OptiBiotix HEALTH PLC

28 June 2022

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

Final results and Notice of AGM

OptiBiotix Health plc (AIM: OPTI), a life sciences business developing compounds to tackle obesity, high cholesterol, diabetes and skin care announces its audited results for the 12 months ended 31 December 2021.

Highlights

Financial

- Full year revenue of £2.2m a 45.3% increase on 2020 (£1.5m)
- A 27.7% increase in gross profit from £879K (2020) to £1.1m (2021)
- The Probiotic business increased sales by 34.0% to £1.1m (2020: £0.8m) with underlying year-on-year product sales (excluding a £250K milestone) increasing by 92.6%
- The Prebiotic business increased sales by 59.3% to £1.1m (2020: £0.6m), with underlying sales (excluding milestone fees) growing by 122%
- Both Probiotic and Prebiotic trading businesses profitable at EBITDA level, generating EBITDAs of £179K and £13K respectively
- A substantial increase in the value of the Group's holding in SkinBioTherapeutics plc ('SBTX') from £8.9m (2020) to £13.7m as of 31 December 2021. The increase in the value of this investment resulting in a Group net profit for the year of £6.3m (2020: £5.8m)
- Total cash on the balance sheet at the year-end increased by 122% to £2m (2020: £0.9m)

Commercial

- René Kamminga appointed as Chief Executive Officer of our prebiotic business as part of a long-planned strategy to appoint experienced industry commercial leaders to run each part of the business
- The signing of an agreement and launch of LeanBiome® in The Hut Groups (THG) Myprotein product range extending our reach in the sports nutrition market
- The signing of agreements with large national partners, Apollo Hospitals in India and Nahdi Medical in Saudi Arabia
- Launch by Arrotex Pharmaceuticals, Australia's largest private pharmaceutical company, of a Very Low Calorie Diet (VLCD) weight management product containing SlimBiome®
- Expansion of Holland & Barrett SlimExpert® own brand range weight management product range containing SlimBiome® from three to eight products
- SlimBiome® winning best weight management product in the USA (Nutrition Industry Executive Award)

Regulatory and Scientific

- Approval of SlimBiome® as a licensed product with health claims for weight management by Health Canada
- The achievement of British Retail Consortium accreditation, confirming our compliance with the Global Food Safety Initiative ('GFSI') benchmark. This certification is one of the leading international food safety standards, accepted by most large retailers and their suppliers
- The Company has made significant progress in 2021 with the manufacture of its SweetBiotix® and microbiome modulators

Post period end

- Publication of a human study in a peer reviewed scientific journal showing LP_{LDL}® can achieve similar reductions in total cholesterol and LDL (bad cholesterol) to statins, without side effects
- Flotation of ProBiotix Health plc on the AQSE Growth Market in March 2022 with a distribution of approximately 0.55 ProBiotix shares for every OptiBiotix ordinary share held at close of business on 25 March 2022
- New key appointments of Zac Sniderman as Business Development & Sales Director in North America, and Shiraz Butt as E-Commerce Director reflecting a focus on the US market and direct to consumer sales
- Appointment of Steen Andersen as CEO of ProBiotix Health plc

Stephen O'Hara, CEO of OptiBiotix, commented: *"The Company has achieved a second year of strong sales growth with a 45% increase in revenues, a 27.7% increase in gross profit, both ProBiotic and PreBiotic business's EBITDA profitable, and a Group net profit of £6.3m (including the increase in the Group's investment in SBTX).*

"With our products winning awards in several jurisdictions and an increasing number of large companies like The Hut Group, Holland and Barrett, AlfaSigma, Apollo Hospitals, and Nahdi Medical using our products, we are in strong position for further growth.

"The Company has invested substantially in building its senior commercial team reflecting our focus on commercialising products with larger partners, growing the US market, and developing our direct to consumer business. After a period of senescence due to COVID, we are pleased to report strong progress on our path to manufacture and distribute our second generation SweetBiotix® and Microbiome modulators.

"Post period-end, the Company successfully floated its formerly wholly-owned probiotic subsidiary, ProBiotix Health plc, returning a dividend to OptiBiotix shareholders. OptiBiotix shareholders now have a diversified interest in multiple areas within the microbiome space with the Group looking to accelerate bringing its second-generation technologies to market and acquire and/or develop new technologies to build the product pipeline and subsidiaries of the future. This strategy (RNS July 5 2016) reduces investor risk and offers the potential for significant value uplift through realisation of the Company's assets by trade sale or IPO and the potential for multiple dividend returns for shareholders.

