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# Company Information



## Directors:

S P O'Hara  
R Davidson  
M Christie  
C Brinsmead  
S Hammond  
S Kolyda

## Secretary:

Mark Collingbourne

## Registered number:

05880755 (England & Wales)

## Registered office:

Innovation Centre  
Innovation Way  
York  
YO10 5DG

## Auditors:

Jeffreys Henry LLP  
Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE

## Nominated adviser:

Cairn Financial Advisers LLP  
9th Floor  
107 Cheapside  
London  
EC2V 6DN

## Brokers:

Peterhouse Capital Limited  
80 Cheapside  
London  
EC2V 6DZ

## Website Address:

[www.optibiotix.com](http://www.optibiotix.com)

# Chairman's and Chief Executive's Report

For the year ended 31 December 2022

**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, René 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 LPLDL® 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 LPLDL® 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 LPLDL®, demonstrating through a placebo-controlled trial that LPLDL® 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 LPLDL®

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 Company'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 Company to report a profit of £2.47m 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 brokering of Cenkos Securities plc. Peterhouse Capital Limited continue as the Company's sole broker.
- René 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 René 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.

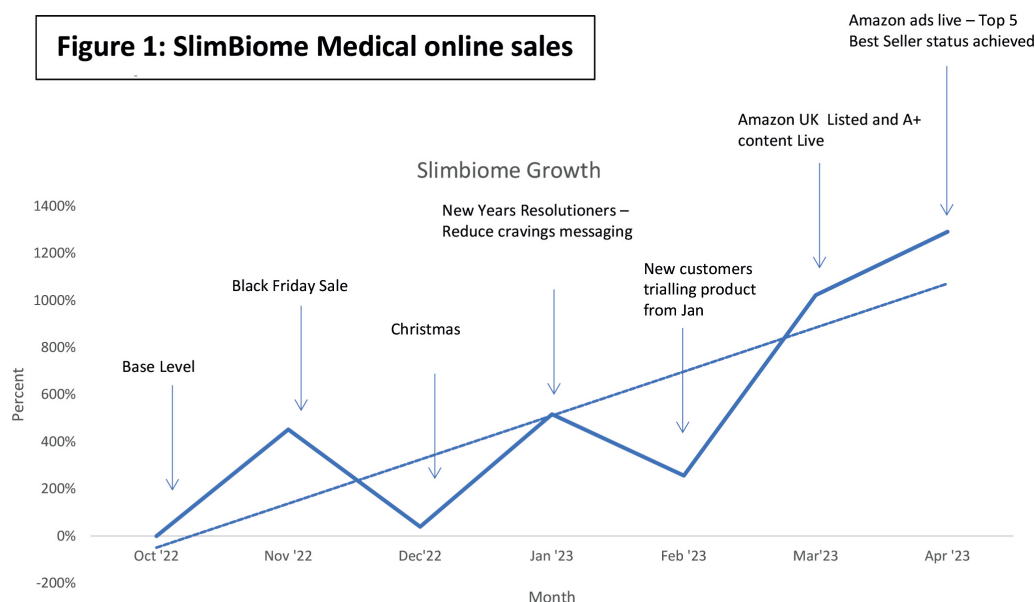
As we add more products, open up channels to new markets, and bring on new applications we should see continued growth within the Ecommerce business in 2023 and beyond.

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

**Figure 1: SlimBiome Medical online sales**







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 '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 "Apollo") 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 Apollos 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 lifestyle 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 restore 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

**Stephen O'Hara**  
Chief Executive

23 June 2023

# Strategic Report

For the year ended 31 December 2022

## REVIEW OF BUSINESS

A review of the business of the Group, together with comments on future developments is given in the Chairman's and Chief Executive's Reports on pages 3 to 8

## PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

### *Technology and products*

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

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

### *Intellectual Property*

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

## FINANCIAL AND CAPITAL RISK MANAGEMENT

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

The Board's objective is to maintain a balance sheet that is both efficient and delivers long term shareholder value. The Group had cash balances of £1.052m as at 31 December 2022 and had no short-term borrowings. The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.



