28 June 2023

**OptiBiotix Health plc**
**(“OptiBiotix” or the “Company” or the “Group”)**

**Final results**
***Notice of Annual General Meeting***

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 2022. The Group’s results reflect its new structure following the listing of ProBiotix Health plc (PBX) on the AQSE Growth Market on 31 March 2022 with its costs and revenues not included in the accounts post listing. This makes meaningful comparisons with previous years difficult.

**Highlights**

- 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 and providing OptiBiotix shareholders with a dividend in specie of over £10m
- Launch of LeanBiome® in The Hut Groups (“THG”) impact lean product range and product range extension with a breakfast smoothie with excellent customer reviews
- Launch of GoFigure® products in India with Apollo Hospitals & Pharmacies in September 2022
- Launch of GoFigure® products containing SlimBiome® in China on Tmall.com with over 500 million monthly active users
- Regulatory approval by the Saudi Food & Drug Authority (SFDA) for the sale by our exclusive distributor Nahdi Medical Co (Nahdi) of GoFigure® shakes and bars containing SlimBiome® and subsequent launch in January 2023
- Registration of four new on pack health claims in Australia and New Zealand for SlimBiome® for feelings of fullness, reduction of hunger, and improvement of the gut microbiome and improving digestive health
- British Retail Consortium accreditation, confirming our compliance with the Global Food Safety Initiative (‘GFSI’) benchmark
- A joint development agreement with Firmenich, the world’s largest privately owned taste and fragrance company, to develop new products containing SweetBiotix®
- Publication of a peer-reviewed scientific study of one of our second-generation SweetBiotix® products, confirming its suitability as a healthy replacement for sugar
- Significant scientific and commercial progress in the development of our microbiome modulators
- No debt with valuable assets in SkinBiotherapeutics and ProBiotix Health providing a strong balance sheet

**Post period**

- Strong sales growth of own brand products on e-commerce. The listing of SlimBiome® Medical and Gofigure® products on Amazon UK in February 2023, and Slimbiome® Medical on Amazon Germany and Walmart USA in May 2023. We anticipate further international listings on Amazon throughout 2023 including Amazon India, the Gulf States, and Amazon USA. This is all part of the internationalisation of our own brand products online
- New orders from both The Hut Group (THG) and Holland & Barrett in the UK
- Three new partners in Asia who have all placed initial orders for SlimBiome®

- Published the results of a third human study on SlimBiome® demonstrating statistically significant benefits to appetite and hunger regulation with a single dose (3g) of SlimBiome®
- Good progress from both partners in the commercial scale up of our second-generation SweetBiotix® family of products and microbiome modulators offering exciting potential for future growth

The Report & Accounts which will be shortly posted to shareholders contain a Notice of Annual General Meeting ("AGM") which will be at 11:00am on 26 July 2023 at Walbrook PR Ltd, 75 King William Street, London, EC3V 9HD. Stephen Hammond and Chris Brinsmead will not put themselves for re-election as directors of the Company and will therefore cease to be directors following the conclusion of the AGM.

**Stephen O'Hara, CEO of OptiBiotix Health plc said:** *"2022 has been a challenging year with high stock levels accumulated from the large amount or orders placed in Q4 2021 by two large partners and low sales in H1 2022 (£118K) caused by the global downturn. As anticipated, sales improved in H2 (£339k) but were insufficient to make up the H1 deficit with full year revenues from customer contracts of £457K. A further ten metric tonnes of SlimBiome, approximating to £300k was taken from stock held by distributors for our two largest partners, and not included in these accounts. Once this stock overhang is clear this should have a material impact on reportable revenue.*

*"Our focus in 2023 is on looking forward with the aim of each business unit reaching profitability by the end of the year. We believe this can be achieved by a reduction in costs, a focus on existing partners returning to forecast, bringing in new partners particularly in the USA and Asia, and expanding e-commerce channels to reduce partner dependency. With our products winning awards in Europe, Asia, and the USA and an increasing number of large companies like The Hut Group, Holland and Barrett, Apollo Hospitals, and Nahdi Medical using our products, we believe we are in strong position for further growth.*

*"Despite a challenging 2022 the group has no debt, a strong balance sheet, products with excellent customer reviews, second generation products close to commercialisation, and retains significant exposure to the considerable growth potential of the microbiome through its shareholdings in ProBiotix Health plc and SkinBiotherapeutics plc".*

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.

**Forward-Looking Statements**

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

**For further information, please contact:**

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**About OptiBiotix** - www.optibiotix.com

OptiBiotix Health plc (AIM: OPTI), which was formed in March 2012, brings science to the development of compounds which modify the human microbiome - the collective genome of the microbes in the body - in order to prevent and manage human disease and promote wellness.

OptiBiotix has an extensive R&D programme working with leading academics in the development of microbial strains, compounds, and formulations which are used as active ingredients and supplements. More than twenty international food and healthcare supplement companies have signed agreements with OptiBiotix to incorporate their human microbiome modulators into a wide range of food products and drinks.

OptiBiotix is also developing its own range of consumer supplements and health products. The Company's current areas of focus include obesity, cardiovascular health, and diabetes.

**Chairman and CEO report**

The Group addresses a very large and fast-growing market with a unique portfolio of proven ingredients and finished products. The year has seen progress in both scientific human studies and regulatory approvals in key international markets demonstrating our products effectiveness and global acceptability. After strong sales growth through 2019 (£745K), 2020(£1.5m) and 2021 (£2.2m) the Company expanded its team in 2021 including the appointment of CEO, Rene Kamminga to run the prebiotic business, to meet growth demands post Covid but as with many companies in the industry suffered from lower sales in 2022 caused by the global economic uncertainty that followed the Russian invasion of Ukraine.

This was compounded by the large amount of orders placed in Q4 2021 resulting in high stock levels held by customers accompanied by delays in launching new products and re-ordering due to the global economic down turn in 2022. The Company are pleased that its products have begun to be commercialised by a number of large and well known commercial partners. Agreements with these partners are time consuming with extensive due diligence and consumer testing prior to launch. Launch of products with these partners is a significant endorsement of our products which we believe in the absence of recent global economic events (COVID and Ukraine) would have led to strong revenue growth.

Post period the Company has responded to these changes in the external environment by a reduction in costs, a focus on sales and partners delivering to forecast, and building up operational resilience by broadening its partner base and building its ecommerce channels to reduce partner dependency. The Company believes subject to no significant change to the external environment these measures will return the business to the high levels of growth and EBITDA profitability achieved in 2020 and 2021. The Group remains financially robust with no debt, and valuable assets in SkinBiotherapeutics and ProBiotix Health providing a strong balance sheet, with commercialisation of our second-generation technologies affording potential for future growth and shareholder value.

**Strategic overview**

OptiBiotix Health is a life sciences business founded on the development of prebiotic and probiotic compounds to tackle obesity, cardiovascular disease, diabetes and skincare: all markets offering strong growth potential in every part of the world. The Company has built a broad portfolio of microbiome assets in this field including prebiotic products like SlimBiome®, WellBiome®, SweetBiotix®, and Microbiome modulators within its core business and skincare through SkinBiotherapeutics and probiotics through ProBiotix Health plc. These create a diverse portfolio of opportunities in an emerging area of healthcare.

The first phase of the Company's two-stage growth strategy was to establish the credibility of our science and financial sustainability of each business through an initial focus on building sales of our first-generation products (principally SlimBiome® in prebiotics and $LP_{LDL}$® in probiotics) though business-to-business deals with partners in multiple territories around the world, starting in Europe, while at the same time pursuing the development of our more innovative second-generation products that offer potentially larger future returns. This was achieved in 2020 and 2021 with combined revenues of £2.2m and both the Probiotic (now ProBiotix Health plc) and Prebiotic trading businesses being EBITDA profitable in both years and the Group showing a £5.8m profit in 2020 and £6.2m in 2021, albeit largely due to the gain in the value of its investments.