"With no debt, a healthy balance sheet, a growing reputation within the industry, second-generation products close to commercialisation, and growing consumer interest in the microbiome and gut health, the Company is in a strong position for continued 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.

For further information, please contact:

OptiBiotix Health plc	www.optibiotix.com
Neil Davidson, Chairman	*Contact via Walbrook below*
Stephen O'Hara, Chief Executive	
Cairn Financial Advisers LLP (NOMAD)	Tel: 020 7213 0880
Liam Murray / Jo Turner / Ludovico Lazzaretti	
Cenkos Securities plc (Broker)	Tel: 020 7397 8900
Callum Davidson / Neil McDonald	

Michael Johnson / Russell Kerr (Sales)

Walbrook PR Ltd Mob: 07876 741 001
Anna Dunphy

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

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

Results

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

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

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

Strategy

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

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

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

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

OptiBiotix Health plc Overview: **shareholding and key products**

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

Business development

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

- the significant strengthening and professionalisation of our business development and commercial management team, most notably through the appointment of René Kamminga as CEO of our Prebiotic business, OptiBiotix Ltd;

- the conclusion of major new commercial agreements with market-leading partners in both the Probiotic and Prebiotic businesses, moving us towards our goal of having eight to ten large national or international partners for our first-generation products, and two to three partners for each of our second-generation technologies;

- the publication of multiple scientific and clinical studies and industry reports affirming our position as an industry leader in understanding of the microbiome; and

- further regulatory endorsements, including Health Canada approval of our SlimBiome® weight management product.

The Board and senior management

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

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

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

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

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

Outlook

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

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

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

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

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

N Davidson
Chairman

27 June 2022

Chief Executive Officer's Report

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

STRATEGIC DEVELOPMENT

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

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

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

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

Now we have established a strong financial base and brand credibility through our business-to-business sales, we are increasing our efforts on developing higher-margin final product sales, including direct sales to consumers in strategic markets. This direct sales strategy will have a mutually beneficial effect in also driving sales of ingredients included in final products we sell direct to consumers.
Our products continue to gain endorsement from scientific studies, industry awards and regulatory approvals. We were particularly pleased that SlimBiome® won first place in the Weight Maintenance Category of the US Nutrition Industry Executive Awards in 2021 and was approved as a licensed product with strong health claims for weight management by Health Canada, which is renowned as one of the world's most demanding regulators. We believe these are substantive achievements for early-stage products.

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

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

FINANCIAL RESULTS

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

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

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

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

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

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

PROBIOTICS: ProBiotix Health plc

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

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

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

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

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

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

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

As part of our exploration of potential additional applications for the product, we announced in January that we are jointly funding a PhD studentship and clinical study into the role of the microbiome in stress, anxiety and sleep disorders with the Universities of Southampton and Trento. We hope to have some early data at the start of 2023.

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

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

PREBIOTICS: OptiBiotix Ltd

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

SlimBiome®/LeanBiome®

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

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

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

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

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

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

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

SweetBiotix®

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

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

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

Microbiome Modulators

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

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

INTELLECTUAL PROPERTY

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

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

MANAGEMENT

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

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

PROSPECTS

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

Significant developments in the year to date include:

- The achievement of British Retail Consortium accreditation, confirming our compliance with the Global Food Safety Initiative ('GFSI') benchmark. This certification by one of the leading international food safety standards, accepted by most large retailers and their suppliers worldwide, is an important support to our commercial strategy of increasing our sales of final product solutions to partners in the retail channel.

- Our entry into the sports nutrition market with the launch of LeanBiome®, a scientifically supported dietary fibres and a trace mineral, developed to support athletes increase lean muscle mass and to improve metabolism, gut health and satiety. Our new distribution agreement with leading e-commerce retailer The Hut Group, signed in December 2021, saw LeanBiome® launched in January 2022 in its Impact Diet Lean product as part of its My Protein range in the UK, with territorial expansion across Europe, Asia and the USA planned in the course of the year.

- The reformulation of WellBiome®, our functional fibre and mineral blend, with new ingredients that will allow us to make new health claims for the products. The new WellBiome® will form the basis for a science-based health and wellness platform offering a range of products to improve cognitive, immune, bone, digestive and cardiovascular health to support healthy ageing.

- Publication in January 2022 of a third human volunteer study on the medical efficacy of LP_{LDL}®, demonstrating through a placebo-controlled trial that LP_{LDL}® delivered large and statistically significant reductions in total cholesterol, LDL-C (bad) cholesterol and Apolipoprotein B (widely accepted as the most important causal agent of atherosclerotic cardiovascular disease), with no compliance, tolerance or safety issues. The results of this and other studies suggest efficacy similar to many statins and other treatments more typically associated with pharmaceuticals, suggesting considerable potential in high value pharmaceutical and OTC markets for the use of LP_{LDL}® in individuals who are unwilling or unable to tolerate other treatments.

