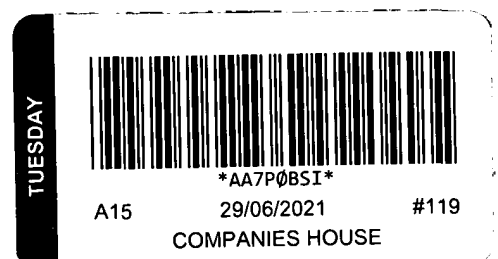


**Report of the Directors and
Financial Statements for the year ended 31 December 2020
for
Optibiotix Health Plc**



Optibiotix Health Plc

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Optibiotix Health Plc

Company Information

For the year ended 31 December 2020

Directors:	S P O'Hara R Davidson M Christie C Brinsmead S Hammond S Kolyda
Secretary:	International Registrars Limited
Registered number:	05880755 (England & Wales)
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 Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX
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 2020

I am pleased to report a further year of solid strategic, commercial and financial progress. The Group has achieved strong sales growth while reducing its already low-cost base, enabling both its Probiotic and Functional Fibre divisions to achieve profitability as planned. The successful commercialisation of our first-generation products with a range of internationally recognised partners confirms the effectiveness and scalability of our innovative, low risk business model, while our pipeline of exciting second-generation products gives us a strong base to deliver continuing growth in shareholder value.

Results

Group sales for the 12 months ended 31 December 2020 (prior period: 13 months ended 31 December 2019) grew by 104% to £1,523,247 (2019: £744,883) while other administrative expenses reduced by 27% to £1,616,069 (2019: £2,204,217). Despite the challenges presented by the global COVID-19 pandemic, both the Functional Fibres and Probiotic divisions achieved profitability at the EBITDA level, after losses in the prior 13 month period.

The Company received an additional £746,751 during the year from the partial disposal of its holding in SkinBioTherapeutics plc ('SBTX'), which is not included in the Group revenue figures. As a result of the change in the Company's shareholding in SBTX, it is now treated as an investment rather than an associate and the change in the value in the Company's shareholding during the financial year will in future be reflected in the Group accounts. The increase in the value of the SBTX holding of £7,120,962 during the year results in a Group net profit for the year of £5,801,867 (2019: net loss £2,368,362).

The Group's financial position remains strong, with total cash on the balance sheet at the year-end increasing by 90% to £864,680 (2019: £455,608). Post period, the Company sold £900,936 SBTX shares in March 2021 to further strengthen its balance sheet.

Strategy

Optibiotix Health is a life sciences business founded on the development of prebiotic and probiotic compounds to tackle obesity, cardiovascular disease and diabetes: all conditions that are affecting growing numbers of people in all parts of the world.

Our proven, low risk growth strategy is to secure deals with multiple partners – manufacturers, formulators and distributors – in multiple territories around the world, ensuring that we retain control of the complete value chain for all the compounds we develop, and can extract value for our shareholders at each stage.

We have now established the scientific, clinical and commercial viability of our first-generation products (LP_{LDL}® and SlimBiome® / WellBiome®) achieving strong sales growth with internationally recognised retail and pharmaceutical partners. As we anticipated, this growth in volumes has enabled us to renegotiate contracts with our partners so as to reduce the cost of goods and deliver improved divisional margins, as noted in the financial report.

The next stage of our strategy will focus on the development and commercialisation of our second-generation platforms, which include SweetBiotix®, microbiome modulators to tackle a range of human health conditions, and drug biotherapeutics. All of these offer significant potential for long term growth.

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:

- Our agreement in August 2020 with Optipharm and product launch in October 2020 for the exclusive use of our OptiBiome® weight management ingredient in over 20 countries in its

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Chairman's Report

For the year ended 31 December 2020

flagship Optislim brand, the leading weight management brand in Australia.

- The agreement with a US partner for the large-scale manufacture and commercialisation of a number of SweetBiotix® products announced on 15 September 2020.
- The USA FDA authorisation in October 2020 of an Investigational New Drug ('IND') trial by our partner Seed Health of a probiotic containing LP_{LDL}®.

Since the year-end, we have also achieved an important extension of our product range with Holland & Barrett, which has increased from three to eight the number of lines in its own SlimExpert range containing SlimBiome® as announced on 17 March 2021.

The Board

We continue to evolve the Board to ensure that we have the right mix of skills to lead the Group through the next stage of its strategic development, and to this end we have announced the appointment of two non-executive directors since the beginning of the new financial year.

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 and adviser, FTSE 350 company director and chairman.

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

Peter Wennström retired as a non-executive director on 1 January 2021, with our thanks for his contribution to the development of the Company and particularly for his valuable advice on brand strategy and the positioning of our first-generation products in international markets; I am pleased that his expertise remains available to us as an adviser.

René Kamminga joined as Chief Executive Officer ("CEO") of OptiBiotix Ltd, a wholly owned subsidiary of OptiBiotix Health plc, on 6 April 2021. We are confident that his experience and track record of growing sales, and his network of new industry contacts within the pharmaceutical and nutraceutical industries, will help OptiBiotix in its next phase of development as we look to extend the range of applications for our award-winning SlimBiome® and LP_{LDL}® ingredients, and to commercialise our second generation SweetBiotix®, microbiome modulating, and LP_{LDL}® drug products.

Following René's appointment Dr Fred Narbel has moved to a more strategic role within the business as a non-executive director of OptiBiotix Ltd. We are grateful to Fred for his contribution over the previous two years in building the sales of our first-generation products, expanding our network of production partners around the world, securing commercial launches of products containing SlimBiome® with retailers in numerous countries, and in setting up the Functional Fibres division's quality system, and we look forward to his continued support in his new role.

We have also strengthened our senior executive team below the main Board, as the Chief Executive reports below.

Outlook

We have made a strong start to the current year, continuing to expand sales of our proven first-generation products whilst building the scientific and clinical evidence base needed to de-risk our highly innovative second-generation products and maximise their commercial potential in the future. Our new products open up significantly larger market opportunities, which we are well placed to exploit through

Optibiotix Health Plc

Chairman's Report

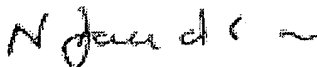
For the year ended 31 December 2020

an established, low overhead, sustainable business model that has demonstrated its ability to deliver a rapid increase in scale.

Already this year we have been able to report agreements and product launches that secure increased SlimBiome® sales in the UK, USA, Africa, India and wider Asia; the extension to two new territories in our agreement with Actial Pharmaceutical for the distribution of CholBiome® and CholBiome®_{LS}; and success in long term stability studies that assure the shelf life of SlimBiome® Medical, CholBiome® and CholBiome®_{LS}, which will allow Optibiotix and its partners to place larger orders for these products, so reducing the cost of goods and increasing margins. Our manufacturing partner is making strong progress with the first industrial scale production of SweetBiotix®, and we have begun to explore the full potential of LP_{GLA}® as a drug biotherapeutic.

Although the COVID-19 pandemic has presented some significant challenges over the last year in diverting commercial, medical and governmental attention away from the markets we address and delaying decision-making by some partners, we are confident that the issues of obesity, high cholesterol and diabetes will remain key areas of concern worldwide in the years ahead, and that the pandemic experience will drive increased interest in science-based products to address these challenges.

The strengthening of our Board and senior management since the beginning of the year give me confidence in our ability to continue to grow the business, and to deliver growing value for our shareholders in the longer term.



