Available for sale investments		
At the beginning of the period	8,962,564	4,131,651
Additions		
Revaluations	7,500,681	5,528,696
Disposal of shares during year	(2,812,318)	(697,783)
	13,650,927	8,962,564

Investments in subsidiary undertakings

At the beginning of the period	2,080,905	2,080,905
Addition: Equity element of convertible loan notes	-	-
	2,080,905	2,080,905
At 31 December	15,731,832	11,043,469

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

11. Investments (continued)

As at 31 December 2021 the Company directly held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest
OptiBiotix Limited	Research & Development	United Kingdom	100% of ordinary shares
Optibiotix Health India Private Limited	Health foods	India	100% of ordinary shares
The Healthy Weight Loss Company Limited	Health foods	United Kingdom	68% of ordinary shares
ProBiotix Health Ltd	Health foods	United Kingdom	100% of ordinary shares
Probiotix Limited	Health foods	United Kingdom	100% of ordinary shares

12. Inventories

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Finished goods	101,877	184,236	-	-

During the period £1,089,588 (2020: £643,428) has been expensed to the income statement.

13. Trade and other Receivables

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Non- current				
Amounts owed by group undertakings	-	-	318,127	329,057
	-	-	318,127	329,057
Current				
Accounts receivable	1,413,882	512,437	-	-
Other receivables	82,587	110,634	39,544	71,278
Prepayments and accrued income	56,021	22,752	26,356	18,142
	1,552,490	645,823	65,900	89,420

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

14. Cash and Cash Equivalents

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Cash and bank balances	<u>2,007,448</u>	<u>864,680</u>	<u>1,705,291</u>	<u>532,769</u>

15. Called Up Share Capital

	2021	2020
	£	£
Issued share capital comprises:		
Ordinary shares of 2p each – 87,940,601 (2020: 87,940,601)	1,758,812	1,758,812
	<u>1,758,812</u>	<u>1,758,812</u>

16. Reserves

Share capital is the amount subscribed for shares at nominal value. Share premium represents amounts subscribed for share capital in excess of nominal value, net of expenses.

The convertible debt reserve is the equity component of the convertible loan notes that have been issued.

Merger relief reserve arises from the 100% acquisition of OptiBiotix Limited on 5 August 2014 whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve in accordance with section 612 of the Companies Act 2006.

Retained earnings represents the cumulative profits and losses of the group attributable to the owners of the company.

Share based payment reserve represents the cumulative amounts charged in respect of unsettled warrants and options issued.

17. Trade and other payables

Current:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Accounts Payable	422,948	359,321	18,452	40,174
Accrued expenses	175,138	157,039	22,800	22,750
Other payables	2,818	2,635	-	-
Total trade and other payables	<u>600,904</u>	<u>518,995</u>	<u>41,252</u>	<u>62,924</u>

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

18. Deferred Tax

Deferred tax is provided, using the liability method, on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2020: 19%).

The movement on the deferred tax account is as shown below:

	2021 £	2020 £
At 31 December 2020	561,523	522,350
Movement in the period	(9,523)	39,173
At 31 December 2021	<u>552,000</u>	<u>561,523</u>

Deferred tax assets have not been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets as the directors believe there is uncertainty whether the assets are recoverable.

19. Convertible Loan Notes

ProBiotix Health Limited issued 1,025,000 floating rate convertible loan notes (CLN) for £1,025,000 on 11 December 2018. The notes are convertible into ordinary shares of the Company and converted into shares immediately prior to the occurrence of a listing of the company, or repayable on December 2023. The conversion rate is 1 share for each note held at an amount which is equal to 50% of the listing price.

OptiBiotix Health Plc has subscribed 250,000 of the CLN for £250,000

The convertible notes are presented in the Group balance sheet as follows:

	2021 £	2020 £
Balance brought forward	771,759	726,805
Additions	-	-
Equity element	-	-
Liability component	<u>771,759</u>	<u>726,805</u>
Interest charged at effective interest rate	47,600	44,954
Non-current liability	<u>819,359</u>	<u>771,759</u>

Interest expense is calculated by applying the effective interest rate of 6% to the liability component.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

20. Related Party Disclosures

Group

During the year to 31 December 2021 £87,010 (2020: £184,132) was paid to F Narbel in respect of Director's services provided.

During the year to 31 December 2021 £24,996 (2020: £24,996) was paid to Reyco Limited for the services of Adam Reynolds as Director of ProBiotix Health Limited.

Company

During the year to 31 December 2021 the Group was charged £44,507 (2020: £42,000) for services provided by Morrison Kingsley Consultants Limited, a company controlled by Mark Collingbourne, Chief Financial Officer.

During the year Optibiotix Health PLC loaned Probiotix limited £570. The balance owing at the 31 December 2021 was £53,835 (2020: £80,119). There was no interest charged during the year.

During the year Optibiotix Health PLC loaned Optibiotix Limited £1,551,651 during the year of which £619,749 was repaid. The balance at the yearend of £931,903 (2020, £6,301,666) was cancelled. This does not impact on the consolidated Group accounts.