With SlimBiome® and $LP_{LDL}$® winning international awards, gaining excellent customer reviews, and becoming established ingredient brands with a number of key national and international partners in 2019 we started to move towards developing and testing market acceptance of our own label branded products (e.g GoFigure, SlimBiome Medical, and CholBiomeX3) on our online store. The aim was to use the online store as a display window to attract B2B partners and major retailers and assess the potential of selling final products direct to consumers. With positive customer feedback on our own products and more consumers buying online as a result of the COVID pandemic (Mintel, Vitamins and Supplements: Inc Impact of COVID-19 - US, August 2020) a decision was made in 2021 to develop this into a business unit with the appointment of a E-commerce director. This was one of a number of changes made in 2022 to allow the Company to respond to changes in the external environment. These also included:-

- Gradually moving from ingredient sales to the sale of finished own brand SlimBiome Medical or private label products, both through larger partners and direct-to-consumer through our own online store, Amazon, and other outlets such as Tmall.com in Asia. This increases margins and reduces partner dependency.
- Shifting the focus from Europe to large partners in key strategic markets, particularly the USA and Asia. This broadens the partner base and reduces revenue dependency on a small number of partners whilst accessing larger markets with substantially higher sales volumes.
- Expanding our first-generation product portfolio of functional ingredients by extending our technology into new channels such as sports nutrition with LeanBiome® and new product areas such as WellBiome®, and
- Progressing the commercialisation of our second-generation products, SweetBiotix® and Microbiome Modulators.

This was accompanied by a number of new appointments throughout 2022 in marketing, business development in the USA, and e-commerce to support growth of the business. Whilst global economic conditions temporarily impacted on progress during 2022 we believe the changes made in 2022 increase the Company's resilience to volatility in the external environment and are seeing sales slowly returning to previous forecast levels as market conditions improve. The other key point is that now we have established the SlimBiome® brand and OptiBiotix's market credibility customers are starting to place orders without having to go through a complex negotiation process.

**Commercial and scientific overview**

Key developments during the financial year and their impact on potential sales growth in 2023 include:

- The achievement in January 2022 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 retail partners and will enhance opportunities in other retail channels both within the UK and international markets.

- Our entry into the sports nutrition market with the launch of LeanBiome®, a patented blend of dietary and prebiotic fibres and a trace mineral, developed to support athletes increase lean muscle mass and to improve metabolism, gut health and satiety. Our distribution agreement with leading e-commerce retailer The Hut Group PLC ("THG"), signed in December 2021, saw LeanBiome® launched in January 2022 in a small number of products including its Impact Diet Lean product as part of its My Protein range in the UK and at the end of H1 2022 a product extension with a breakfast smoothie. Both products are receiving excellent customer reviews. High inflation in 2022 led to consumers becoming more price-conscious leading to a trading down of high protein products which reduced the forecast demand for protein powder shakes across the industry and a lower than forecast sales from

THG. With protein prices slowly returning to previous levels we are seeing a gradual return to sales growth in this area.

- Prior to ProBiotix's separate listing, publication in January 2022 of a third human volunteer study on the clinical 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 low level statins and other treatments more typically associated with pharmaceuticals, suggesting potential in high value pharmaceutical consumer markets for the use of $LP_{LDL}$® in individuals who are unwilling or unable to tolerate other treatments.

- 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 Health share held. The Group retained a 44% shareholding in ProBiotix Health, valued at circa £11.2m at the end of 2022. An impairment provision (see note 11) has been made to take account of the reduction in PBX share price from 31st March 2022 and the release of these accounts.

- Good progress in the development of OptiBiotix Health India. Its formation has allowed us to reduce the administrative and tax burden of manufacturing and selling ingredients and finished products in India. We see the lower manufacturing and transport costs with geographical proximity to the countries in the region a driver of future growth in the Asia Pacific region.

- Certification in June 2022 of LeanBiome® as an Informed Ingredient for Sports Nutrition: an important industry certification demonstrating through rigorous independent testing by an authorised body that it is free from substances that are banned in sport. This is a significant step in attracting major sports nutrition companies to incorporate LeanBiome® in their products.

- The appointment in September 2022 of Nutraconnect Pte Ltd, a nutraceutical business growth acceleration service headquartered in Singapore, as a new commercialisation partner for SlimBiome® and LeanBiome® in the Asia Pacific region. This has led to a number of new partners signing agreements and placing first orders for products in 2023

- The launch in September 2022 of our GoFigure range of weight management products containing SlimBiome® in several pharmacies across India owned by Apollo Hospitals & Pharmacies. This number has doubled in 2023 with the aim of having products in more than 1000 stores by the end of 2023

- Regulatory approval in October 2022 by the Saudi Food & Drug Authority (SFDA) for the sale by our exclusive distributor Nahdi Medical Co (Nahdi) of GoFigure shakes and bars containing SlimBiome®. This has allowed the launch in January 2023 of the GoFigure range of weight management products through Nahdi's pharmacy network and e-commerce platform. The registration process also provides approval in the other five countries that are members of the Gulf Cooperation Council.

- Completion in October 2022 of a systematic review of the scientific literature relating to SlimBiome®, in accordance with the Australia New Zealand Food Standards Code (FSANZ), that enables us to make four new health claims for SlimBiome® on product packaging and in advertising; these relate to feelings of fullness, reduction of hunger, and improvement of the gut microbiome and improving digestive health. These help us to differentiate SlimBiome® from competitors.

- Launch in late November 2022 of an online shop for GoFigure products containing SlimBiome® on a leading e-commerce platform in China, Tmall.com, allowing us to sell direct to consumers in this huge and growing market. We are seeing steady sales growth in this market in 2023, particularly of our fruit gummies.

- Publication of a peer-reviewed study (see Prebiotic Potential of a New Sweetener Based on Galactooligosaccharides and Modified Mogrosides - PubMed (nih.gov)) of one of our SweetBiotix® products confirming its sweetness, bulking and prebiotic fibre properties and concluding it could be an innovative, healthy substitute for sugar in a range of everyday products. Independent scientific confirmation of SweetBiotix® by leading scientists in the field is key to creating interest and industry credibility and provides important marketing materials for commercial launches.

- Significant progress by one of our US partners in the commercial scale production of SweetBiotix®, with final product tested and accepted and now awaiting further structural analysis and formal taste testing to determine the regulatory pathway before progressing to a launch.

- Conclusion of a new joint development agreement, announced in July 2022, with Firmenich, the world's largest privately owned taste and fragrance company, and one of the world's largest supplier of Stevia, to develop new products containing our second generation SweetBiotix® compound, in return for sales-based milestone and royalty payments. This agreement with one of the leaders in the field after years of due diligence is a substantial validation of the SweetBiotix science. This continues to progress at pace in 2023. We believe that the recent scientific publication and the deal with Firmenich, which is merging with DSM, the world's largest ingredients supplier, to create a NewCo with a US $11.4bn turnover, are major steps forward in bringing SweetBiotix® to market. Firmenich is now making substantial progress in producing SweetBiotix® and in optimising the manufacturing process, and we see significant opportunity here in 2023.

- Significant scientific and commercial progress in the development of our microbiome modulators: a range of second-generation products which selectively enhance the growth rate of specific types of bacteria and create the potential for targeted treatment of a range of human diseases. The manufacturing scale up process was delayed during COVID but completed in late 2022. Structural and functional analysis has been taking place during 2023 to determine novelty and the regulatory pathway.

**Results**

The Group's results reflect its new structure following the listing of ProBiotix Health ("PBX") on the AQSE Growth Market on 31 March 2022. The timing of the listing means that the accounts include the results of PBX for the three months to the end of March 2022 when it became a plc, after which PBX has been treated as an associate for accounting purposes with its revenues and costs removed and only OptiBiotix's (44%) proportion of its profit and loss included in the Group's accounts. This makes comparisons with previous years difficult.

The results show revenue from continuing operations for the year of £457K (2021: combined sales of £2.2m), reflecting both the separate flotation of ProBiotix Health plc and delays in the placement of orders by our new larger partners, which entered the year with substantial stocks from orders placed in late 2021, and then delayed re-ordering because of the global economic uncertainty created by the Russian invasion of Ukraine.

Administrative expenses (excluding non-cash items such as share-based payments and amortisation) were £2.5m (2021: £2.1m), including ProBiotix costs to the end of March and a number of one-off pre-listing and recruitment expenses. This includes a one off bad debt provision of £492K reflecting a more conservative approach to debtors and stock considering the volatility of the external environment. We continue to pursue outstanding debtors and believe a proportion of this provision will be recovered in 2023.

