17 June 2021

OptiBiotix Health plc
("OptiBiotix" or the "Company" or the "Group")

Final Results for 12 months to 31 December 2020
Notice of AGM

OptiBiotix Health plc (AIM: OPTI), a life sciences business developing compounds to tackle obesity, high cholesterol and diabetes, announces its audited results for the period ended 31 December 2020.

Highlights

Financial

- Full year revenue of £1,523,247, a 104% increase in revenue from the 13 month reporting period in 2019 (2019: £744,883)
- A 124% increase in gross profit from £392,803 (2019) to £879,819 (2020) as increased sales volumes enabled us to renegotiate contract terms with commercial partners and increase margins
- A 27% reduction in other administration costs expenses from £2,204,216 in 2019 to £1,616,069 in 2020
- The Functional Fibres and Probiotic divisions achieving profitability at the EBITDA level after losses in the prior 13 month period
- A substantial increase in the value of our holding in SkinBioTherapeutics plc ('SBTX') during the year with an investment of approximately £700,000 in 2016, for a 51% pre-IPO holding, delivering an asset now worth circa £25m as of June 2021
- A 49% reduction in operating loss from £2,166,638 in 2019 to £1,111,393 in 2020. The increase in the value of the SBTX holding during the year resulting in a Group net profit for the year of £5,801,866 (2019: net loss £2,368,362)
- Total cash on the balance sheet at the year-end increasing by 90% to £864,680 (2019: £456,608). Post period, the Company sold £900,936 worth of SBTX shares in March 2021

Commercial

- Launch of three SlimBiome® products with Holland & Barrett (H&B) in H1 2020 followed by product line extension in 2021 to eight H&B own brand SlimExpert products
- The launch of a products containing OptiBiome® under the Optislim® brand with Woolworths, ChemistWarehouse and on OptiPharm Pty Ltd's online store in Australia and New Zealand in October 2020. The terms of this agreement were subsequently extended to include Europe in addition to Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America allowing potential for future sales growth
- 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
- 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 in late 2020 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. We are pleased to see this partner making strong progress in 2021 scaling up these innovative products to industrial scale

Regulatory and Scientific

- 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
- Completion of two new human studies by ProBiotix Health on LP_{LDL}®. The first in partnership with Nutrilinea S.r.l., demonstrating that a new food supplement formulation containing can reduce high blood pressure (hypertension). The second, a placebo-controlled human studies on LP_{LDL}® in high

cholesterol patients showing LP_{LDL}® when used alone can achieve similar reductions in total cholesterol and LDL (bad cholesterol) to statins, without side effects (submitted for publication)
- The Company has made significant progress in H1 2021 with its microbiome modulators with early data suggesting we have developed an approach to facilitate industrial scale production

Stephen O'Hara, CEO of OptiBiotix, commented: *"This has been a pivotal year for OptiBiotix with doubling sales and a large reduction in costs enabling our Probiotic and Functional Fibre divisions to achieve profitability. This is a substantive change from divisional losses of £467,704 for ProBiotix and £451,572 for the functional fibre division reported in 2019. This was particularly pleasing given the impact of the COVID-19 pandemic and global recession in key markets, with weight management markets experiencing a 9% decline in growth. The Company has also benefited from an increase in the value of OptiBiotix's holding in SBTX which is making strong progress on its path to commercialising products.*

"The Company is now in a position of having established the scientific, clinical and commercial viability of its first-generation products (LP_{LDL}® and SlimBiome®) with a network of internationally recognised partners who are extending product ranges and territories providing a solid basis for future growth. We are also pleased to report commercial progress with our pipeline of exciting second-generation products with the industrial scale up of a range of our innovative SweetBiotix products and a number of large corporates signing Material Transfer Agreements as they develop applications containing SweetBiotix.

"We have continued to make progress since the beginning of the current financial year with strong sales growth and larger orders as existing partners extend their product range and territories. Our focus remains on growing sales of first generation products with larger partners in key strategic markets like India, the USA, and China, and commercialising our pipeline of second generation products in the year ahead.

"With interest in the microbiome increasing, growing sales, increasing margins, reducing costs, and an exciting pipeline of industry disruptive second-generation products, the Company is in a strong position for future growth in this exciting area of healthcare."

This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

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Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as ''believe'', ''could'', "should" ''envisage'', ''estimate'', ''intend'', ''may'', ''plan'', ''potentially'', "expect", ''will'' or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

Chairman's Report

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 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 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 Farmaceutical for the distribution of CholBiome® and CholBiome®$_{x3}$; and success in long term stability studies that assure the shelf life of SlimBiome® Medical, CholBiome® and CholBiome®$_{x3}$, 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_{LDL}® 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

Chief Executive Officer's Report

OptiBiotix offers investors a unique opportunity to participate in the growth potential afforded by one 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 £467,704 for ProBiotix and £451,572 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 would have +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.

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. SBTX 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 107% 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 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 151% 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.

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 per 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
- 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 $\text{CholBiome}_{VH,}$, and to extend coverage from the Philippines to include non-exclusive distribution rights for Vietnam, Indonesia, Colombia, the Dominican Republic and Guatemala
- 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:

- 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 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.