21. Ultimate Controlling Party

No one shareholder has control of the company.

22. Share Based payment Transactions

(i) Share options

The Company had introduced a share option programme to grant share options as an incentive for employees of the former subsidiaries.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option and the Company has no legal obligation to repurchase or settle the options in cash. The options carry neither rights to dividends nor voting rights prior to the date on which the options are exercised. Options may be exercised at any time from the date of vesting to the date of expiry.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of options		Average exercise price	
	2021	2020	2021	2020
	No.	No.	£	£
Outstanding at the beginning of the period	8,032,907	7,765,907	0.21	0.20
Granted during the period		300,000	-	0.57
Forfeited/cancelled during the year	(400,000)	(33,000)	0.785	0.695
Exercised during the period		-	-	
Outstanding at the end of the period	7,632,907	8,032,907	0.18	0.21

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

22. Share Based payment Transactions (continued)

For the share options issued in 2014 vesting conditions dictate that half will vest if the middle market quotation of an existing Ordinary share is 16p or more on each day during any period of at least 30 consecutive Dealing days and half will vest when a commercial contract is signed. The two conditions are not dependent on each other and will vest separately.

For the share options issued in 2015 vesting conditions dictate that some of the options will vest if the middle market quotation of an existing Ordinary share is 40p or more on each day during any period of at least 30 consecutive Dealing days and some will vest if certain revenue targets are met or if certain scientific studies are completed. The conditions are not dependent on each other and will vest separately.

For the share options issues in 2017 vesting conditions dictate that the options will vest if certain revenue conditions are met.

For the share options issues in 2018 vesting conditions dictate that the options will vest if certain revenue conditions are met.

For the share options issues in 2019 vesting conditions dictate that the options will vest if certain revenue conditions are met.

For the share options issues in 2020 vesting conditions dictate that the options will vest if certain revenue conditions are met.

The share options outstanding at the period end had a weighted average remaining contractual life of 1,241 days (2020: 1,639 days) and the maximum term is 10 years.

The share price per share at 31/12/21 was £0.46 (31/12/2020: £0.55)

(i) Share options

Expected volatility is based on a best estimate for an AIM listed entity. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair values of the last share options issued were derived using the Black Scholes model. The following assumptions were used in the calculations:

Grant date	02/06/2020
Exercise price	57p
Share price at grant date	57p
Risk-free rate	0.25%
Volatility	35%
Expected life	10 years
Fair value	24p

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

22. Share Based payment Transactions (continued)

(i) Warrants

On 20 February 2014, an open offer was made to the potential investors to subscribe for 203,380,942 new ordinary shares of £0.0001 each at £0.0001 each. On a 1:1 basis, warrants attach to any shares issued under the open offer convertible at any time to 30 November 2018 at £0.0004 per shares.

On 4 August 2014, the warrants in issue were consolidated in the ratio of 200:1 as part of the share reorganisation.

At a meeting of warrant holders on 24 January 2017 it was agreed to extend the exercise period for all remaining warrants to 28 January 2022 and 19 February 2022

Movements in the number of share warrants outstanding and their related weighted average exercise prices are as follows:

	Number of warrants		Average exercise price	
	2021	2020	2021	2020
	No.	No.	£	£
Outstanding at the beginning of the period	329,336	329,386	0.08	0.08
Outstanding at the end of the period	329,386	329,336	0.08	0.08

A charge of £60,288 (2020: £127,248) has been recognised during the year for the share based payments over the vesting period.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

23. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash balances and receivables and payables that arise directly from its operations.

The main risks the Group faces are liquidity risk and capital risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Group's policies for managing these risks are summarised below and have been applied throughout the period. The numerical disclosures exclude short-term debtors and their carrying amount is considered to be a reasonable approximation of their fair value.

Interest risk

The Group is not exposed to significant interest rate risk as it has limited interest bearing liabilities at the year end.

Credit risk

The Group is not exposed to significant credit risk as it did not make any credit sales during the year.

Liquidity risk

Liquidity risk is the risk that Group will encounter difficulty in meeting these obligations associated with financial liabilities.

The responsibility for liquidity risks management rest with the Board of Directors, which has established appropriate liquidity risk management framework for the management of the Group's short term and long-term funding risks management requirements.

During the period under review, the Group has not utilised any borrowing facilities.

The Group manages liquidity risks by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

24. Post Balance Sheet Events

On 7 January 2022 the Company cancelled 800,000 options with the agreement of option holders and reissued 500,000 options at a nominal value of 2 pence per share.

On 27 January 2022 the Company issued 125,000 new shares following the exercise of warrants at 8 pence per share.

On 9 March 2022 the Company issued 60 new shares following the exercise of warrants at 8 pence per share.

On 31 March 2022 Probiotix Health Limited a wholly owned subsidiary of the Company was listed on the AQSE Growth Market with an associated fund raise and distribution in specie. Following the listing the Company retains 43.99% of the issued share capital.