The listing of PBX on AQSE materialised a previously unrecognised asset allowing the Group to report a profit of £2.59m largely from the gain on this investment offset by a loss on revaluation of the SkinBioTherapeutics plc ("SBTX") shares. The Group retains a healthy balance sheet with gross assets of £11.6m (2021: £20.1m) and net cash at the year-end of £1.1m (2021: £2.0m).

Post period end the Group sold 1,211,567 SBTX shares through Cenkos, SBTX's broker in February 2023 at an average price of 20.4p, generating gross proceeds of £247K.

**The Board senior management and advisers**

We have taken decisive action in December 2022 and in 2023 to reflect the separate listing of PBX and reduce Board, management and advisory costs in order to ensure each part of the business and subsequently the Group return to operational profitability as soon as possible. These actions include:-

- On 28 December 2022 the Company served three months' notice to terminate the joint brokership of Cenkos Securities plc. Peterhouse Capital Limited continue as the Company's sole broker.
- Rene Kamminga, who was appointed CEO of OptiBiotix Ltd in March 2021 left the business on 28 February 2023 and Group CEO Stephen O'Hara, who led the ProBiotix business in 2022, resumed the role of CEO of OptiBiotix Ltd.
- All directors volunteered to accept a 20% reduction in their remuneration from 1 January 2023.
- With the departure of Rene the Company has twice as many non-executive directors as executive directors. As a result Stephen Hammond and Chris Brinsmead have agreed to step down at the Company's upcoming Annual General Meeting in July 2023.

We anticipate further restructuring of the board and management team of OptiBiotix as ProBiotix Health plc develops its independence and we reduce the number of senior employees currently shared with ProBiotix Health plc under shared service agreements.

Looking ahead, the focus of the Company will be on investing in areas that offer the highest return. To support that process and ensure a focus on profitability the Company is developing profit and loss metrics for each part of the business with the aim of each area (USA, India, Ecommerce, B2B) reaching operational profitability, at least on a monthly basis by the end of the calendar year.

**Outlook**

Our focus in 2023 is on looking forward and moving the Company to operational profitability. We believe we will achieve this by a reduction in central costs and by the promotion of sales, both direct to consumers via ecommerce channels and through our existing partners delivering on forecasts and bringing in new customers, particularly in the USA and Asian markets. There has been progress in each of these areas as outlined below which highlights some of the changes made since the beginning of 2023 year and provides a progress update on each of the business units. In the first part of 2023 we have:-

- Invested significantly in new e-commerce channels, including Amazon in the UK, and Walmart in the USA, as well Tmall.com in China. This has led to rapid sales growth (see E-commerce report) which with continued investment we anticipate will continue throughout 2023 and beyond.

- Shifted our commercial focus to selling SlimBiome® Medical sachets in Europe and SlimBiome shots in India and the Gulf states. These are designed to be consumed before meals and help users manage their weight by making consumers feel fuller for longer and reducing cravings for sweet and savoury snacks. This is a highly differentiated product which leverages growing market interest in injectable appetite control drugs like semaglutide. SlimBiome® Medical can be used with any weight management plan or calorie restriction plan and complements rather than competes in a crowded marketplace. The product enjoys high margins and became a top-selling line on Amazon UK in 2023.

- Re-engaged with major partners that underperformed against our sales expectations in 2022, leading to:

  - A significant new investment in marketing by Optipharm in Australia, coupled with the launch online of their Optislim and Optiman ranges containing our OptiBiome prebiotic fibre;

  - New orders from both The Hut Group and Holland & Barrett in the UK and

  - A substantial increase in the number of Apollo pharmacies and Holland and Barret shops in India selling GoFigure products accompanied by a launch of products on Amazon India on 16th May 2023.

  We anticipate further orders from all these partners in the second half of the current year.

- Successfully launched new products, including our reformulated WellBiome® functional fibre and mineral blend, which has been made available via our own online store and on Amazon UK in recent weeks.

- In the last two months recruited three new partners in Asia who have all placed initial orders for SlimBiome and a major US weight management brand, with which we will be launching during the second half of 2023, initially in Europe and later in the USA.

- Published the results of a third human study on SlimBiome® which demonstrated statistically significant benefits to appetite and hunger regulation, with no safety, compliance or tolerance issues reported by the participating volunteers. This study underlines the effectiveness of a single dose of SlimBiome® in delivering hunger-free weight loss by non-invasive means. This study was timely given the growing consumer, media and pharmaceutical company interest in this field following NICE's approval of the injectable drug semaglutide.

**North America Sales and Business Development**

The Company has received a number of orders from US partners who are owners of leading weight management or sports nutrition brands in the USA. This is a major endorsement of the products and is the result of presentations at conferences and exhibitions and numerous customer visits by our US Business development Director, Zac Sniderman. These will show in 2023 H1 accounts if manufactured and delivered by the end of June or more likely H2 2023.

Discussions are advancing with a number of international Multilevel Marketing (MLM) companies based in the USA with possible sales in H2 2023 for Asian markets. Discussions with an e-commerce brand have continued at a steady pace in 2023 for a possible end of the year launch. In addition to above we have late-stage discussion with a number of e-commerce brands in both the US and Canada with potential sales in H2 2023.

During the first half of 2023 we have seen strong sales growth of Dietworks Appetite Control gummies in the USA in both e-commerce channels and traditional retailers and we foresee increased sales in H2 2023 with the possibility of line extensions.

We are in discussions with two US partners who are interested in purchasing WellBiome® with a potential US launch planned for Q4 2023. The new projects would incorporate WellBiome in a final product for healthy aging and hydration.

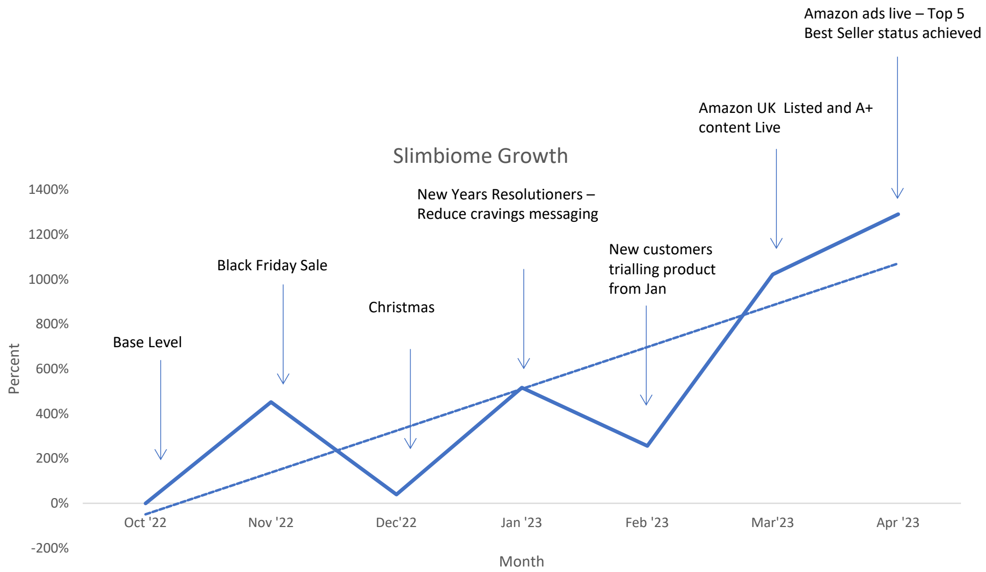
**Consumer Health and Ecommerce sales**

The OptiBiotix online website has been transitioned from a shop window used to demonstrate product possibilities to partners to a commercial website and optimised to improve the customer experience. The ecommerce business has opened up a number of new channels to market including Amazon UK and Walmart USA to allow customers from different locations/sites to have greater accessibility to our products. Increasing awareness on platforms such as Amazon UK have allowed brands such as SlimBiome to become a best seller within their respective categories. Since the end of 2022 through to April 2023 we have focused more on promoting SlimBiome® Medical as a unique product which reduces hunger and cravings which can be used as part of any calorie restriction weight management plan. This has led to rapid growth with the ecommerce business reaching operational profitability in April and May 2023 with the highest monthly sales on record and a sales increase of 1,200% (Figure 1). We are seeing good growth on the e-commerce platform, T-Mall, in China, particularly with sale of our fruit gummies.