- Publication in February 2022 of a consumer study undertaken among purchasers from our own e-commerce website of CholBiome[x3], our proprietary food supplement containing LP_{LDL}®, which confirmed its effectiveness in reducing cholesterol with no reports of side-effects or any tolerance issues.

- Admission of ProBiotix Health plc to the AQSE Growth Market on 31 March 2022, raising £2.5m for the further development of our former Probiotic subsidiary through a placing and subscription of new shares, while giving our own shareholders a dividend in specie of 0.554673 ProBiotix share for every OptiBiotix share held.

- Good progress in the development of OptiBiotix Health India, the new subsidiary whose formation we announced in November 2021. This gives us much improved access to a huge, rapidly growing and increasingly prosperous market of 1.3bn people. India is expected to account for the majority of the world's middle-class consumers by 2035. With high levels of cardiovascular disease and obesity already prevalent in the country, we see excellent opportunities to improve engagement with our local manufacturing partners and to develop sales of both ingredients and higher-margin final products in the years ahead.

- The appointment of Steen Andersen as Chief Executive Officer of ProBiotix Health plc. This is part of a long-planned strategy to appoint experienced industry business leaders to each part of the business allowing me, as Group CEO to focus on identifying and developing the new technologies that will provide the Group with a pipeline of products to deliver future growth and market value.

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

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

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

Stephen O'Hara
Chief Executive
27 June 2022

Consolidated statement of comprehensive income

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

All activities relate to continuing operations

Consolidated statement of financial position

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

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

S P O'Hara
Director
Company Registration no. 05880755

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 31 December 2019	1,708,811	(742,899)	1,646,873	35,782	92,712	1,500,000	740,059	4,981,338
Profit for the year	-	5,801,867	-	-	-	-	-	5,801,867
Issues of shares during the year	50,001	-	950,003	-	-	-	-	1,000,004
Share issue costs	-	-	(59,375)	-	-	-	-	(59,375)
Share options and warrants	-	-	-	-	-	-	127,248	127,248
Balance at 31 December 2020	1,758,812	5,058,968	2,537,501	35,782	92,712	1,500,000	867,307	11,851,082
Profit for the year	-	6,261,030	-	-	-	-	-	6,261,030
Share options and warrants	-	-	-	-	-	-	60,288	60,288
Balance at 31 December 2021	1,758,812	11,319,998	2,537,501	35,782	92,712	1,500,000	927,595	18,172,400

Consolidated statement of cash flows

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

Notes to consolidated statement of cash flows

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

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

2. Cash and Cash Equivalents

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

Company statement of financial position

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

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

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

These financial statements were approved and authorised for issue by the Board of Directors on 27 June 2021 and were signed on its behalf by:

S P O'Hara
Director
Company Registration no. 05880755

Company statement of changes in equity

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

Company statement of cash flows

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

Notes to company statement of cash flows

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

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

2. Cash and Cash Equivalents

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

Notes to the financial statements

1. General Information

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

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

2. Accounting Policies

Statement of compliance

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

Basis of preparation

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

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

Going concern

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

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

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

2. Accounting Policies (continued)

Standards, amendments and interpretations effective and adopted in 2021

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

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

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

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

2. Accounting Policies (continued)

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

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

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021. (Amendment to IFRS 16)	1 April 2021
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract. (Amendments to IAS 37)	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use. (Amendments to IAS 16)	1 January 2022
IFRS	Annual Improvements to IFRS Standards 2018–2020	1 January 2022

IFRS 3	Reference to the Conceptual Framework. (Amendments to IFRS 3)	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-current. (Amendments to IAS 1)	1 January 2023
IFRS 17	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.	1 January 2023
IAS 1	Disclosure of Accounting Policies. (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Amendments to IAS 12)	1 January 2023
IAS 8	Definition of Accounting Estimates. (Amendments to IAS 8)	1 January 2023

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

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

2. Accounting Policies (continued)

Basis of consolidation

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

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

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

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

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

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

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

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.

2.Accounting Policies (continued)

License arrangements

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

Milestone payments

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

Investments in associates

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

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

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

Investments at fair value

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

Employee Benefits

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

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

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.

2. Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

Inventory

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

2. Accounting Policies (continued)

Impairment of non-financial assets

At each statement of financial position date, the Group reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Capital management

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

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

2. Accounting Policies (continued)

Convertible Loans

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

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

Convertible debt reserve

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

Share-based compensation

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

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

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

2. Accounting Policies (continued)

Property, plant and equipment

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

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

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

Computer equipment	30%

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

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

Intangibles – Patents

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

Research and Development

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

Merger relief reserve

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

Critical accounting judgments and key sources of estimation uncertainty

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

2. Accounting Policies (continued)

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

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

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

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

- **Derecognition of an associate**

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

3. Segmental Reporting

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

Revenue analysed by market

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

Revenue analysed by geographical market

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

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

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

4. Employees and Directors

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

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

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

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

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

4. Employees and Directors (continued)

Directors' remuneration

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

	Remuneration and fees	Share based payments	Pension Costs	Total
	£	£	£	£
A Reynolds*	24,996	-	-	24,996
S P O'Hara	254,000	-	7,800	261,800

F Narbel *	82,867	-	4,143	87,010
S Christie	25,000	8,259	-	33,259
R Davidson	55,000	17,526	-	72,526
S Kolyda	114,250	7,729	5,572	127,551
C Brinsmead	25,000	-	-	25,000
S Hammond	20,738	-	-	20,738
M Hvid-Hansen*	152,002	-	7,600	159,602
R Kamminga	195,535	-	9,767	205,302
Total	949,388	33,514	34,882	1,017,784

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

5. Net Finance Income / (Costs)

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

6. Expenses – analysis by nature

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

Other expenses	242,824	190,017
Total administrative expenses	2,488,657	1,991,212

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

7. Corporation Tax

Corporation Tax

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

Analysis of tax expense

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

	Year ended 31 December 2021 £	**Year ended 31 December 2020 £**
Profit (Loss) on ordinary activities before income tax	6,176,506	5,710,232
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2020 – 19%)	1,173,536	1,084,944
Effects of:		
Disallowables	13,619	89,931
Income not taxable	(1,545,707)	(1,362,28)
Accelerated depreciation	-	75
R&D tax credit claimed	(75,000)	(120,000)
Amortisation	33,342	27,851

Revenue items capitalised	(36,785)	(66,566)
Other timing differences	(9,477)	28,185
Overseas tax suffered	-	180
Unused tax losses carried forward	342,995	226,052
Tax credit	(84,523)	(91,635)

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

7. Corporation Tax (continued)

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

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

8. Earnings per share

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

Reconciliations are set out below:

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

	Earnings	**2020 Weighted average Number of shares**	**Loss per-share**

	£	£	Pence
Basic EPS	5,801,867	87,207,703	6.65
Diluted EPS	5,801,867	95,569,946	6.07

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

9. Intangible assets

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

The company had no intangible assets.

10. Property, plant and equipment

Group	£
Cost	
At 31 December 2019	8,461

Additions	-
Disposals	-
At 31 December 2020	8,461
Additions	-
Disposals	-
At 31 December 2021	8,461
Depreciation	
At 31 December 2019	8,068
Charge for the year	393
At 31 December 2020	8,461
Charge for the year	-
At 31 December 2021	8,461
Carrying amount	
At 31 December 2021	-
At 31 December 2020	-

The company had no property plant and equipment.

11. Investments

Group Investments

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

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

Company Investments

	2021	2020
	£	£
Available for sale investments		
At the beginning of the period	8,962,564	4,131,651
Additions		
Revaluations	7,500,681	5,528,696
Disposal of shares during year	(2,812,318)	(697,783)
	13,650,927	8,962,564
Investments in subsidiary undertakings		
At the beginning of the period	2,080,905	2,080,905
Addition: Equity element of convertible loan notes	-	-
	2,080,905	2,080,905
At 31 December	15,731,832	11,043,469

11. Investments (continued)

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

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

12. Inventories

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

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

13. Trade and other Receivables

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

14. Cash and Cash Equivalents

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

15. Called Up Share Capital

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

16. Reserves

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

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

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

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

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

17. Trade and other payables

Current:

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

18. Deferred Tax

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

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

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

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

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

19. Convertible Loan Notes

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

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

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

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

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

20. Related Party Disclosures

Group

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

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

Company

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

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

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

21. Ultimate Controlling Party

No one shareholder has control of the company.