N Davidson
Chairman

16 June 2021

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2020

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. The Company develops unique, innovative products protected by an extensive and growing international portfolio of patents and trademarks. Our two-stage strategy and low-cost business model are designed to maximise the earning potential of each of our products while limiting our investors' risk, achieving global access to fast-growing markets by working with a range of local partners who are recognised and respected as leaders in their fields.

STRATEGIC DEVELOPMENT

We are successfully progressing a two-stage strategy that is delivering as planned, with our first-generation products, LP_{LDL}® and SlimBiome®, generating rapid revenue growth against a low and decreasing cost base enabling us to achieve profitability in our two principal Probiotic and Functional Fibre divisions. This was a substantive change from divisional losses of £474,205 for ProBiotix and £433,249 for the functional fibres division reported in 2019. The second stage of our strategy is delivering on the huge potential of our second-generation products: the SweetBiotix® family of functional fibres that act as low calorie, prebiotic sweeteners; microbiome modulators; and drug biotherapeutics. 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 and shareholder value.

During 2020 we reached a turning point with our first-generation products gaining a commercial position and brand recognition in over 120 countries. These products were designed with a low development risk with the aim of establishing the Company's industry credibility, and testing our business model in the market. This has been achieved with the conclusion of multiple deals with large retail and pharmaceutical partners including AlfaSigma, Agropur, Holland & Barret, and Optipharm, with OptiBiotix increasingly being identified as a key player in the microbiome space in industry reports. Holland and Barrett and AlfaSigma launched products in the first quarter of 2020 and Optipharm in the last quarter. Whilst retail agreements typically have lower margins, they enhance the credibility and consumer awareness of our products, and with it, confidence in our brand.

The fact that our products are now increasingly becoming associated with internationally recognised retail and pharmaceutical partners and established brands creates a virtuous circle of further interest from other potential partners and markets.

FINANCIAL RESULTS

As the Chairman has noted, Group sales for the 12 months ended 31 December 2020 (prior period: 13 months ended 31 December 2019) more than doubled to £1,523,247 (2019: £744,883). This 104% increase in revenues placed OptiBiotix Health among the top ten growth companies in the UK during 2020 (The UK's Top Ten Fastest Growing Companies Revealed, Forbes August 2020).

Both our principal divisions contributed to this strong sales performance and transitioned to profitability during the year.

The Functional Fibres division (SlimBiome®, OptiBiome® and WellBiome®) grew sales by 151% to £557,539 (2019: £222,235) despite the challenging trading environment created by COVID-19, which limited our partners' ability to innovate, formulate and launch new products during the year. The division delivered positive EBITDA of £67,271, compared with an EBITDA loss of £451,572 in the previous period.

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Chief Executive's Report

For the year ended 31 December 2020

The Probiotic division, our wholly owned subsidiary Probiotix Health Ltd (LP_{LDL}®), increased sales by 107% to £821,126 (2019: £397,831), despite a number of customers postponing product launches or temporarily shifting their focus to immune health products in response to the Coronavirus pandemic. The division generated positive EBITDA of £88,762, compared with an EBITDA loss of £467,704 in 2019.

Our smaller Consumer Health division, operating our own online store, grew sales by 17% to £137,024 (2019: £117,560). This business continues to serve as a valuable shop window for testing new products with consumers, and has helped us to achieve successful product launches with partners including Holland & Barrett and Alfa Sigma.

Group administrative expenses, excluding non-cash items such as share-based payments and amortisation, reduced by 27% to £1,616,069 (2019: £2,204,217) as increased sales volumes enabled us to renegotiate contract terms with our commercial partners to deliver improved margins.

As the Chairman has noted, the Group's net profit includes the benefit of a substantial increase in the value of our holding in SkinBio Therapeutics plc ('SBTX') during the year. Skin is making strong progress towards commercialising its products and we believe that it will prove to an appreciating asset for our shareholders in the future. It is worth noting that our initial investment of approximately £700,000 in this business in 2016 has delivered an investment asset now worth circa £25m as at 1 June 2021. We are pleased that our strategy of developing divisions as separate legal entities with the potential for a trade sale or separate public listing has helped create such a valuable asset to OptiBiotix shareholders.

We will continue to consider other opportunities which capitalise on growing investor interest investment in the microbiome space in both the UK and international markets where they provide scope for enhancing shareholder value.

COMMERCIAL UPDATE

We signed a total of 27 new commercial agreements during the year ended 31 December 2020: 18 for SlimBiome® and related products in the Functional Fibres division, and 9 for LP_{LDL}® in ProBiotix Health.

Of note were deals with Holland and Barrett, Optipharm, and US partners that open up retail opportunities in the UK, Australia, parts of Asia, the Middle East, and North America. Announcing such deals increases industry awareness of OptiBiotix's brands within the industry, and changes the nature of partner discussions as the commercial benefits are established in more territories. Growing brand awareness increases the value of a product, and ultimately shareholder value, and is particularly important and valued by large corporates. This is in line with our strategic aim of growing the awareness of our ingredient and finished product brands around the world. Deals with Genuine Health (Canada/USA), Granja Pocha (Dairy: Uruguay) and Ayalla (Brazil), and at the end of the year, UITC (Singapore) support this approach and open up markets of strategic importance in the USA, South America, and Asia. Having products and brand presence in multiple territories is really important for corporate partners or potential corporate acquirers as it shows our products have international reach and appeal to customers around the world, and are not restricted to national markets. This is a major value enhancer as not all products are able to cross international boundaries.

LP_{LDL}®

Sales of LP_{LDL}® as an ingredient or final product grew by 181% during the year. We have developed the science, carried out human studies to confirm product safety and efficacy, protected our commercial interests with a broad IP portfolio comprising some 30 patents, and built a supply chain of licensed partners to manufacture, formulate, and distribute this product around the world. We now have partners commercialising LP_{LDL}® in over 60 countries including the world's largest probiotic market (USA: Seed Health) and second largest (Italy: AlfaSigma). The next stage of our strategy is to grow sales with existing partners, extend territories and applications, and continue to sign up new partners. In addition

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to growing sales, the Company is renegotiating contracts as volumes increase to reduce the cost of goods. The renegotiation of our contract with Sacco Srl from a profit sharing to a manufacture supply agreement where we buy from Sacco and then sell product to partners ourselves has significantly improved margins.

Particularly noteworthy developments during the year were the successful launch of AlfaSigma's Ezimega 3 product and the commercial growth of Seed Health's Daily Synbiotic. These achieved strong early growth despite the emerging COVID-19 pandemic which impacted on sales in the second half of the year. The signing of an agreement with Actial Farmaceutica Srl for the distribution of CholBiome® products was a significant commercial achievement and brought further credibility to the LP_{LDL}® brand. Actial is the developer of one of the world's best-known probiotic brands - VSL#3® - and their products have a reputation for their strong science and clinical studies amongst hospital clinicians, GPs and pharmacists.

The Company has now published six studies on LP_{LDL}® in peer reviewed journals or as abstracts at international scientific conferences. These cover the safety and performance of LP_{LDL}® in human studies, the three mechanisms of action by which LP_{LDL}® reduces blood lipids, and LP_{LDL}®'s antimicrobial activity against a wide range of clinically important human and/or animal pathogens including Campylobacter, Shigella, Salmonella, E.coli O157, and Clostridium difficile. The results of two published independent human studies in different countries show significant reductions in both blood pressure and cholesterol and the product to be safe and well tolerated.