In 2023 we plan to grow our brands presence and securing listings on various channels including Amazon Europe and Amazon India whilst pushing hard for sales and customer loyalty. The addition of WellBiome® to the online store in May 2023 is part of a strategy to enhance the range of different product offerings and products on the website throughout 2023. Current product line extensions planned for SlimBiome® include a tomato and herb soup, a chicken soup, a Golden Syrup porridge, high protein chocolate bars and an indulgent range.

As we add more products, open up channels to new markets, and bring on new applications we should see continued growth within the Ecommerce business in 2023 and beyond.

**Slimbiome Medical online sales growth**




Our medical device registration for SlimBiome® Medical runs out in May 2024. Brexit has added complexity and additional cost in reregistering a CE mark medical device with a £100k cost to renew the registration and an annual maintenance cost of £20-30K per annum per device (unflavoured and flavoured SlimBiome Medical). Given the CE mark is only applicable in Europe and we have similar products non CE marked in India and the Gulf states we are seeing this as an opportunity to rebrand and broaden the offering with different flavours to a wider customer group who may be dissuaded from purchasing a product with a medical connotation.

**OptiBiotix Health India**

OptiBiotix Health India (OHI) was formed in November 2021 as a mid to long term strategic investment in the world's most populous nation and forecast to have the highest population of medium to high level income customers in the world. Currently most middle-class consumers live in the European Union (EU) and the United States, but over the next decade, the majority will shift heavily toward India, with one in four global middle-class consumers expected to reside in India by 2035 https://www.asianstudies.org/publications/eaa/archives/the-middle-class-in-india-from-1947-to-the-present-and-beyond/.

The formation of OHI has helped OptiBiotix avoid high import taxes and control the purchase and sale of ingredients (SlimBiome®) and final product (GoFigure®) manufactured and sold in India. This has increased profit margins and given us a manufacturing base to export to other countries in Asia with lower manufacturing and transport costs than exporting from the UK. This will support future expansion and sales growth in the region. The lower costs and The 'created in UK and made in India' tag helps penetrate the market and makes the product viable commercially.

We had two small customers and a large national player (Apollo Hospitals) in India in 2022. During 2023 we have had orders from a number of new customers and the launch of a new product range called *Slim-Pro* by *Health Bae,* an emerging name in the multilevel marketing channel (see https://health-bae.com ). Whilst these are small first orders they are part of building the customer base and product profile across India allowing us to build the business.

After a slow start following the launch of products with Apollo's in September 2022 we are now seeing momentum increase with the number of stores selling GoFigure products increase month on month with sales in April double that of March and continued strong growth in May 2023, with a high returning customer rate. Apollo have agreed to extend the product range in H2 2023. We are also pleased to be developing a product for the Indian Market with a multinational consumer goods company for launch later in the year.

The fundamentals of our marketplace remain very exciting, with modulation of the human microbiome attracting ever-increasing interest as the potential solution to a wide and growing range of life-style related health challenges. Unique, innovative products take time to gain market acceptance and our first-generation products are no exception. We believe their strong science, clinical studies, and broad IP portfolio together with the industry awards and great customer reviews are starting to attract growing international recognition and with this more sales opportunities.

After strong sales growth through 2019 (£745K), 2020(£1.5m) and 2021 (£2.2m) we believe 2022 was an unusual year for the industry and the Company and that the actions we are taking to reduce costs and grow sales will move the Group to operational profitability, while broadening our product and partner base, and increasing sales of final products direct to consumers. These actions will reduce the risks of revenues in future periods being impacted by timing differences in restocking or delays in individual product launches or regulatory approvals.

Our expansion into USA and Asia, the proven credibility of our science, the growing number of large partners, and a return on our investment in 2023 from our sales teams give us continued confidence in the long-term growth potential of the Group.

Whilst the Board are optimistic about the opportunities for the business in 2023, we remain alert to the threats posed by the risks described in the 'principal risks and uncertainties' section of the Strategic Report and we note that future trading may be affected by these external factors. The Group's mitigation strategies for these principal risks are also set out in this section.

We are confident that our strategy will continue to deliver sales growth in 2023 whilst the approaching commercialisation of our second-generation SweetBiotix® family of products and microbiome modulators offer exciting potential for future growth. This is in addition to the Company having a continued exposure to the considerable growth potential in probiotics and skincare through the Group's shareholdings in ProBiotix Health plc and SkinBiotherapeutics plc.

**N Davidson**
**Chairman**
**23 June 2023**

**Stephen O'Hara**
**Chief Executive**
**23 June 2023**

**Consolidated Statement of Comprehensive Income**

| | Notes | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|---|
| Revenue from contracts with customers | | 457 | 2,213 |
| Cost of sales | | (213) | (1,090) |
| **Gross profit** | | **244** | **1,123** |
| Share based payments | | (11) | (60) |
| Depreciation and amortisation | | (224) | (288) |
| Other administrative costs | | (2,498) | (2,140) |
| Total administrative expenses | **6** | (2,733) | (2,488) |
| **Operating loss** | | **(2,489)** | **(1,365)** |
| Finance cost | **5** | - | (48) |
| Finance income | **5** | - | - |
| | | - | (48) |
| Share of loss from associate | **11** | (83) | - |
| (Loss)/Gain on investments | **11** | (8,620) | 7,502 |
| Profit on disposal of investments | **11** | 16 | 88 |
| Profit on disposal of subsidiary | **11** | 21,647 | - |
| Provision against associate valuation | **11** | (8,030) | - |
| **Profit/(Loss) before tax** | | 2,441 | 6,177 |
| Taxation | **7** | 146 | 84 |
| **Total comprehensive income for the period** | | 2,587 | 6,261 |
| Total comprehensive income attributable to: | | | |
| Owners of the company | | 2.587 | 6,261 |
| Non-controlling interests | | - | - |
| | | 2,587 | 6,261 |
| **Earnings per share from continued operations** | | | |
| Basic profit/(loss) per share | **8** | 2.93p | 7.15p |
| Diluted profit/(loss) per share | **8** | 2.78p | 6.55p |

**Consolidated Statement of Financial Position**

| | Notes | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|
| **ASSETS** | | **£'000** | **£'000** |
| **Non-current assets** | | | |
| Intangibles | **9** | 1,540 | 2,641 |
| Investments | **11** | 5,022 | 13,651 |
| Investment in associate | **11** | 3,129 | - |
| | | 9,691 | 16,292 |
| **CURRENT ASSETS** | | | |
| Inventories | **12** | 178 | 102 |
| Trade and other receivables | **13** | 521 | 1,553 |
| Current tax asset | **7** | 106 | 191 |
| Cash and cash equivalents | **14** | 1,052 | 2,007 |
| | | 1,857 | 3,853 |
| **TOTAL ASSETS** | | **11,548** | **20,145** |
| **EQUITY** | | | |
| **Shareholders' Equity** | | | |
| Called up share capital | **15** | 1,824 | 1,759 |
| Share premium | **16** | 2,958 | 2,537 |
| Share based payment reserve | **16** | 939 | 928 |
| Merger relief reserve | **16** | 1,500 | 1,500 |
| Convertible debt - reserve | **16** | - | 93 |
| Retained Earnings | **16** | 3,684 | 11,320 |
| | | 10,905 | 18,137 |
| Non-controlling interest | **16** | - | 35 |
| **Total Equity** | | **10,905** | **18,172** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **17** | 278 | 602 |
| | | 278 | 602 |
| **Non - current liabilities** | | | |
| Deferred tax liability | **18** | 365 | 552 |
| Convertible loan notes | **19** | - | 819 |
| | | 365 | 1,371 |
| **TOTAL LIABILITIES** | | **643** | **1,973** |
| **TOTAL EQUITY AND LIABILITIES** | | **11,548** | **20,145** |

These financial statements were approved and authorised for issue by the Board of Directors on 23 June 2023 and were signed on its behalf by: S P O'Hara, Director