Stephen O'Hara
Chief Executive

16 June 2021

Consolidated statement of comprehensive income

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	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

Consolidated Statement of Financial Position

	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
		11,698,185	5,476,005
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
		2,005,174	1,316,112
TOTAL ASSETS		**13,703,359**	**6,792,117**
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		**11,851,082**	**4,981,338**
LIABILITIES			
Current liabilities			
Trade and other payables	**18**	518,995	561,624
		518,995	561,624
Non - current liabilities			
Deferred tax liability	**19**	561,523	522,350
Convertible loan notes	**20**	771,759	726,805
		1,333,282	1,249,155
TOTAL LIABILITIES		**1,852,277**	**1,810,779**
TOTAL EQUITY AND LIABILITIES		**13,703,359**	**6,792,117**

*** 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
Company Registration no. 05880755

Consolidated Statement of Changes in Equity

	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

Consolidated Statement of Cash Flows

	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

Notes to the Consolidated Statement of Cash Flows

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	-
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

Company Statement on Financial Position

	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
		11,372,526	12,153,916
CURRENT ASSETS			
Trade and other receivables	**14**	89,420	24,707
Cash and cash equivalents	**15**	532,769	139,243
		622,189	163,950
TOTAL ASSETS		**11,994,715**	**12,317,866**
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		**11,931,791**	**12,032,681**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**18**	62,924	285,185
TOTAL LIABILITIES		**62,924**	**285,185**
TOTAL EQUITY AND LIABILITIES		**11,994,715**	**12,317,866**

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

Company Statement on Changes in Equity

	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	1,708,811	6,436,938	1,646,873	1,500,000	740,059	12,032,681
Loss for the year	-	(1,168,767)	-	-	-	(1,168,767)
Issues of shares during the year	50,001	-	950,003	-	-	1,000,004
Financing Costs	-	-	(59,375)	-	-	(59,375)
Share options and warrants	-	-	-	-	127,248	127,248
Balance at 31 December 2020	1,758,812	5,268,171	2,537,501	1,500,000	867,307	11,931,791

Company Statement on Cash Flows

	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

Notes to Company Statement on Cash Flows

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	(369,036)	(1,702,719)

2. Cash and Cash Equivalents

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

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.

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.

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.

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.

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.

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 differenced 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.

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.

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.

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%

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.

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.

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
	1,523,247	744,883

* Includes Consumer Health

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
	1,523,247	744,883

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)

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
	979,096	1,114,257

*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
	8	10

	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
Total emoluments	946,950	1,110,233
Emoluments paid to the highest paid director	218,000	248,000

*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)

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)	(44,856)	(44,357)

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	1,991,212	2,559,441

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

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

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	(91,635)	(123,468)

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	5,710,232	(2,491,830)
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2019 – 19%)	1,084,944	(473,477)
Effects of:		
Disallowables	89,931	104,311
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	226,052	584,303

Tax credit	(91,635)	(123,468)

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.

8. Corporation Tax (continued)

Current tax asset - Group	**2020** **£**	**2019** **£**
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
	310,435	190,435

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	5,801,867	95,569,946	6.07

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

	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	(2,118,388)	85,262,488	(2.49)

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.

10. Intangible assets

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

The company had no intangible assets

11. Property, plant and equipment

Group	
	£
Cost	
At 30 November 2018	8,461
Additions	-
Disposals	-
At 31 December 2019	8,461
Additions	-
Disposals	-

At 31 December 2020	8,461
Depreciation	
At 30 November 2018	5,318
Charge for the year	2,750
At 31 December 2019	8,068
Charge for the period	393
At 31 December 2020	8,461
Carrying amount	
At 31 December 2020	-
At 31 December 2019	393

The company had no property plant and equipment.

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

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

16. Called Up Share Capital

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

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	50

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.

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	518,995	561,624	62,924	285,185

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	39,173	76,188
At 31 December 2020	561,523	522,350

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.

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 Health limited £125,000. The balance owing at the 31 December 2020 was £80,119 (2019, £NIL). There was no interest charged during the year

At the year end Probiotix Health owed Optibiotix Health Plc £248,938 (2019, £234,438) for convertible loan notes issued on 11 December 2018 (see note 20). Interest at 6% was charged during the year.

During the year Optibiotix Health PLC loaned Optibiotix Limited £1,003,905, of which £159,161 was repaid. The balance at the year end of £6,301,666(2019, £5,456,922 was cancelled. This does not impact on the consolidated Group accounts.

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.

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.

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.

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.

Availability of Report and Accounts and Notice of the Annual General Meeting

Copies of the Company's Report and Accounts together with the Notice of the Annual General Meeting, to be held at 10.30 am on 9 July 2021, will be posted to shareholders shortly and will be made available on the Company's website.

The Board takes its responsibility to safeguard the health of its shareholders, stakeholders and employees seriously. As a result of the current measures implemented by the UK Government therefore, attendance at its AGM will be limited to two persons. Shareholders may not attend in person. If the UK Government changes the measures before the date of the AGM, the Company will provide a further update by way of regulatory news service announcements.

Shareholders wishing to vote on matters of business are urged to do so via the completion of a proxy form. In line with corporate governance best practice, and in order that any proxy votes of those shareholders who are not allowed to attend, and to vote in person, are fully reflected in the voting on the resolutions, the Chairman of the meeting will direct that voting on all resolutions set out in the notice of meeting will take place by way of a poll. The final poll vote on each resolution will be published after the AGM on the Company's website. The Company will accept electronic copies or photographs of the form of proxy by email to voting@shareregistrars.uk.com.

As shareholders will not be able to attend this year's AGM, the Company is proposing to allow shareholders the opportunity to raise any questions arising from the business proposed, to be conducted at the meeting. Appropriate questions must be submitted via the "Contact" page of the Company website http://optibiotix.com/contact before 10:30am on 7 July 2021. The Company will endeavour to post responses on the Company's website on the day of the AGM.