Publications and presentations help to differentiate LP_{LDL}® from products which are sold solely on marketing and reduce the risk of commoditisation and price erosion.

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. This, together with the presence of a scientific and clinical evidence base, gives it major points of differentiation from other probiotics. These designations increase the market attractiveness of LP_{LDL}® to pharmaceutical partners either used by itself, or as combination treatment to help lower the dose and potential side effects of statins. This extends its potential beyond the traditional supplement market into broader therapeutic opportunities within pharmaceutical consumer health businesses or as a drug biotherapeutic with pharmaceutical partners.

SlimBiome®

Sales of SlimBiome® as an ingredient or final product grew by 113% during the year. This was largely driven by partners in the UK, Australia and the USA launching new retail products, or building stock levels for the launch of products. Of particular note is the extension of SlimBiome® into everyday foods like muesli and porridge and the development of healthy snacks like fruit and fibre gummies under the SnackSmart® brand. The launch of WellBiome® during the year reflects the growing interest from partners in a science backed Health and Wellbeing microbiome product which taps into a global trend for Health & Wellness, a market estimated to be worth US\$4.2 trillion in 2019 with the digestive health segment accounting for US\$60 billion.

SweetBiotix®

SweetBiotix® is a family of products based on the concept of creating a low calorie sweet fibre that has a low glycaemic index, which enhances the microbiome. The concept uses new science, new manufacturing processes, and represents a step change from existing products on the market or 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 has to be assessed in terms of flavour optimisation, stability, dosage, safety, tolerance, health benefits, and the final product cost profile.

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Chief Executive's Report

For the year ended 31 December 2020

The agreement signed with a US partner in the second half of 2020 represented a significant milestone in the commercialisation of SweetBiotix® products. The agreement, for 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. In return, we will receive upfront, annual and product launch royalties from our US partner, plus royalties on all future product sales. We have also negotiated enhanced royalty payments on sales of SweetBiotix® products by our partner to 11 application / innovation partners.

INTELLECTUAL PROPERTY

There has been a rapid increase in the number of patents filed in the microbiome space in the last 10 years, and OptiBiotix and Probiotix Health have together filed numerous patents to protect their commercial interests and create first mover advantage in this evolving field. This is being supported by a large investment – typically of over £250,000 year - in patents and trademarks to broaden protection in international markets

Our Intellectual Property ('IP') 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 some 70 patents worldwide. In addition to these patents, we have registered over 68 trademarks to provide what is called 'double' IP – a combination of patents and supporting trademarks which allows OptiBiotix to build its trademarked brands supported by its patents. This approach further reduces risk and in combination creates a valuable IP portfolio in the microbiome field.

KEY ACHIEVEMENTS

During the period to date we have signed new agreements, launched new products, extended our agreements with existing partners and completed successful human studies on the effectiveness of our products, and the highlights of the year were as follows:

New agreements

- Concluding an agreement with Optipharm, whose flagship brand Optislim is Australia's leading weight management brand, for the exclusive use of our OptiBiome® weight management ingredient in over 20 countries including Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America
- Signing a three-year distribution agreement with a subsidiary of Pierce Group Asia granting it exclusive rights to import and commercialise OptiBiotix's SlimBiome® and LP_{LDL}® and to manufacture, develop, and sell a wide range of finished products to China and Hong Kong
- Granting MAXCARE Inc exclusive rights to commercialise OptiBiotix's SlimBiome® proprietary weight management technology in Taiwan
- The signature of a licensing agreement with Granja Pocha S.A. for the inclusion of ProBiotix's patented probiotic strain LP_{LDL}® into a functional yogurt product in Uruguay, South America
- Conclusion of a new licensing agreement with Velinoff Pharma Ltd for the distribution of ProBiotix's products CholBiome® and CholBiome®_{x3}, which contain OptiBiotix's patented probiotic strain LP_{LDL}®, in Bulgaria
- Reaching a one year exclusive distribution agreement with Prosperous Pharma, based in Lebanon, to distribute and commercialise OptiBiotix's SlimBiome® Medical to the Gulf Cooperation Council States and the Levant region

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Chief Executive's Report

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- A non-exclusive distribution agreement with Actial Farmaceutica Srl for the distribution of CholBiome® and CholBiome®_{x3} in Australia, New Zealand, Indonesia and Thailand, under the VSL#3® range
- An exclusive agreement with a US company for the large-scale manufacture and commercialisation of a number of SweetBiotix® products in return for upfront, milestone, launch and royalty payments
- An exclusive distribution agreement granting United Italian Trading Corporation (Pte) Ltd exclusive rights to distribute SlimBiome® Medical, CholBiome® and CholBiome®_{x3} in Singapore
- The grant of a non-exclusive LP_{LDL}® license to Genuine Health Inc for a cardiovascular health product in Canada and the USA

Product launches

- The launch of a branded SlimBiome® product range with Holland & Barrett, the first agreement with a major retailer to market our proprietary weight management technology
- The launch in Italy by ALFASIGMA S.p.A. of a food supplement containing our proprietary cholesterol reducing LP_{LDL}® probiotic strain, providing an entry into the largest and fastest growing probiotic market in Europe
- The launch of SlimBiome® in the North American market by Agropur, following our grant to them in 2019 of an exclusive licence to manufacture, supply and distribute our SlimBiome® weight management technology in the USA, Canada and Mexico
- The launch of SlimBiome® containing products in Walmart and Costco in the USA and Canada through US partners Smart For Life and Evolution 18
- The launch of WellBiome®, a patented supplement to improve gut health; this is a proprietary blend of prebiotic functional fibres, functional dietary fibres and minerals optimised to promote the diversity of the gut microbiome, and is an evolution of our proven SlimBiome® functional ingredient formulated to support weight loss and weight management
- The launch of a range of meal replacement shakes and bars containing our OptiBiome® proprietary weight management technology under the Optislim® brand with Woolworths, ChemistWarehouse and on OptiPharm Pty Ltd's online store in Australia and New Zealand in October 2020

Extensions of product range or territories with existing partners

- Signing a new global manufacturing and supply agreement for LP_{LDL}® with Sacco S.r.l., extending our existing agreement with them until 2023 and changing our original profit-sharing terms to allow us to benefit from lower prices for LP_{LDL}® as sales increase
- Extension of the existing terms and territories for our partners CTC Group and Cambridge Commodities for the distribution of SlimBiome®, SlimBiome® Medical and GoFigure®
- Extension of the territories with Extensor to distribute our GoFigure® consumer weight management products in Ukraine, Estonia, Lithuania, Latvia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Armenia, Azerbaijan, Georgia, Belarus, Moldova and Russia
- Extension of our existing terms to include WellBiome® with Draco Ingredients GmbH in Germany; Agropur MSI LLC in the USA, Canada and Mexico; Maxum Foods in Australia and New Zealand; and CTC Holdings BV in the Philippines, Vietnam, Indonesia, Colombia, the Dominican Republic and Guatemala
- Extension of the terms, territories, and products covered by our existing distribution with CTC Holding BV for the sale of CholBiome_{x3} to include LP_{LDL}® as a bulk ingredient and three additional products: CholBiome, CholBiome_{BP} and CholBiome_{VH}, and to extend coverage from the Philippines to include non-exclusive distribution rights for Vietnam, Indonesia, Colombia, the Dominican Republic and Guatemala

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- Extending the terms of our original exclusive licence agreement for OptiBiome® with OptiPharm Pty Ltd. ("OptiPharm") to include Europe in addition to Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America

New human studies

- Completion of a successful human study by ProBiotix Health, in partnership with Nutrilinea S.r.l., demonstrating that a new food supplement formulation containing LP_{LDL}® can reduce high blood pressure (hypertension)

New drug trial authorisation

- USA FDA authorisation of an Investigational New Drug ('IND') trial by our partner Seed Health of a probiotic containing LP_{LDL}®, to investigate the role of the gut microbiome in patients with Irritable Bowel Syndrome

MANAGEMENT

There were no changes to the Group Board during the year, though as the Chairman has reported we have made a number of important new executive and non-executive appointments since the beginning of the new financial year.