## Consolidated Statement of Changes in Equity

| | Called up Share capital | Retained Earnings | Share Premium | Share-based Payment reserve | Convertible Debt Reserve | Merger Relief Reserve | Non-Controlling Interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 December 2020 | 1,759 | 5,059 | 2,537 | 868 | 93 | 1,500 | 35 | 11,851 |
| Profit for the year | - | 6,261 | - | - | - | - | - | 6,261 |
| Share options and warrants | - | - | - | 60 | - | - | - | 60 |
| Balance at 31 December 2021 | 1,759 | 11,320 | 2,537 | 928 | 93 | 1,500 | 35 | 18,172 |
| Profit for the year | - | 2,587 | - | - | - | - | - | 2,588 |
| Dividends | - | (10,258) | - | - | - | - | - | (10,258) |
| Transfer on loss of control | - | - | - | - | (93) | - | - | (93) |
| Transfer within reserves | - | 35 | - | - | - | - | (35) | - |
| Issue of shares during the year | 65 | - | 445 | - | - | - | - | 510 |
| Fundraising commission | - | - | (24) | - | - | - | - | (24) |
| Share Options and warrants | - | - | - | 11 | - | - | - | 11 |
| Balance at 31 December 2022 | 1,824 | 3,684 | 2,958 | 939 | - | 1,500 | - | 10,905 |

**Notes to the Consolidated Statement of Cash Flows**

| | Notes | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|---|
| Opening Cash | | 2,007 | 865 |
| **Operating activities** | | | |
| Operating loss | | (2,489) | (1,365) |
| Amortisation | | 224 | 288 |
| Share based payments | | 11 | 60 |
| Movement on inventory | | (76) | 82 |
| Decrease/(increase) on receivables | | 1,116 | (906) |
| (Decrease)/increase on payables | | (19) | 82 |
| Tax received | | 124 | 194 |
| Net Proceeds for operating activities | | (1,109) | (1,565) |
| **Investing activities** | | | |
| Additions to intangibles | | (168) | (194) |
| Cash disposed on loss of subsidiary | | (188) | - |
| Proceeds on disposal of investments | | 25 | 2,901 |
| Net | | (331) | 2,707 |
| **Financing activities** | | | |
| Net proceeds on Share issues | | 485 | - |
| **Net cash inflow from financing activities** | | 485 | - |
| Total movement | | (955) | 1,142 |
| Cash and cash equivalents at end of period | **2** | 1,052 | 2,007 |

**Notes to the Consolidated Statement of Cash Flows**

**1. Cash and Cash Equivalents**

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|
| Cash and cash equivalents | 1,052 | 2,007 |

**Company Statement of Financial Position**

| | Notes | As at 31 December 2022 £'000 | As at 31 December 2021 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments | **11** | 7,008 | 15,732 |
| Investment in associate | **11** | 3,212 | - |
| Other receivables | **13** | - | 318 |
| | | 10,220 | 16,050 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | **13** | 25 | 66 |
| Cash and cash equivalents | **14** | 865 | 1,705 |
| | | 890 | 1,771 |
| **TOTAL ASSETS** | | **11,110** | **17,821** |
| **EQUITY** | | | |
| **Shareholders' Equity** | | | |
| Called up share capital | **15** | 1,824 | 1,759 |
| Share premium | **16** | 2,958 | 2,537 |
| Merger relief reserve | **16** | 1,500 | 1,500 |
| Share based payment reserve | **16** | 939 | 928 |
| Accumulated profit | **16** | 3,806 | 11,056 |
| **Total Equity** | | **11,027** | **17,780** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | **17** | 83 | 41 |
| **TOTAL LIABILITIES** | | **83** | **41** |
| **TOTAL EQUITY AND LIABILITIES** | | **11,110** | **17,821** |

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

The profit for the Company for the year was £3.008  (2021: £5.788m).

These financial statements were approved and authorised for issue by the Board of Directors on 23 June 2023 and were signed on its behalf by: S P O'Hara, Director

**Company Statement of Changes in Equity**

| | Called up Share capital £'000 | Share Premium £'000 | Merger Relief Reserve £'000 | Share-based Payment reserve £'000 | Retained Earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Balance at 31 December 2020 | 1,759 | 2,537 | 1,500 | 868 | 5,268 | 11,932 |
| Profit for the year | - | - | - | - | 5,788 | 5,788 |
| Share options and warrants | - | - | - | 60 | - | 60 |
| Balance at 31 December 2021 | 1,759 | 2,537 | 1,500 | 928 | 11,056 | 17,780 |
| Profit for the year | - | - | - | - | 3,008 | 3,008 |
| Dividends | - | - | - | - | (10,258) | (10,258) |
| Share options and warrants | - | - | - | 11 | - | 11 |
| Fundraising Commission | - | (24) | | | | (24) |
| Issue of shares during the year | 65 | 445 | - | - | - | 510 |
| Balance at 31 December 2022 | 1,824 | 2,958 | 1,500 | 939 | 3,806 | 11,027 |

**Company Statement of Cash Flows**

| | Notes | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|---|
| Opening Cash | | 1.705 | 533 |
| **Operating activities** | | | |
| Operating loss | | (1,482) | (2,749) |
| Share based payments | | 11 | 60 |
| Decrease/(increase) on receivables | | 416 | 24 |
| Impairment of investment in subsidiary | | 50 | - |
| (Decrease)/increase on payables | | 42 | (22) |
| Release of loan to subsidiary | | 756 | 932 |
| Net Proceeds for operating activities | | (207) | (1,755) |
| **Investing activities** | | | |
| Net cash advances to subsidiary | | (1,143) | 26 |
| Proceeds on disposal of investments | | 25 | 2,901 |
| Net | | (1,118) | 2,927 |
| **Financing activities** | | | |
| Net proceeds on Share issues | | 485 | - |
| **Net cash inflow from financing activities** | | 485 | - |
| Total movement | | (840) | 1,172 |
| Cash and cash equivalents at end of period | **1** | 865 | 1,705 |

**Notes to the Company Statement of Cash Flows**

## 1. Cash and Cash Equivalents

| | As at 31 December 2022 £'000 | As at 31 December 2021 £'000 |
|---|---|---|
| Cash and cash equivalents | 865 | 1,705 |

**Notes to financial statements**

## 1. General Information

OptiBiotix Health plc is a Public Limited Company limited by shares, 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.

These financial statements present the results and balances of the Company and its subsidiaries (together, the 'Group') for the year ended 31 December 2022.

## 2. Accounting Policies

### Statement of compliance

The consolidated and parent company 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.

### 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. The results are rounded to the nearest thousand.

### 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 forecast maintenance costs, other administrative expenses and its ongoing research and development expenditure.

As part of the Group going concern assessment the Directors have also reviewed a range of scenarios including those reflecting conditions less favourable than the base case scenario. In such scenarios the Directors have had regard to cash generation and preservation options including further cost mitigation, further sale of the Group's investment assets and share issues where market conditions allow. Through one or a combination of these measures, the Board are satisfied that the Group can continue as a going concern in base case and downside

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 current political crises in Eastern 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.

**Standards, amendments and interpretations effective and adopted in 2022**

New Standards and interpretations The following IFRS or IFRIC interpretations which are effective for the first time in the Group's accounting period to 31 December 2022 have been considered by the Directors. Their adoption is not expected to, and will not, have any material impact on the disclosures or on the amounts reported in this financial information.

Standards/interpretations Application

| Standard or Interpretation | Title | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 3 | amendments Business Combinations | 1 January 2022 |
| IAS 16 | amendments Provisions, Contingent Liabilities and Contingent Assets | 1 January 2022 |
| IFRS 9 | amendments Annual Improvements to IFRS Standards 2018–2020 (fees in the 10 percent test for derecognition of financial liabilities). | 1 January 2022 |
| IAS 1 | amendments Presentation of Financial Statements | 1 January 2022 |

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 standards and the interpretations in future period will have no material impact on the financial statements of the company.

**2.1 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. The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

**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.

## 2.2 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:

### 2.2.1 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.

### 2.2.2 License arrangements

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

### 2.2.3 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.

## 2.3 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.

**2.4 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.

**2.5 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.

**2.6 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.

**2.7 Financial instruments**

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

**2.8 Loans and receivables** are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

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

**2.10 Trade receivables** are initially measured at fair value and are subsequently measured at amortised cost less appropriate provisions for credit losses. Such provisions are recognised in the income statement.