22. Share Based payment Transactions

(i) Share options

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

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

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

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

22. Share Based payment Transactions (continued)

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

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

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

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

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

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

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

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

(i) Share options

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

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

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

22. Share Based payment Transactions (continued)

(i) Warrants

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

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

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

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

	Number of warrants		**Average exercise price**	
	2021	**2020**	**2021**	**2020**

	No.	No.	£	£
Outstanding at the beginning of the period	329,336	329,386	0.08	0.08
Outstanding at the end of the period	329,386	329,336	0.08	0.08

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

23. Financial Risk Management Objectives and Policies

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

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

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

Interest risk

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

Credit risk

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

Liquidity risk

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

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

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

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

Capital risk

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

24. Post Balance Sheet Events

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING
OPTIBIOTIX HEALTH PLC

Notice is hereby given that the Annual General Meeting of OptiBiotix Health PLC (the "Company") will be held at the offices of Walbrook PR Ltd, 75 King William Street, London, EC3V 9HD on 26 July 2022 at 12:00noon for the following purposes:

1. To receive the Company's Report and Accounts for the year ended 31 December 2021.

2. To re-elect Stephen O'Hara, who retires by rotation, as a Director.

3. To re-elect Neil Davidson, who retires by rotation, as a Director.

4. To re-appoint Jeffrey's Henry LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

<u>Special Business</u>

To consider and, if thought fit, to pass the following resolutions as to the resolution numbered 5 as an Ordinary Resolution and as to the resolutions numbered 6 as Special Resolutions:

5. **THAT** the Directors be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (such shares and/or rights being "Relevant Securities") up to an aggregate nominal amount of £586,270.51 being one third of the current issued share capital, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2023, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

   This authority shall be in substitution for and shall replace any existing authority pursuant to Section 551 of the Act to the extent not utilised at the date this resolution is passed.

6. **THAT**, subject to and conditional upon the passing of resolution 5, the Directors be and they are hereby generally empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred under Resolution 5 above as if sub-section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:-

   (a) the allotment of equity securities in connection with a rights issue or any pre-emptive offer in favour of holders of ordinary shares in the Company where the equity securities attributable to the respective interests of such holders are proportionate (as nearly as maybe) to the respective numbers of ordinary shares held by them on the record date for such allotment subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical difficulties under the laws of, or the requirements of, any regulatory body or stock exchange of any overseas territory or otherwise;

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £527,643.46 being 30% of the current issued share capital;

and shall expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2023, provided that the Company may before such expiry make an offer or agreement which would require equity securities to be allotted in pursuance of such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier power given to directors.

By Order of the Board
Stephen O'Hara

Registered Office:
Innovation Centre
Innovation Way
Heslington
York
YO10 5DG

27 June 2022

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company is entitled to appoint a proxy or proxies to attend, speak and vote at the meeting in his stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy does not need to be a member of the Company.

2. To be effective Forms of Proxy can be registered as follows:-

    • by logging on to www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions;

    • by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX using the proxy form accompanying this notice;

    • in the case of CREST members, by utilising the CREST electronic proxy appointment service in
    accordance with the procedures set out in note [00] below.

In order for a proxy appointment to be valid the proxy must be received by Share Registrars Limited by 12:00 Noon on 22 July 2022

3. To change your proxy instructions simply submit a new proxy appointment using the methods set out above and in the notes to the Form of Proxy. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

4. To be entitled to vote at the meeting (and for the purpose of the determination by Company of the number of votes they may cast), members must be entered in the Register of members at 12:00noon on 22 July 2022 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

Resolution 1

The Directors are required by law to present to the meeting the Audited Accounts and Directors' Report for the period ended 31 December 2021.

Resolutions 2-3

Each of the Company's Directors listed in this resolution offer themselves up for re-appointment under the terms of the Company's articles of association which state that each director must offer himself or herself up for re-appointment every three years.

Resolution 4

The Auditors are required to be re-appointed at each Annual General Meeting at which the Company's Audited Accounts are presented.

Resolution 5

Under the Act, the Directors may only allot shares if authorised to do so. Whilst the current authority has not yet expired, it is customary to grant a new authority at each Annual General Meeting. Accordingly, this resolution will be proposed as an ordinary resolution to grant a new authority to allot or grant rights over up to £586,270.51 in nominal value of the Company's unissued share capital. If given, this authority will expire at the Company's next annual general meeting following the date of the resolution. Although the Directors currently have no present intention of exercising this authority, passing this resolution will allow the Directors flexibility to act in the best interests of the Company's shareholders when opportunities arise.

Resolution 6

The Directors require additional authority from the Company's shareholders to allot shares where they propose to do so for cash and otherwise than to the Company's shareholders pro rata to their holdings. This resolution will give the Directors power to issue new ordinary shares for cash other than to the Company's shareholders on a pro rata basis

(i) by way of a rights or similar issue or

(ii) with a nominal value of up to £527,643.36. This resolution will be proposed as a special resolution.