## Principal Risks And Uncertainties

Market Risks	Impact	Mitigation
<b>Brexit</b>	New regulations, such as the Windsor protocol, could add complexity and delays to operations.  Currency fluctuations could increase costs and affect profitability.	The current consensus is that the new regulations will not affect the regulations that are relevant to our business.  Currency fluctuations will impact both sales and costs. Our initial product offering is not price-sensitive. Substantial cost increases will be passed on.
<b>Economic uncertainty caused by war in Ukraine</b>	Ongoing economic uncertainty, recession or an escalation of the war in Ukraine may impact market confidence, demand and prices.	The group is not directly affected by the war in Ukraine but the Board monitor the general economic environment and consider economic forecasts when taking key decisions.
<b>Technology</b>	The Group's platform is currently unique. Rapid technological advances could see competitor products being launched.	The Group has product development plans in place for improved technology as well as for a wider product portfolio that includes additional innovative solutions for the targeted consumer groups.
Financial Risks	Impact	Mitigation
<b>Future funding requirements</b>	Our current funding covers current requirements. Potential as yet unidentified opportunities may not be pursued with the existing funding.	Management will analyse major opportunities and present them in additional business cases when warranted. The Company is able to sell its listed investments and raise further equity and debt finance.
Legal Risks	Impact	Mitigation
<b>Intellectual Property litigation</b>	Any claim brought against us would detract the Company from its business and incur potentially significant costs in defending its IP.	The Group engages with IP specialists to ensure we have a strong position. To our knowledge we do not infringe on any patents.
Operational Risks	Impact	Mitigation
<b>Loss of key personnel</b>	Material adverse impact on the Group's financial condition and prospects.	Competitive remuneration packages, nil cost options to reduce market volatility. The remuneration committee oversees the level of remuneration to ensure it remains competitive
<b>Technology</b>	The Group is commercialising its technology to launch new products in the consumer market.	The Group has identified a need and responded to consumer demand.
<b>Commercialisation</b>	The Group is making the transition from a research-based organisation to a full commercial organisation. Manufacturing set-up and learning curve could delay sales or could impact our rate of growth	The Group recruited experienced management and consultants to manage the process and negotiate contracts. The manufacturing is outsourced.
<b>Working capital</b>	The Group has encouraged customers to build up material stocks of ingredients to meet user demand from end user customers. Flexible payment terms have been given to customers to pay for stock.  If stocks are not used, would they become unusable.	Ingredients have a three-year shelf life risk of non-usability is reduced.  As end user requirements become formalised and production time frames for ingredients come down it will be possible for Group customers to hold less stock of ingredients which will in turn reduce the debtor balances outstanding at period end.
<b>Cyber attacks</b>	Cyber-attacks could delay or impair operations as which would have financial implications.	Training, anti-virus software, all users have multifactor authorisation for accounts, weekly review of attempts.

## KEY PERFORMANCE INDICATORS

### Financial

	Year to 31 December 2022 £'000	Year to 31 December 2021 £'000
Revenue	457	2,213
Operating Loss	(2,489)	(1,365)
Profit/(Loss) for the period	2,587	6,261
Cash as at 31 December	1,052	2,007

During the year to 31 December 2022 the company has achieved a number of key objectives to build shareholder value, these are laid out in the Chairman's and Chief Executive's report on pages 3 to 8.

### Non-financial

The Board recognises the importance of KPI's in driving appropriate behaviour and enabling of Group performance. For the year to 31 December 2022 the primary KPI's were the completion of commercial agreements and the expansion of the Optibiotic® platform. The Group intends to review the following non-financial KPI's going forward:

1. Number of Customers
2. Number of IP and trademark registrations
3. Rate of staff turnover

## DIVIDENDS

A dividend in specie of Ordinary Shares in Probiotix Health Plc was declared on 25 March 2022. The value of the dividend was £10,257,999.99.

The legal title to the Dividend Shares was held by Global Prime Partners Ltd acting as nominee on behalf of each of the Qualifying Shareholders ("**Nominee**") and an 'omnibus' share certificate in respect of the Dividend Shares was issued and held by the Nominee. The Nominee held the Dividend Shares on trust for each of the Qualifying Shareholders for a minimum period of 9 months following admission to trading on AQSE of the issued share capital of ProBiotix Health Plc ("**Lock-up Period**"). The Lock-up Period was intended to contribute to the creation of an orderly market in ProBiotix Health Plcs shares for a period after admission to trading.

The shares were released to the Qualifying shareholders in January 2023.

## FUTURE DEVELOPMENTS

The Chairman's and Chief Executive Statement on pages 3-8 gives information on the future outlook of the Group.

### Corporate Governance

Executive Management:

The Group's current executive team comprises:

S O'Hara Executive Director and CEO; with overall responsibility for all Group activities.

Dr S Kolyda Executive Director – Research and Development Director

### Corporate Responsibility

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

### Corporate Governance:

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

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

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

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

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

### Composition of the Board of Directors

The Board of Directors is currently comprised of the Chairman, Chief Executive Officer, the Research and development Director and the three Non-Executive Directors.



## Role of the Board:

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

## Board Committees:

### Remuneration Committee

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

### AIM Rules Compliance Committee

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

### Audit Committee

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

### Nomination Committee

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

## Employees

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

## Suppliers and Contractors

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

## Health and Safety

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

## Section 172 Statement

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

Key decisions made by the Board during 2022 were related primarily to

- the achievement in January 2022 of British Retail Consortium accreditation, confirming our compliance with the Global Food Safety Initiative ('GFSI') benchmark.
- 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
- 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.