**2.11 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.

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

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

**2.14 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.

**2.15 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).

## 2.16 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.

## 2.17 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.

## 2.18 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 2022.

### 2.19 Convertible Loans

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

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

### 2.20 Convertible debt reserve

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

### 2.21 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.

### 2.22 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.

**2.23 Intangibles – Patents**

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

**2.24 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.

**2.25 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.

**2.26 Critical accounting judgments and key sources of estimation uncertainty**

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

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

- **Share based payments**
  The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management’s best estimate, for the

effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

- **Useful life of intangible assets**
  Management have estimated that the useful life of the fair value of the patents acquired on the acquisition of Optibiotix Limited in 2013 to be 20 years. Development costs that have been capitalized 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. The net book value of intangible assets at the year- end was £1.540m (£2.641m)

- **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. The board looked at the current order book going forward, the ongoing discussions with current customers and the recent new customers and concluded that an impairment of the intangible assets was not applicable for the year to 31 December 2022. The net book value of the intangible assets held at 31 December was £1.54m and an adjustment was made of £0.922m to reflect the transfer of 2 patent families to Probiotix Health PLC as per note 9

- **Recognition and measurement of the investment in Probiotix Health plc**

  Management have reviewed the nature of the relationship with Probiotix Health plc in line of the Group's interest moving from 100% to 44% by 31 March 2022. Management have had regard to the requirements of IFRS 10 to consider the facts and circumstances of the relationship between Optibiotix and Probiotix and not just the shareholding interest. In taking account of a range of factors, including Optibiotix's minority representation on the Probiotix board and the terms of a relationship agreement entered into between the parties, management have concluded that Optibiotix have significant influence over Probiotix but not control. This remains under continuing review as facts and circumstances change.

  As a result of the recognition of the Group's remaining 44% interest at 31 March 2022 at fair value the Group and Company balance sheet report material investment holdings in Probiotix Health plc.

  The Directors have had regard to potential impairment of this asset. After taking account of share price movements subsequent to the year end, and in particular after the end of the post-IPO lock-in period, the Directors concluded that an impairment should be recorded to reflect the movement in share price from 21p at the time of IPO in March 2022 to 6p which was the traded price on AQSE Growth after the lock-in period ended.

Whilst the Directors believe the share price of 6p is reflective of wider economic uncertainties and a difficult equities market rather than any adverse impact in the group's trading prospects, the impairment has been recorded on the basis of a prudent approach reflective of market conditions which the Board believe are short term in nature. The Board consider that recently depressed share valuations across various international markets reflect significant underpricing and are not reflective of asset values.

## 3. Segmental Reporting

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

Revenue analysed by market

| | **Year ended 31 December 2022 £'000** | **Year ended 31 December 2021 £'000** |
|---|---|---|
| Probiotics | 24 | 1,100 |
| Functional Fibres | 433 | 1,113 |
| | 457 | 2,213 |

Following the loss of control of Probiotix Health plc on 31 March 2022, all group revenues have been derived from functional fibres.

Revenue analysed by geographical market

| | **Year ended 31 December 2022 £'000** | **Year ended 31 December 2021 £'000** |
|---|---|---|
| UK | 136 | 648 |
| US | 100 | 827 |
| India | 61 | - |
| Rest of world | 160 | 738 |
| | 457 | 2,213 |

During the reporting period one customer represented £100k (21.9%) of Group revenues. (2021: one customer generated £727k representing 32.9% of Group revenues)

## 4. Employees and Directors

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|
| Wages and salaries | 522 | 636 |
| Directors' remuneration | 354 | 494 |
| Social security costs | 66 | 83 |
| Pension costs | 35 | 44 |
| | 977 | 1,257 |

| | Year ended 31 December 2022 No. | Year ended 31 December 2021 No. |
|---|---|---|
| The average monthly number of employees during the period for was as follows: | | |
| **Group** | | |
| Directors | 6 | 6 |
| Research and development | 3 | 3 |
| | 9 | 9 |
| **Company** | | |
| Directors | 6 | 6 |
| | **6** | **6** |

Directors' remuneration was as follows:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|

| | £'000 | £'000 |
|---|---|---|
| Directors' remuneration | 354 | 507 |
| Directors' share based payments | 12 | 33 |
| Benefits in kind | 5 | 5 |
| Bonus | - | 70 |
| Pension | 10 | 17 |
| Total emoluments | 381 | 632 |
| Emoluments paid to the highest paid director | 151 | 262 |

**Directors' remuneration**

Details of emoluments received by Directors and key management of the Company for the year ended 31 December 2022 are as follows:

**Directors**

| | Remuneration and fees | Share based payments | Pension Costs | Benefits in Kind | Total | Total 2021 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| S P O'Hara | 143 | - | 4 | 4 | 151 | 262 |
| S Christie | 25 | - | - | - | 25 | 33 |
| R Davidson | 55 | - | - | - | 55 | 72 |
| S Kolyda | 81 | - | 6 | 1 | 88 | 128 |
| C Brinsmead | 25 | 6 | - | - | 31 | 25 |
| S Hammond | 25 | 6 | - | - | 31 | 21 |
| Total | 354 | 12 | 10 | 5 | 381 | 541 |

Benefits in kind relate to medical insurance. The number of directors to whom retirement benefits were accruing was 2 (2021: 2).

## 5. Net Finance Income / (Costs)

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|
| Finance Income: | | |
| Bank Interest | - | - |
| Finance Cost: | | |
| Loan note interest | - | (48) |

| | | |
|---|---|---|
| Net Finance Income / (Costs) | - | (48) |

**6. Expenses – analysis by nature**

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|
| Research and development | 68 | 64 |
| Directors' fees & remuneration (Note 4) | 354 | 469 |
| Salaries, pension and social security | 623 | 599 |
| Auditor remuneration – Group and Company audit fees | 25 | 23 |
| Auditor remuneration-Audit of subsidiaries | 15 | 22 |
| Auditor remuneration – non audit fees:tax compliance | 8 | 7 |
| Auditor remuneration – non audit fees: other assurance | 2 | 3 |
| Brokers & Advisors | 122 | 209 |
| Advertising & marketing | 84 | 42 |
| Share based payments charge | 12 | 60 |
| Bad debt provision | 458 | |
| Amortisation of patents and development costs | 224 | 288 |
| Patent and IP costs | 88 | 115 |
| Consultancy fees | 378 | 262 |
| Legal and professional fees | 12 | 28 |
| Public Relations costs | 80 | 68 |
| Travel costs | 102 | 16 |
| Other expenses | 78 | 213 |
| Total administrative expenses | 2,733 | 2,488 |

**7. Corporation Tax**

**Corporation Tax**

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|---|---|---|
| Corporation tax credit | (38) | (75) |
| Deferred tax movement | (108) | (9) |
| Total taxation | (146) | (84) |

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2022 nor for the year ended 31 December 2021.

| | **Year ended 31 December 2022 £'000** | **Year ended 31 December 2021 £'000** |
|---|---|---|
| Profit (Loss) on ordinary activities before income tax | 2,442 | 6,177 |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2021 – 19%) | 466 | 1,174 |
| Effects of: | | |
| Disallowables | 166 | 14 |
| Income not taxable | (1,068) | (1,546) |
| Accelerated depreciation | - | - |
| R&D tax credit claimed | (38) | (75) |
| Amortisation | 28 | 33 |
| Revenue items capitalised | - | (37) |
| Other timing differences | - | 19 |
| Unused tax losses carried forward | 408 | 343 |
| Tax credit | (38) | (75) |

The group has estimated losses of £10.8m (2021: £8.41m) in respect of which a deferred tax asset of £2.7m (2021: £2.1m) has not been recognised due to the uncertainty of future taxable profits. The unrecognised deferred tax asset has been assessed by reference to a rate of 25% which is the UK headline corporation tax rate from 1 April 2023.