We have also made a number of senior appointments below the level of the main Board. In January 2021 Aneta Zlotokowska joined us from Tesco as Head of Quality & Operations, with a remit to ensure that we meet the quality and regulatory requirements of our growing network of corporate and retail partners around the world. Dr Taru Jain joined us in March 2021 to focus on business development and sales growth in the strategically important Indian and Asian markets, and Christopher Nother joined us in January 2021 on a 6 month part-time consultancy basis to explore the potential for LP_{LDL}® in pharmaceutical markets as a live biotherapeutic or consumer health product. The Company now has more opportunities, with an increasing number of larger partners, than it is able to meet within its existing capacity and will continue to evolve the team to fully exploit the opportunity within the window of opportunity.

As noted in the interim report, Steve Prescott left his position as CEO of ProBiotix Health Ltd by mutual agreement at the end of May 2020, since when I have acted as CEO of the division with the support of Mikkel Hvid-Hansen in the expanded role of Commercial Director.

OUTLOOK

Our two-stage strategy is delivering as planned, with our first-generation products, LP_{LDL}® and SlimBiome®, generating revenue growth and profitability in our two principal divisions. The company is now in the strongest position it has ever been in with an exciting technology pipeline, broad intellectual property portfolio in the microbiome, a number of clinical studies showing product safety and efficacy, growing international brand presence, strong sales, forward orders, and balance sheet. This provides the base of a sustainable business on which to grow the business.

The second stage of our strategy is delivering on the huge potential of our second-generation products: the SweetBiotix® family of functional fibres that act as low calorie, prebiotic sweeteners; microbiome modulators; and drug biotherapeutics.

We have continued to make strong progress since the beginning of the current financial year with strong sales growth and larger order sizes as existing partners extend their product range. Significant developments in the year to date include:

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- The extension of Holland & Barrett ("H&B")'s range of their own brand SlimExpert products containing SlimBiome® from three to eight, including meal replacement and porridge lines, as direct result of H&B tasting and testing our own finished product applications sold through our online store
- The launch of SlimBiome® and OptiBiome® products in Asia, through partners in Thailand, Taiwan and Singapore expected to contribute revenues in the current financial year and act as a stepping stone to the larger China market
- ProBiotix Health Ltd, entered a deal for LP LDL® with Compson Biotechnology Inc. in Taiwan, one of the largest distribution platforms in South East Asia
- The signing of a new agreements with Dipromed for the sale of SlimBiome® Medical and CholBiome® products in Morocco and Algeria
- Expansion of SlimBiome® sales in India through extension of Anthem Biosciences' Metalite Pro product range and the launch of the ZeoSlim range of meal replacements by Zeon Lifesciences. This is a country of strategic importance to our growth plans and we anticipate reporting further news in this region
- The launch of Dietworks Appetite control gummies containing SlimBiome® in the USA through online and retail channels across the USA opening up another point of access to the large US market
- Extension of territories with Actial Farmaceutica Srl to distribute CholBiome® and CholBiome®_{x3} under the VSL#Cardio® range to France and Malaysia in addition to their existing territories of Australia, New Zealand, Indonesia and Thailand, with further territory extensions and product launches expected in the course of the current year
- Good progress by our SweetBiotix® manufacturing partner in the production of products on an industrial scale, paralleled by the release of a number of independent peer-reviewed publications ®
- Exploration of the potential to use LP_{LDL}® in the pharmaceutical sector as either an 'over the counter' product or a drug biotherapeutic in markets outside the USA. We hope to be shortly publishing placebo-controlled human studies which demonstrate show that LP_{LDL}® can achieve similar reductions in total cholesterol and LDL (bad cholesterol) to statins, without any side effects

Investor and consumer interest in the human microbiome continues to grow, presenting us with a market opportunity that is large and expanding. OptiBiotix is ideally placed to exploit this opportunity, with the Company having first generation products which have won multiple awards, published studies in peer reviewed journals, granted patents, doubling sales, and a number of partners increasing both their product range and territorial reach. We are seeing a growing number of deals in Asia as we build brand awareness and product reputation in countries like Taiwan and Singapore to help open up opportunities for the larger Asia markets. We believe that each of these first generation products have the potential for £10-20m sales per annum which on a 10X multiple would value each of these businesses at £100m to £200m each.

Our exciting second-generation SweetBiotix® products offer huge potential as healthy alternatives to sugar and sweeteners whilst our microbiome modulators create the potential to precision engineer the microbiome to positively impact specific human health conditions. We are pleased to see our SweetBiotix® manufacturing partner making strong progress scaling up these exciting products to industrial scale. Our partner agreed to make a six-figure payment on signing the agreement and at 12 monthly intervals until product launch when they will pay royalties on sales. This is unusual in the food and beverage industry and highlights the value our partner places on this product. We are also pleased to note that Seed Health, has received FDA Investigational New Drug (IND) approval to undertake a human clinical trial with its multi-species probiotic product containing OptiBiotix's LPLDL in patients with irritable bowel syndrome. This has the potential to be a significant value enhancing step if this study is successful and the product is approved as a drug. OptiBiotix has also made significant progress with its microbiome modulators with early data suggesting we have an approach which allows us to

Optibiotix Health Plc

Chief Executive's Report

For the year ended 31 December 2020

manufacture these at scale. If confirmed, this is a major step forward in the commercialisation process and when reported should enhance the commercial appeal of these products to corporate partners.

The strong growth in our revenues, the achievement of divisional profitability, the continuing flow of new agreements and product launches, the strength of our development pipeline, and the strengthening of our Board and senior executive team allow me to look forward with confidence to the further progress of the Company in the current year and beyond.

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

Stephen O'Hara
Chief Executive

16 June 2021

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2020

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 13

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 24 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 £864,680 as at 31 December 2020 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 2020

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.
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. Manufacturing set-up and learning curve could delay sales or could impact our rate of growth.	The Group recruited experienced management and consultants to manage the process and negotiate contracts.
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
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.

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2020

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

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.

KEY PERFORMANCE INDICATORS

Financial

	Year to 31 December 2020 £'000	Restated Period to 31 December 2019 £'000
Revenue	1,523	745
Operating Loss	(1,111)	(2,167)
Profit/(Loss) for the period	5,802	(2,368)
Cash as at 31 December 2020	865	456

During the year to 31 December 2020 the company has achieved a number of key objectives to build shareholder value, these are laid out in the CEO report on pages 6 to 13 .

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 2020 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 2020 .

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2020

FUTURE DEVELOPMENTS

The Chairman's and Chief Executive Statement on pages 3-13 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

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>

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.

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2020

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.