- 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 ; and
- 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.

## Employee engagement

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

## Stakeholder Engagement

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

## Shareholder Engagement

The Company, through its corporate broker, Peterhouse Capital Limited, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private shareholders and encourages them to participate. The Annual General Meeting is attended by Directors.

## Greenhouse Gas Emissions

The Company has no physical assets (other than a small amount of stock held by third parties), operations or premises. Consequently, it consumed less than 40,000 kWh of energy during the year so a detailed report on greenhouse gas emissions is not presented.

## Social, Community and Human Rights Issues

As an investment company with no employees the Company has no direct social or community responsibilities or impact on the environment. The Company, however, takes into account the impact of environmental, social and governance factors when selecting and managing its investments within the context of its obligation to manage investments in the financial interests of its shareholders.

ON BEHALF OF THE BOARD

**S P O'Hara**

23 June 2023



# Directors' Report

## For the year ended 31 December 2022



The Directors present their report and the audited financial statements of the group for the year to 31 December 2022.

### PRINCIPAL ACTIVITY

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

### DIRECTORS

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

#### Executive Directors

S P O'Hara  
S Kolyda

#### Non-executive Directors

R Davidson  
M Christie  
C Brinsmead  
S Hammond

#### Directors' Remuneration

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

#### Directors and their interests

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

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of £0.02 each	Percentage Held	Ordinary shares of £0.02 each	Warrant exercise price	Ordinary shares of £0.02 each	Option exercise price
S P O'Hara	10,212,986	11.20%	—	—	6,099,135	£0.08
R Davidson	503,000	0.55%	—	—	192,500	£0.02
M Christie	150,000	0.16%	—	—	50,000	£0.02
S Kolyda	—	—	—	—	82,500	£0.02
S Kolyda	—	—	—	—	358,722	£0.20
C Brinsmead	—	—	—	—	50,000	£0.02
S Hammond	50,000	0.05%	—	—	50,000	£0.02

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

The share options held by R Davidson were granted on 07 January 2022 and are exercisable at £0.02 at any time up to 6 January 2032, subject to vesting conditions. On the same day R Davidson surrendered 385,000 options at £0.73 and was granted options at £0.02.

The share options held by M Christie were granted on 07 January 2022 and are exercisable at £0.02 at any time up to 6 January 2032, subject to vesting conditions. On the same day M Christie surrendered 50,000 options at £0.95 and was granted options at £0.02.

The 358,722 share options held by S Kolyda were granted on 10 March 2015 and are exercisable at £0.20 at any time up to 10 March 2025, subject to vesting conditions.

The share options held by S Kolyda were granted on 07 January 2022 and are exercisable at £0.02 at any time up to 6 January 2032, subject to vesting conditions. On the same day S Kolyda surrendered 82,500 options at £0.73 and was granted options at £0.02.

The share options held by C Brinsmead were granted on 07 January 2022 and are exercisable at £0.02 at any time up to 6 January 2032, subject to vesting conditions.

The share options held by S Hammond were granted on 07 January 2022 and are exercisable at £0.02 at any time up to 6 January 2032, subject to vesting conditions.

## SUBSTANTIAL SHAREHOLDINGS

Substantial shareholdings include directors as at 20 June 2023 were as follows:

	% of shares issued
Stephen O'Hara	11.19
Finance Yorkshire Seedcorn LP	10.36

The share price per share at 31/12/2022 was £0.13 (31/12/2021: £0.46)

## FINANCIAL INSTRUMENTS

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

## RESEARCH AND DEVELOPMENT

The Chairman's and Chief Executive's Report on pages 3-8 gives information on the Group's research and development activities.

## DIRECTORS INDEMNITY INSURANCE

The Group hold a Directors and Officers policy managed by CFC Underwriting Limited on behalf of Lloyds Syndicates with a limit of liability in the aggregate of £1,000,000.

## EVENTS AFTER THE REPORTING PERIOD

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

## PUBLICATION OF ACCOUNTS ON GROUP WEBSITE

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

## GOING CONCERN

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

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.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have, as required by the AIM Rules for Companies of the London Stock Exchange, elected to prepare financial statements in accordance with UK adopted international accounting standards (IFRS). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

## AUDITOR

Jeffreys Henry LLP has indicated that it will not seek re-appointment as the Company's auditor at the Annual General Meeting as, following a business reorganisation, the firm will provide audit services to clients from another company in the group, Gravita Audit Limited. A resolution to appoint Gravita Audit Limited as the Company's auditor will be proposed at the Annual General Meeting.

## STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 the Group chooses to report the future outlook and the risks and uncertainties faced by the Group in the Strategic Report on page 9.