The Group submits claims for R&D tax credits in respect of its research and development activities in respect of microbiome modulators and similar products relating to the exploitation of its patent portfolio and potential new patents arising from scientific research performed by group employees and its partners. Whilst the Board are confident of recovery of the estimated R&D tax credit, there is no certainty that the receivable will be recoverable until HMRC have approved the claim and the enquiry window is closed. However, based on the group's history of successful claims over a number of years, the Board are satisfied that the tax receivable is recoverable and appropriately recorded.

| | **2022** | **2021** |
|---|---|---|
| **Current tax asset - Group** | **£** | **£** |

| | | |
|---|---|---|
| Balance brought forward | 191,249 | 310,435 |
| Received during the year | (123,663) | (194,663) |
| Prior year adjustment | - | 477 |
| Research & development tax credit claimed | 37,500 | 75,000 |
| | 105,086 | 191,249 |

## 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 £'000 | 2022 Weighted average Number of shares No. | Profit per-share Pence |
|---|---|---|---|
| Basic EPS | 2,587 | 88,279,952 | 2.93 |
| Diluted EPS | 2,587 | 93,213,179 | 2.78 |

| | Earnings £'000 | 2021 Weighted average Number of shares £ | Profit per-share Pence |
|---|---|---|---|
| Basic EPS | 6,261 | 87,574,152 | 7.15 |
| Diluted EPS | 6,261 | 95,536,395 | 6.55 |

As at 31 December 2022 there were 7,182,907 (2021: 7,632,907) outstanding share options and NIL (2021: 329,336) outstanding share warrants.

## 9. Intangible assets

| Group | Development Costs and Patents £'000 |
|---|---|
| **Cost** | |
| At 31 December 2020 | 3,672 |
| Additions | 193 |
| Disposals | - |
| At 31 December 2021 | 3,865 |
| Additions | 46 |
| Disposals | (1,370) |
| At 31 December 2022 | 2,541 |

| | |
|---|---|
| **Amortisation** | |
| At 31 December 2020 | 937 |
| Amortisation charge for the year | 288 |
| At 31 December 2021 | 1,225 |
| Amortisation charge for the year | 224 |
| Disposals | (448) |
| At 31 December 2022 | 1,001 |
| **Carrying amount** | |
| At 31 December 2022 | 1,540 |
| At 31 December 2021 | 2,640 |

The company had no intangible assets during the reporting period.

Development costs and patents represent cost capitalised in respect of the Group's intellectual property portfolio and includes the costs of registering and maintaining patents as well as capitalised development costs. All intangible assets relate to the Group's principal activities.

Disposals in the year relate to two patent families relating to probiotic patents owned by Probiotix Limited and therefore which were derecognised upon the group's loss of control of Probiotix Health plc. This disposal has formed part of the gain on loss on disposal reported in the income statement.

**10. Property, plant and equipment**

**Group**

| | **£** |
|---|---|
| **Cost** | |
| At 31 December 2020 | 8,461 |
| Additions | - |
| Disposals | - |
| At 31 December 2021 | 8,461 |
| Additions | - |
| Disposals | - |
| At 31 December 2022 | 8,461 |
| **Depreciation** | |
| At 31 December 2020 | 8,461 |
| Charge for the year | - |
| At 31 December 2021 | 8,461 |
| Charge for the year | - |

| | |
|---|---|
| At 31 December 2022 | 8,461 |
| **Carrying amount** | |
| At 31 December 2022 | - |
| At 31 December 2021 | - |

The company had no fixed assets during the reporting period.

## 11. Investments

### Group

Set out below is the investment in Skinbiotherapeutics PLC. The investment was treated as an associate of the group until 2 November 2020, after which time the shareholding dropped to 24.65% and recalculated as an equity investment. The Group records its investment in Skinbiotheraputics plc at fair value and is remeasured by reference to its closing price on AIM at each reporting date. The share price at 31 December 2022 was 15.5p.

During the year, a small holding of shares was disposed to generate proceeds of £25k with original cost of £9k.

| | **2022** **£'000** | **2021** **£'000** |
|---|---|---|
| **Investments** | | |
| At the beginning of the period | 13,651 | 8,962 |
| Revaluations | (8,620) | 7,501 |
| Disposal of shares during year | (9) | (2,812) |
| At 31 December | 5,022 | 13,651 |

### Investment in Associate

On 31 March 2022, ProBiotix Health Plc ( "PBX") the parent company of ProBiotix Limited listed on the AQSE Growth Market. The listing of PBX on AQSE, together with the issue of a dividend in specie and issue of new shares, means that PBX is now considered an associate for accounting purposes with its revenues and costs removed post listing and only OptiBiotix's (44%) proportion of its profit and loss included in the Group's accounts under the equity method of accounting. The step-down from being a subsidiary to an associate resulted in the revaluation of the remaining interest held in PBX at the listing price and a gain on disposal of a subsidiary recognised in the income statement. A gain of £21.647m was recorded in the income statement.

An assessment was undertaken to assess whether the Company had defacto control over PBX during the period considering Board representation, financing arrangements , the Relationship agreement and the other shareholdings in PBX. Based on the assessment it was concluded that the Company only had significant influence and that PBX was an associate in the period. The Relationship agreement sets out costs that are being incurred by the Group that are being recharged to PBX.

At 31 March 2022 the Group held 53,533,333 shares in Probiotix Health plc, valued at the IPO price of 21p resulting in a deemed cost of investment in associate of £11.24m. As an associate, the Group's investment is equity accounted and the Group's 44% share of loss was deducted from this carrying value.

Investment in Associate

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Investments** | | |
| At the beginning of the period | - | - |
| Additions | | |
| Deemed cost on reclassification from subsidiary | 11,242 | - |
| Impairment in the period | (8,030) | - |
| Share of result for the period (see below) | (83) | - |
| At 31 December | 3,129 | - |

PBX is registered in United Kingdom and is in the Health food sector.

Set out below is financial information on PBX set out in its IFRS financial statements for the period from incorporation on 4 November 2021 to 31 December 2022.

| | 2022<br>£'000 |
|---|---|
| Revenue | 1,308 |
| Loss from continuing operations | (237) |
| Total comprehensive loss | (189) |
| Current assets | 2,311 |
| Current Liabilities | (307) |
| Non-current liabilities | (89) |
| 44% share of total comprehensive loss | (83) |

**Company Investments**

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Listed Investments** | | |
| At the beginning of the period | 13,651 | 8,962 |

| | | |
|---|---|---|
| Additions | - | - |
| Revaluations | (8,620) | 7,501 |
| Disposal of shares during year | (9) | (2,812) |
| | 5,022 | 13,651 |
| **Investment in subsidiaries** | | |
| At the beginning of the period | 2,081 | 2,081 |
| Additions | 16 | - |
| Impairment | (50) | - |
| Disposals | (61) | - |
| | 1,986 | 2,081 |
| At 31 December | 7,008 | 15,732 |

**Company Investment in Associate**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| At the beginning of the period | 60 | - |
| Reclassification to associate | 11,182 | - |
| Provision against value of associate | (8,030) | - |
| At 31 December | 3,212 | - |

The Company holds listed investments at fair value, and investments in subsidiaries and associates at cost less impairment. The fair value of the Company's investment in Probiotix Health plc upon losing control was set as deemed cost.

The Directors have had regard to potential impairment of this group's investment in Probiotix. After taking account of share price movements subsequent to the year end, and in particular after the end of the post-IPO lock-in period, the Directors concluded that an impairment should be recorded to reflect the movement in share price from 21p at the time of IPO in March 2022 to 6p which is an approximation to the traded price on AQSE Growth after the lock-in period ended.

Whilst the Directors believe the share price of 6p is reflective of wider economic uncertainties and a difficult equities market rather than any adverse impact in the group's trading prospects, the impairment has been recorded on the basis of a prudent approach reflective of market conditions which the Board believe are short term in nature. The Board consider that recently depressed share valuations across various international markets reflect significant under pricing and are not reflective of asset values.

An impairment charge of £8.03m has been recorded in the income statement as a separate line item. The impairment assessment was made by reference to fair values using Level 1 inputs on the Fair Value Hierarchy, being observable traded prices on the AQSE Growth exchange.

During the period an impairment of £50,000 was raised against the Company's investment in The Healthy Weight Loss Company Limited as the board intend to wind up this company which has minimal assets and no trading activity.