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

Optibiotix Health Plc

Strategic Report

For the year ended 31 December 2020

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 2020 were related primarily to establishing the Groups first generation products commercially around the world as well as ensuring the Group had sufficient cash runway to meet any slowdown associated with the pandemic. At the year end the Group is now selling products in 120 countries and have established several agreements with large retail and pharmaceutical companies as outlined in the CEO's report. During the year, the Group augmented the cash balance by raising £746,751 via the partial disposal of it's 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.

Shareholder Engagement

Due to the COVID-19 pandemic, face-to-face engagement with shareholders during the year was strictly 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



S P O'Hara

16 June 2021

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

The Directors present their report and the audited financial statements of the group for the year to 31 December 2020.

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	10,103,031	11.61%	-	-	6,099,135	£0.08
R Davidson	503,000	0.54%	-	-	385,000	£0.73
M Christie	150,000	0.14%	-	-	100,000	£0.95
S Kolyda	-	-	-	-	165,000	£0.73
S Kolyda	-	-	-	-	358,722	£0.20
C Brinsmead	-	-	-	-	-	-
S Hammond	-	-	-	-	-	-

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.

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.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

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 11 June 2021 were as follows:

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

The share price per share at 31/12/2020 was £0.58 (31/12/2019: £0.66)

FINANCIAL INSTRUMENTS

The Group's exposure to financial risk is set out in note 24 to the financial statements.

RESEARCH AND DEVELOPMENT

The Chairman's and Chief Executive Statement on pages 3-13 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 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 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 2020

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 International Financial Reporting Standards (IFRS) as adopted for use in the European Union. 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 as adopted by the European Union, 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

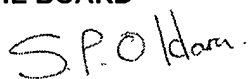
Jeffreys Henry LLP will be proposed for re-appointment as auditors at the forthcoming Annual General Meeting.

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



16 June 2021

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

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 2020 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

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.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

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 period end by the subsidiary OptiBiotix Limited was written off in the year (£6.30m). The amount owed by Probiotix Health Limited was £329,057. The carrying values of investments in group companies was as follows: OptiBiotix Limited : £2,000,000 ProBiotix Health Limited : £30,905 The Healthy Weight Loss Company Limited : £50,000	 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.
Carrying value of investments - Group Risk At the period end the group had investments of £8.96m made up of the investment in SkinBiotherapeutics plc. There is a risk that the investment in Skinbiotherapeutics PLC requires impairment.	 The estimation of the residual value held in The Healthy Weight Loss Company Limited has been assessed. Following derecognition as an associate the investment was revalued to market value. This was agreed to open market information.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

<p>Carrying value of intangible assets and capitalisation of development costs</p> <p>The Group had intangible assets of £2.74m at the period ended 31 December 2020, of which £350,346 were development costs capitalised in the period.</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. However, as OptiBiotix Limited is loss making 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. The estimated useful economic life assigned to the costs was reviewed.</p>
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Key audit matter	How our audit addressed the key audit matter
<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; and considered 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>

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

Revenue recognition <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>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>	<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;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>
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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:

	Group financial statements	Company financial statements
Overall materiality	£206,000 (2019: £109,000)	£120,000 (2019: £109,000)
How we determined it	1.5% of gross assets (2019: 1.5% gross assets)	1% of gross assets (2019: 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. The range of materiality allocated across components was between £18,000 and £120,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,300 for the Group (2019: £5,450) and £6,000 for the Parent (2019: £5,450) 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

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 17-20, 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 2020

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.

Other matters which we are required to address

We were reappointed as auditors by the company at the Annual General Meeting on 09 July 2020 to audit the financial statements for the period ending 31 December 2020. Our total uninterrupted period of engagement is 7 years, covering the periods ending 30 November 2014 to 31 December 2020.

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.

Independent Auditor's Report to the Members of

Optibiotix Health Plc

For the year ended 31 December 2020

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

16 June 2021

Consolidated statement of comprehensive income

Optibiotix Health Plc

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Restated Period ended 31 December 2019 £*
Revenue from contracts with customers		1,523,247	744,883
Cost of sales		(643,428)	(352,080)
Gross Profit		879,819	392,803
Share based payments		(127,248)	(137,320)
Depreciation and amortisation		(247,895)	(217,904)
Other administrative costs		(1,616,069)	(2,204,217)
Total administrative expenses	6	(1,991,212)	(2,559,441)
Operating loss		(1,111,393)	(2,166,638)
Finance cost	5	(44,954)	(44,467)
Finance income	5	98	110
		(44,856)	(44,357)
Share of loss from associate	12	(303,448)	(546,316)
Gain on disposal of an associate	12	4,165,223	-
Gain on investments	12	2,955,739	-
Profit on disposal of investments	12	48,967	265,481
Profit/(Loss) before tax		5,710,232	(2,491,830)
Corporation tax	8	91,635	123,468
Profit/(Loss) for the period		5,801,867	(2,368,362)
Other comprehensive income		-	-
Total comprehensive income for the period		5,801,867	(2,368,362)
Total comprehensive income attributable to:			
Owners of the company		5,801,867	(2,367,247)
Non-controlling interests		-	(1,115)
		5,801,867	(2,368,362)
Earnings per share from continued operations			
Basic profit/(loss) per share - pence	9	6.65p	(2.78)p
Diluted profit/(loss) per share - pence		6.07p	(2.78)p

* The prior years figures have been restated, refer to note 7 and 12

All activities relate to continuing operations

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	As at 31 December 2020 £	Restated As at 31 December 2019 £*
ASSETS			
Non-current assets			
Intangibles	10	2,735,621	2,632,778
Property, plant & equipment	11	-	393
Investments	12	8,962,564	2,842,834
		<u>11,698,185</u>	<u>5,476,005</u>
CURRENT ASSETS			
Inventories	13	184,236	62,761
Trade and other receivables	14	645,823	607,308
Current tax asset	8	310,435	190,435
Cash and cash equivalents	15	864,680	455,608
		<u>2,005,174</u>	<u>1,316,112</u>
TOTAL ASSETS		<u>13,703,359</u>	<u>6,792,117</u>
EQUITY			
Shareholders' Equity			
Called up share capital	16	1,758,812	1,708,811
Share premium	17	2,537,501	1,646,873
Share based payment reserve	17	867,307	740,059
Merger relief reserve	17	1,500,000	1,500,000
Convertible debt - reserve	17	92,712	92,712
Retained Earnings	17	5,058,968	(742,899)
Non-controlling interest	17	35,782	35,782
Total Equity		<u>11,851,082</u>	<u>4,981,338</u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	518,995	561,624
		<u>518,995</u>	<u>561,624</u>
Non - current liabilities			
Deferred tax liability	19	561,523	522,350
Convertible loan notes	20	771,759	726,805
		<u>1,333,282</u>	<u>1,249,155</u>
TOTAL LIABILITIES		<u>1,852,277</u>	<u>1,810,779</u>
TOTAL EQUITY AND LIABILITIES		<u>13,703,359</u>	<u>6,792,117</u>

* The prior years figures have been restated, refer to notes 7 and 12

These financial statements were approved and authorised for issue by the Board of Directors on 16 June 2021 and were signed on its behalf by:

S P O'Hara
Director

S.P. O'Hara

Company Registration no. 05880755

The notes on pages 39 to 66 form part of these financial statement

Optibiotix Health Plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 30 November 2018	1,694,488	1,624,348	1,603,904	36,897	-	1,500,000	602,739	7,062,376
Loss for the period (restated*)	-	(2,367,247)	-	(1,115)	-	-	-	(2,368,362)
Issues of shares during the period	14,323	-	42,969	-	-	-	-	57,292
Share options and warrants	-	-	-	-	-	-	137,320	137,320
	-	-	-	-	92,712	-	-	92,712
Restated 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

* The prior year's figures have been restated, refer to notes 7 and 12

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Cash flows from operating activities			
Cash utilised by operations	1	(928,061)	(2,036,532)
Tax received		-	313,173
Interest paid		-	(57)
Interest received		98	168
Net cash outflow from operating activities		(927,963)	(1,723,248)
Cash flows from investing activities			
Purchase of intangible assets		(350,345)	(594,923)
Net cash outflow from investing activities		(350,345)	(594,923)
Cash flows from financing activities			
Share issues		940,629	57,292
Issue of loan notes		-	775,050
Disposal of investments		746,751	617,130
Net cash inflow from financing activities		1,687,380	1,449,472
Increase/(decrease) in cash and equivalents		409,072	(868,699)
Cash and cash equivalents at beginning of period		455,608	1,324,307
Cash and cash equivalents at end of period	15	864,680	455,608

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Notes to the Consolidated Statement of Cash Flows

For the year ended 31 December 2020

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

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Operating loss	(1,111,393)	(2,166,638)
(Increase) in inventories	(121,475)	(32,328)
(Increase) in trade and other receivables	(37,190)	(233,504)
(Decrease)/Increase in trade and other payables	(42,630)	40,634
Depreciation charge	393	2,750
Share Option expense	127,248	137,320
Amortisation of patents and development costs	247,502	215,234
Net forexdifferences	9,484	-
	<hr/>	<hr/>
Net cash outflow from operations	(928,061)	(2,036,532)

2. Cash and Cash Equivalents

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Cash and cash equivalents	864,680	455,608

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Company Statement of Financial Position

As at 31 December 2020

	Notes	As at 31 December 2020 £	As at 31 December 2019 £
ASSETS			
Non-current assets			
Investments	12	11,043,469	6,212,556
Other receivables	14	329,057	5,941,360
		<u>11,372,526</u>	<u>12,153,916</u>
CURRENT ASSETS			
Trade and other receivables	14	89,420	24,707
Cash and cash equivalents	15	532,769	139,243
		<u>622,189</u>	<u>163,950</u>
TOTAL ASSETS		<u>11,994,715</u>	<u>12,317,866</u>
EQUITY			
Shareholders' Equity			
Called up share capital	16	1,758,812	1,708,811
Share premium	17	2,537,501	1,646,873
Merger relief reserve	17	1,500,000	1,500,000
Share based payment reserve	17	867,307	740,059
Accumulated profit	17	5,268,171	6,436,938
Total Equity		<u>11,931,791</u>	<u>12,032,681</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	62,924	285,185
TOTAL LIABILITIES		<u>62,924</u>	<u>285,185</u>
TOTAL EQUITY AND LIABILITIES		<u>11,994,715</u>	<u>12,317,866</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 loss for the parent Company for the year was £1,168,767 (2019: Profit £113,804).

These financial statements were approved and authorised for issue by the Board of Directors on 16 June 2021 and were signed on its behalf by:



S P O'Hara

Director

Company Registration no. 05880755

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Company Statement of Changes in Equity

For the year ended 31 December 2020

	Called up Share capital £	Retained Earnings £	Share Premium £	Merger Relief Reserve £	Share- based Payment reserve £	Total equity £
Balance at 30 November 2018	1,694,488	6,323,134	1,603,904	1,500,000	602,739	11,724,265
Profit for the period	-	113,804	-	-	-	113,804
Issues of shares during the year	14,323	-	42,969	-	-	57,292
Share options and warrants	-	-	-	-	137,320	137,320
Balance at 31 December 2019	<u>1,708,811</u>	<u>6,436,938</u>	<u>1,646,873</u>	<u>1,500,000</u>	<u>740,059</u>	<u>12,032,681</u>
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	<u><u>1,758,812</u></u>	<u><u>5,268,171</u></u>	<u><u>2,537,501</u></u>	<u><u>1,500,000</u></u>	<u><u>867,307</u></u>	<u><u>11,931,791</u></u>

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Company Statement of Cash Flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Cash flows from operating activities			
Cash utilised by operations	1	(369,036)	(1,702,719)
Interest received		46	104
Net cash outflow from operating activities		(368,990)	(1,702,615)
Cash flows from financing activities			
Net amounts to subsidiaries		(924,864)	-
Share issues		940,629	57,292
Proceeds from disposal of investments		746,751	617,129
Net cash inflow from financing activities		762,516	674,421
Increase/(decrease) in cash and equivalents		393,526	(1,028,194)
Cash and cash equivalents at beginning of period		139,243	1,167,437
Cash and cash equivalents at end of period	15	532,769	139,243

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Notes to the Company Statement of Cash Flows

For the year ended 31 December 2020

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

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Operating loss	(6,760,976)	(457,816)
(Decrease) in trade and other receivables	(64,713)	(1,438,409)
Loan Write off	6,301,667	-
Increase in trade and other payables	27,738	56,186
Share Option expense	127,248	137,320
Net cash outflow from operations	<u>(369,036)</u>	<u>(1,702,719)</u>

2. Cash and Cash Equivalents

	As at 31 December 2020 £	As at 31 December 2019 £
Cash and cash equivalents	<u>532,769</u>	<u>139,243</u>

The notes on pages 39 to 66 form part of these financial statements

Optibiotix Health Plc

Notes to the Financial Statements

For the year ended 31 December 2020

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. 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively 'IFRS') as adopted for use in the European Union and as issued by the International Accounting Standards Board and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 yet seen a material disruption to the business as a result of the COVID-19 outbreak it is difficult to assess reliably whether there will be any material disruption in the future which could adversely impact the group's forecast.

Subsequent to the year end the Group successfully sold 2,000,000 Skinbiotherapeutics PLC shares which raised £900,936. to fund the growth of the business and delivery of existing commercial plans.

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

New and amended standards adopted by the group

There are no IFRS or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the Group.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Accounting Policies (continued)

The following new standards, amendments to standards, and interpretations have been issued, but are not effective for the financial period beginning 1 January 2020 and have not been early adopted:

New Standards, amendments and interpretations issued but not effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2020 and have not been early adopted:

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IAS 1, Presentation of financial statements' on classification of liabilities	1 January 2022
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022

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 2020

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 governance "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 2020

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.

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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Accounting Policies (continued)

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 2020

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 or 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 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 and Risk Management

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.

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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2.Accounting Policies (continued)

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 2020

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 2020.

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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Accounting Policies (continued)

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.

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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2. Accounting Policies (continued)

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.