The entities 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.

As at 31 December 2022 the Company directly held the following subsidiaries:

| **Name and Registered office address 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 |
| Innovation Centre Innovation Way, Heslington, York, YO10 5DG | | | |
| Optibiotix Health India Private Limited | Health foods | India | 100% of ordinary shares |
| House NO.243, Mcd Colony, Vivekanand Puri Sarai Rohilla City, Delhi CITY, DELHI, North Delhi, Delhi, India, 110007 | | | |
| The Healthy Weight Loss Company Limited | Health foods | United Kingdom | 68% of ordinary shares |
| Office 7 35/37ludgate Hill, London, England, EC4M 7JN | | | |

**12. Inventories**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Finished goods | 178 | 102 | - | - |

During the period £213k (2021: £1,090k) has been expensed to the income statement.

## 13. Trade and other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Non- current** | **£'000** | **£'000** | **£'000** | **£'000** |
| Amounts owed by group undertakings | - | - | - | 318 |
| | - | - | - | 318 |
| **Current** | | | | |
| Accounts receivable | 379 | 1,415 | - | - |
| Other receivables | 131 | 82 | 17 | 40 |
| Prepayments and accrued income | 11 | 56 | 8 | 26 |
| | 521 | 1,553 | 25 | 66 |

During the period 1 January 2022 to 31 March 2022 Optibiotix Health PLC loaned Probiotix Limited £150,000, to finance working capital costs in the period up to the listing of Probiotix Health Group plc. During the year £203,835 was repaid. The balance due to Probiotix Limited at 31 December 2022 of £10,137 (2021 owing: £53,835) was repaid post year end. There was no interest charged during the year.

During the year Optibiotix Health PLC loaned Optibiotix Limited £1,220,000 to finance working capital costs. Optibiotix Limited recharged Optibiotix Health PLC £373,426 for salary costs. The balance at the yearend of £846,574 (2021, £931,903) was cancelled. There was no interest charged during the year. This does not impact on the consolidated Group accounts.

During the year Optibiotix Limited recharged Probiotix Health PLC £23,139 for directors' fees. Optibiotix Limited received a a recharge from Probiotix Health PLc for admin costs of £148. The balance at the year end of £22,991 was received after the year end. There was no interest charged during the year.

During the year Optibiotix Limited transactions with Probiotix Limited were as follows:-

- £440,663 for salaries and administration costs;
- £60,676 income received on behalf of Probiotix limited; and
- £544,177 repayments received.

There was no interest charged during the year. The remaining balance of £30,146 was received after the year end.

## 14. Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |

| | £’000 | £’000 | £’000 | £’000 |
|---|---|---|---|---|
| Cash and bank balances | 1,052 | 2,007 | 865 | 1,705 |

All cash is held in demand deposits with large UK banks.

## 15. Called Up Share Capital

| Issued share capital comprises: | 2022 £’000 | 2021 £’000 |
|---|---|---|
| Ordinary shares of 2p each – 91,190,661 (2021: 87,940,601) | 1,824 | 1,759 |
| | 1,824 | 1,759 |

During the period the Company issued ordinary shares of £0.02 each listed below:-

| | Date | Number |
|---|---|---|
| Exercise of warrants at exercise price of £0.08 | 27/01/2022 | 125,000 |
| Exercise of warrants at exercise price of £0.08 | 09/03/2022 | 60 |
| Issue of equity via subscription at a price of £0.16 | 05/12/2022 | 3,125,000 |
| | | 3,250,060 |

## 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 net of distributions paid.

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 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Accounts Payable | 191 | 424 | 34 | 18 |
| Accrued expenses | 70 | 175 | 39 | 23 |
| Other payables | 17 | 3 | 10 | - |
| Total trade and other payables | 278 | 602 | 83 | 41 |

## 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% (2021: 25%).

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

| | **2022** | **2021** |
|---|---|---|
| | **£'000** | **£'000** |
| At 31 December | 552 | 561 |
| Movement in the period | (187) | (9) |
| At 31 December | 365 | 552 |

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 over the timing of future taxable profits. Further details of available losses are set out in note 7.

## 19. Convertible Loan Notes

The Company's former subsidiary Probiotix Health Plc issued 1,025,000 floating rate convertible loan notes (CLN) for £1,025,000 on 11 December 2018. The notes were 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 had subscribed 250,000 of the CLN for £250,000

The loan notes were converted as part of the listing process for Probiotix Health PLC on 31 March 2022.

## 20. Related Party Disclosures

Transactions and balances with Probiotix Group are set out in note 13.

## 21. Ultimate Controlling Party

The Board consider that there is no overall controlling party.

## 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 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 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | No. | No. | £ | £ |
| Outstanding at the beginning of the period | 7,632,907 | 8,032,907 | 0.18 | 0.21 |
| Granted during the period | 500,000 | - | 0.02 | - |
| Forfeited/cancelled during the year | (950,000) | (400,000) | 0.70 | 0.785 |
| Exercised during the period | - | - | - | - |
| Outstanding at the end of the period | 7,182,907 | 7,632,907 | 0.092 | 0.17 |

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 2020 vesting conditions dictate that the options will vest if certain revenue conditions are met.

For share options issued in 2022 The Company has agreed with a number of option holders to surrender their existing options in return for Nominal Value Options over half the number of shares of their existing options, which will be subject to a combination of performance and time-based vesting criteria. This ensures a continued focus on commercial revenues and shareholder value creation. New options will be granted on a similar basis going forward. Options granted to non-executive directors will be subject to time-based vesting.

The share options outstanding at the period end had a weighted average remaining contractual life of 830 days (2021: 1,241 days) and the maximum term is 10 years.

The share price per share at 31/12/22 was £0.13 (31/12/2021: £0.46)

Where share options were cancelled in the period and replaced with share options with revised terms, the Board have considered this set of transactions as a modification of share based payment arrangements and have therefore considered whether any incremental value arises as a result of the grant of modified awards. Having performed an assessment the Board have concluded that no incremental value fair is required and therefore no charge has been recognised. In respect of replacement options which include market based vesting conditions in respect of revenue targets, the Board have determined that the value of this proportion of shares have immaterial value in light of the Group's results for the 2022 accounting period in which they were granted.

**(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 |
|---|---|---|

| | 2022 No. | 2021 No. | 2022 £ | 2021 £ |
|---|---|---|---|---|
| Outstanding at the beginning of the period | 329,336 | 329,386 | 0.08 | 0.08 |
| Exercised | (125,060) | - | 0.08 | 0.08 |
| Cancelled | 204,276 | - | - | |
| Outstanding at the end of the period | - | 329,336 | - | 0.08 |

There were no warrants in issue at 31 December 2022.
A charge of £Nil (2021: £60,288) 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 in respect of its financial statements are liquidity risk and credit 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.

**Interest risk**

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

The group's financial assets do not bear interest.

**Credit Risk**

The Group try to limit the credit risk by dealing with larger companies and also asking new smaller customers to provide a deposit with the purchase order.

Management have regard to credit exposures when entering into new contracts and seek to agree settlement terms on all contracts. Credit exposure is regularly monitored by management and any overdue debts are followed up as part of the group's credit control procedures. Where a debt becomes significantly overdue, management have regard to credit loss provisions to reflect the existence of expected credit losses, taking account of forward looking information as well as the pattern of cash collections for that category of customer.

At 31 December 2022 one material debt is overdue, however management have negotiated revised terms and expect to resolve the outstanding amount within 2023.

Having taken account of the nature of the relationship with the customer and the pattern of repayments since the receivable was raised, the Directors expect the amount to be recovered in full, however a credit loss provision of £60,000 has been created to reflect the impact of wider economic uncertainties over the projected collection period.

The Board consider a default to have occurred when a receivable passes 60 days beyond agreed credit terms, at which point regard is had to the specific characteristics of the debtor in assessing exposure to material credit risk and therefore the requirement to create a loss provision.

**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 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

Subsequent to the period end, the share price of the group's associate Probiotix Health plc was trading in the region of 5-7p, representing a material reduction since the IPO price of 21p at 31 March 2022. The Directors have had regard to the financial reporting impacts and further detail is given in Note 11.