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. 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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

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 2020 £	Period ended 31 December 2019 £
Probiotics	821,126	397,831
Functional Fibres	702,121	347,052
	<u>1,523,247</u>	<u>744,883</u>

Revenue analysed by geographical market

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
UK	369,892	197,969
US	654,524	172,352
International	498,831	374,562
	<u>1,523,247</u>	<u>744,883</u>

During the reporting period one customer represented £497,416 (32.6%) of Group revenues. (2019: one customer generated £172,351 representing 23.1% of Group revenues)

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

4. Employees and Directors

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Wages and salaries	82,448	53,037
Directors' remuneration*	404,500	647,421
Directors' fees*	406,399	310,832
Social security costs	52,231	74,349
Pension costs	33,518	28,618
	<u>979,096</u>	<u>1,114,257</u>

*Total Directors' remuneration £810,899 (2019: £958,253) see Directors' remuneration note below

	Year ended 31 December 2020 No.	Period ended 31 December 2019 No.
The average monthly number of employees during the period was as follows:		
Directors	6	8
Research and development	2	2
	<u>8</u>	<u>10</u>

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Directors' remuneration	763,399	873,253
Directors' share based payments	102,533	123,362
Bonus*	47,500	85,000
Pension	33,518	28,618
	<u>946,950</u>	<u>1,110,233</u>
Total emoluments		
	<u>946,950</u>	<u>1,110,233</u>
Emoluments paid to the highest paid director	<u>218,000</u>	<u>248,000</u>

*Total Directors' remuneration £810,899 see Directors' remuneration note below

Included in total emoluments paid to Directors are capitalised wages of £187,241 (2019: £248,707)

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

4. Employees and Directors (continued)

Directors' remuneration

Details of emoluments received by Directors of the Group for the period ended 31 December 2020 are as follows:

	Remuneration and fees	Share based payments	Pension Costs	Total
	£	£	£	£
A Reynolds*	24,996	-	-	24,996
S P O'Hara	218,000	-	10,650	228,650
F Narbel	175,762	44,720	8,370	228,852
S Christie	25,000	11,394	-	36,394
R Davidson	55,000	32,212	-	87,212
S Kolyda	106,500	14,207	5,325	126,032
P Wenstromm*	18,000	-	-	18,000
S Prescott*	99,695	-	4,985	104,680
M Hvid-Hansen	87,946	-	4,188	92,134
Total	810,899	102,533	33,518	946,950

*For disclosure in relation to directors' fees please refer to Note 21.

5. Net Finance Income / (Costs)

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Finance Income:		
Bank Interest	98	110
Finance Cost :		
Loan note interest	(44,954)	(44,467)
Net Finance Income / (Costs)	<u>(44,856)</u>	<u>(44,357)</u>

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

6. Expenses – analysis by nature

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Research and development	85,703	167,869
Regulatory Costs	-	185,447
Directors' fees & remuneration (Note 4)*	623,658	709,546
Auditor remuneration - audit fees (Consolidated accounts £18,250 (2019: £17,500))	42,720	42,220
Auditor remuneration – non audit fees (tax compliance)	11,400	6,200
Brokers & Advisors	123,531	113,036
Advertising & marketing	86,673	66,556
Share based payments charge	127,248	137,320
Depreciation on property, plant and equipment	393	2,750
Amortisation of patents and development costs	247,502	215,235
Patent and IP costs	136,762	55,483
Consultancy fees	76,704	223,016
Legal and professional fees	42,625	24,399
Public Relations costs	82,394	101,795
Travel costs	31,434	171,448
Other expenses	272,465	337,121
Total administrative expenses	<u>1,991,212</u>	<u>2,559,441</u>

*£623,658 is net of £187,241 capitalised in the year, total remuneration £810,899 as per note 4.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

7. Prior period adjustment

During the 2020 financial year, the group discovered that there were prior period errors relating to the areas listed below in 7.1 and 7.2. As a consequence, these amounts have been misstated in the prior year annual financial report. The errors have been corrected by restating each of the financial statement line items for the prior periods. The following tables summarise the impacts on the Group's and Company's financial statements.

The prior period correction has resulted from an error in the accounting treatment of the investment held in Skinbiotherapeutics PLC in the prior period. Having reviewed the ownership of Skinbiotherapeutics Plc, it was decided that the threshold for de-recognition as an associate was not achieved in the prior year. As a result, the share of loss for the associate for the period between 4 July 2019 and 31 December 2019 should be recognised within the Group.

See note 12 for details of the disposal which has been recognised in the current year.

7.1 Consolidated statement of consolidated income

	Impact of correction of error		
	As previously reported	Adjustments	As restated
	2019	2019	2019
	£	£	£
Share of loss from associate	(296,344)	(249,972)	(546,316)
Loss before tax	(2,241,858)	(249,972)	(2,491,830)
Total Comprehensive Loss	(2,118,390)	(249,972)	(2,368,362)
Loss per share (pence), basic and diluted	(2.49)p	(0.29)p	(2.78)p

7.2 Consolidated statement of financial position

	Impact of correction of error		
	As previously reported	Adjustments	As restated
	2019	2019	2019
	£	£	£
Assets			
Other assets	2,633,171	-	2,633,171
Investments	3,092,806	(249,972)	2,842,834
	5,725,977	(249,972)	5,476,005
Equity			
Retained earnings	(492,927)	(249,972)	(742,899)
Other equity	5,724,237	-	5,724,237
Total Equity	5,231,310	(249,972)	4,981,338

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

8. Corporation Tax

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Corporation tax credit	(120,000)	(190,435)
Under provision prior year	-	(9,221)
Deferred tax movement	28,185	76,188
Overseas tax suffered	180	-
Total taxation	<u>(91,635)</u>	<u>(123,468)</u>

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2020 nor for the period ended 31 December 2019.

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Profit (Loss) on ordinary activities before income tax	<u>5,710,232</u>	<u>(2,491,830)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2019 – 19%)	1,084,944	(47 3,477)
Effects of:		
Disallowables	89,931	104,282
Income not taxable	(1,362,287)	(50,441)
Accelerated depreciation	75	523
R&D enhanced deductions	-	(141,042)
R&D tax credit claimed	(120,000)	(199,656)
Amortisation	27,851	40,895
Revenue items capitalised	(66,566)	(65,072)
Other timing differences	28,185	76,188
Overseas tax suffered	180	-
Unused tax losses carried forward	<u>226,052</u>	<u>584,303</u>
Tax credit	<u>(91,635)</u>	<u>(123,468)</u>

The Group has estimated losses of £4,704,000 (2019: £3,253,189) and estimated excess management expenses of £2,591,000 (2019: £2,248,357).

The tax losses have resulted in a deferred tax asset at 19% of approximately £1,386,050 (2019: £1,045,294) which has not been recognized as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

8. Corporation Tax (continued)

	2020 £	2019 £
Current tax asset - Group		
Balance brought forward	190,435	303,952
Received during the year	-	(313,170)
Prior year adjustment	-	9,218
Research & development tax credit claimed	120,000	190,435
	<u>310,435</u>	<u>190,435</u>

9. 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 £	2020 Weighted average Number of shares No.	Profit 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>

	Earnings £	2019 Restated Weighted average Number of shares £	Loss per-share Pence
Basic EPS	(2,368,362)	85,262,488	(2.78)
Diluted EPS	<u>(2,368,362)</u>	<u>85,262,488</u>	<u>(2.78)</u>

	Earnings £	2019 Previously reported Weighted average Number of shares £	Loss per-share Pence
Basic EPS	(2,118,388)	85,262,488	(2.49)
Diluted EPS	<u>(2,118,388)</u>	<u>85,262,488</u>	<u>(2.49)</u>

As at 31 December 2020 there were 8,032,907 (2019: 7,765,907) outstanding share options and 323,969 (2019: 324,019) outstanding share warrants.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

10. Intangible assets

Group	Development Costs and Patents £
Cost	
At 30 November 2018	2,727,006
Additions	594,924
Disposals	-
	<hr/>
At 31 December 2019	3,321,930
Additions	350,345
Disposals	-
	<hr/>
At 31 December 2020	<u>3,672,275</u>
Amortisation	
At 30 November 2018	473,917
Amortisation charge for the period	215,235
	<hr/>
At 31 December 2019	689,152
Amortisation charge for the period	247,502
	<hr/>
At 31 December 2020	<u>936,654</u>
Carrying amount	
At 31 December 2020	2,735,621
At 31 December 2019	<u>2,632,778</u>

The company had no intangible assets

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

11. Property, plant and equipment

Group	£
Cost	
At 30 November 2018	8,461
Additions	-
Disposals	-
	<hr/>
At 31 December 2019	8,461
Additions	-
Disposals	-
	<hr/>
At 31 December 2020	<u>8,461</u>
Depreciation	
At 30 November 2018	5,318
Charge for the year	2,750
	<hr/>
At 31 December 2019	8,068
Charge for the period	393
	<hr/>
At 31 December 2020	<u>8,461</u>
Carrying amount	
At 31 December 2020	-
At 31 December 2019	<u>393</u>

The company had no property plant and equipment.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

12. 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.

	2020 £	2019 £
Available for sale investments		
At the beginning of the period	2,842,834	3,740,799
Additions		
Revaluations	7,120,962	-
Disposals		
Share of loss	(303,449)	(296,344)
Disposal of shares during period	(697,783)	(351,649)
Prior year adjustment	-	(249,972)
At 31 December	8,962,564	2,842,834

Company Investments

	2020 £	2019 £
Available for sale investments		
At the beginning of the period	4,131,651	4,483,300
Additions		
Revaluations	5,528,696	-
Disposal of shares during period	(697,783)	(351,649)
	8,962,564	4,131,651

Investments in subsidiary undertakings

At the beginning of the period	2,080,905	2,051,000
Addition: Equity element of convertible loan notes	-	29,905
	2,080,905	2,080,905

At 31 December	11,043,469	6,212,556
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Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

12. Investments (continued)

As at 31 December 2020 the Company directly held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest 2018
OptiBiotix Limited	Research & Development	United Kingdom	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

13. Inventories

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Finished goods	184,236	62,761	-	-

During the period £643,428 (2019: £352,080) has been expensed to the income statement.

14. Trade and other Receivables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Non- current				
Amounts owed by group undertakings	-	-	329,057	5,941,360
	-	-	329,057	5,941,360
Current				
Accounts receivable	512,437	511,833	-	-
Other receivables	110,634	59,346	71,278	19,857
Prepayments and accrued income	22,752	36,129	18,142	4,850
	645,823	607,308	89,420	24,707

15. Cash and Cash Equivalents

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Cash and bank balances	864,680	455,608	532,769	139,243

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

16. Called Up Share Capital

	2020 £	2019 £
Issued share capital comprises:		
Ordinary shares of 2p each – 87,940,601 (2019: 85,440,551)	1,758,812	1,708,811
	<u>1,758,812</u>	<u>1,708,811</u>

During the year the Company issued the ordinary shares of £0.02 each listed below, exercised at a price of £0.08 per share in the capital of the Company following the exercise of warrants:

Date issued	Number
03/06/2020	50
Total warrants exercised in the period	<u>50</u>

17. 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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

18. Trade and other payables

Current:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Accounts Payable	359,321	347,822	40,174	2,685
Accrued expenses	157,039	186,329	22,750	32,500
Amount due to director	-	189	-	-
Other payables	2,635	27,284	-	-
Amounts due to group undertakings	-	-	-	250,000
Total trade and other payables	<u>518,995</u>	<u>561,624</u>	<u>62,924</u>	<u>285,185</u>

19. 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 19% (2019: 19%).

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

	2020	2019
	£	£
At 31 December 2019	522,350	446,162
Movement in the period	<u>39,173</u>	<u>76,188</u>
At 31 December 2020	<u>561,523</u>	<u>522,350</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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

20. 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:

	2020	2019
	£	£
Balance brought forward	726,805	-
Additions	-	775,050
Equity element	-	(92,712)
Liability component	726,805	682,338
Interest charged at effective interest rate	44,954	44,467
Non-current liability	771,759	726,805

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

21. Related Party Disclosures

During the year to 31 December 2020 £18,000 (2019: £19,548) was paid to P Wennstrom in respect of Director's services provided.

During the year to 31 December 2020 £184,132 (2019: £139,105) was paid to F Narbel in respect of Director's services provided.

During the year to 31 December 2020 £104,680 (2019: £116,966) was paid to Stephen Prescott in respect of Director's services provided.

During the year to 31 December 2020 £24,996 (2019: £29,165) was paid to Reyco Limited for the services of Adam Reynolds as Director of ProBiotix Health Limited

During the year to 31 December 2020 the Group was charged £42,000 (2019: £45,500) 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 £125,000. The balance owing at the 31 December 2020 was £80,119.15 (2019, £NIL). There was no interest charged during the year

During the year Optibiotix Health PLC loaned Optibiotix Limited £1,003,905 during the year of which £159,161.10 was repaid. The balance at the year end of £6,301,666.57(2019, £5,456,922.29 was cancelled. This does not impact on the consolidated Group accounts.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

22. Ultimate Controlling Party

No one shareholder has control of the company.

23. 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	
	2020	2019	2020	2019
	No.	No.	£	£
Outstanding at the beginning of the period	7,765,907	8,272,907	0.20	0.23
Granted during the period	300,000	500,000	0.57	0.78
Forfeited/cancelled during the year	(33,000)	(1,007,000)	0.695	0.70
Exercised during the period	-	-	-	-
Outstanding at the end of the period	8,032,907	7,765,907	0.21	0.20

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 year 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.

Optibiotix Health Plc

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

23. Share Based payment Transactions (continued...)

The share options outstanding at the period end had a weighted average remaining contractual life of 1,639 days (2019: 1,977 days) and the maximum term is 10 years.

The share price per share at 31/12/20 was £0.55 (31/12/2019: £0.66)

(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 share options issued in the year 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

(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	
	2020	2019	2020	2019
	No.	No.	£	£
Outstanding at the beginning of the period	329,386	1,045,524	0.08	0.08
Exercised during the period	(50)	(716,138)	0.08	0.08
Outstanding at the end of the period	329,336	329,386	0.08	0.08

A charge of £127,248 (2019: £137,320) 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 2020

24. 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 2020

25. Post Balance Sheet Events

On 16 March 2021 the company sold 1,300,000 shares in Skinbiotherapeutics plc at a price of 44.91 pence per share.

On 17 March 2021 the company sold 700,000 shares in Skinbiotherapeutics plc at a price of 45.43 pence per share.

On 15 April 2021 Mr Stephen Hammond, a recently appointed Non-Executive Director of the Company (RNS 2nd February 2021), acquired 25,000 ordinary shares in the Company, representing 0.03% of the Company's issued share capital, at an average price of 51.8 pence per share.

On 20 April 2021, Stephen O'Hara (Director and CEO of OptiBiotix Health plc) acquired 47,857 shares at an average price of 53pence per share. Following this purchase Stephen Ohara owns 10,165,129 shares representing 11.61% of the issued share capital.

On 20 April 2021, René Kamminga (PDMR and CEO of OptiBiotix Limited) acquired 35,000 ordinary shares in the company representing 0.04% of the company's issued share capital at an average price of 52.4 pence per share.