ON BEHALF OF THE BOARD

**S P O'Hara**

23 June 2023

# Independent Auditor's Report to the Members of OptiBiotix Health Plc

## For the year ended 31 December 2021

### Opinion

We have audited the financial statements of Optibiotix Health Plc (the 'company') and its subsidiaries (together the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group and company financial statements is applicable law and UK-adopted International Accounting Standards (IFRS) as applied in accordance with the provision of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS);
- the company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviews of base case and downside cash flow scenarios and assessment of the ability of the group to realise its investment assets where needed to support the group's cash position.

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

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

### Our approach to the audit

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

### How we tailored the audit scope

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

The Group financial statements consolidate the results and balance of Optibiotix Health plc, Optibiotix Limited, The Healthy Weight Loss Company Limited, Optibiotix Health India Private Limited and, up to date when control was lost, the group headed by Probiotix Health Plc.

We performed full scope audits of the financial information of Optibiotix Health plc, Optibiotix Limited, Probiotix Health Plc, Probiotix Limited and The Healthy Weight Loss Company Limited. We also performed targeted financial procedures on the financial information of Optibiotix Health India Private Limited. In total, the scope of audit work accounted for 100% of the group's revenue and 100% of the group's profit. The group engagement team performed all audit procedures.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.



## Key audit matter

### Loss of control of Probiotix Health Plc

During the year, the directors assessed that the group lost control of Probiotix Health Plc as a result of a series of transactions which the board considered to form a single set of linked transactions. These transactions included the payment of a dividend in specie to shareholders of the company, the listing on AQSE Growth Market of Probiotix Health Plc, the automatic conversion of Probiotix Health Plc's convertible loan notes upon admission to trading and the issue of new shares in Probiotix Health plc. The result of these linked transactions was that the group's interest in Probiotix Health Plc and Probiotix Limited fell from 100% to 44%.

The Board determined that the date of loss of control was the date of Probiotix Health Plc's admission to AQSE Growth, 31 March 2022.

As a result, the result of Probiotix Health Plc was consolidated up to 31 March 2022 at which time the group was deemed to lose control and therefore all assets and liabilities of Probiotix Health Plc were derecognised from the consolidated statement of financial position.

The group reported a gain on disposal of Probiotix Health Plc as a result of the recognition of the dividend in specie at fair value and a remeasurement of the remaining interest at fair value.

Management assessed that the facts and circumstances after the series of linked transactions resulting in the group having significant influence but not control over Probiotix Health Plc. Therefore from the date of loss of control the group's interest in Probiotix Health Plc has been recorded as an associate and has been equity accounted.

## How our audit addressed the key audit matter

We obtained the underlying documentation governing the series of transactions resulting in the loss of control of Probiotix Health Plc, including the Probiotix Admission Document to AQSE Growth, the convertible loan note instrument, board minutes and resolutions in respect of the dividend in specie and listing, shareholder registers and other relevant documents.

We challenged management's assessment of the nature of the relationship between the group and Probiotix Health Plc after 31 March 2022 and reviewed key documents such as the Relationship Agreement and board minutes of both groups and examined the consistency of management's arguments with the wider evidence reviewed. We found the evidence to support the judgement that the group did not control Probiotix Health Plc after 31 March 2022.

We reviewed the technical basis for the accounting treatment of the loss of control including by reference to IFRIC 17 and IFRS 10 in relation to dividends in specie and the treatment of retained interests following a loss in control respectively. We found the technical basis for the treatment of the series of linked transactions to be reasonable.

We obtained and examined the application of cut off as at 31 March 2022 in respect of the deconsolidation of the Probiotix group from that date with no material exception. We examined whether all assets and liabilities attributable to Probiotix Health Plc and Probiotix Limited were removed from the consolidated financial statements and reviewed the group's disclosures in respect of the transaction.

We determined that this matter was a key audit matter due to the significance of the financial impact on the group financial statements and the multiple judgements applied by management

## Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
<b>Overall materiality</b>	£92,000 (2021: £202,000)	£90,000 (2021: £178,000)
<b>How we determined it</b>	5% of adjusted profit (2021: 1% gross assets)	1% of gross assets, capped at group materiality (2021: 1% gross assets)
<b>Rationale for benchmark applied</b>	The group reported an individually significant gain on the loss of control of Probiotix Health Plc and an individually significant loss on revaluation of its interest in Skinbiotherapeutics plc. These gains and losses were adjusted for the purposes of calculating materiality so as not to calculate an unduly high materiality by reference to the group's trading operation.	We believe that gross assets is a primary measure used by shareholders in assessing the performance of the company. Materiality was restricted to group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5,000 for the group (2021: £10,100) and £5,000 for the company (2021: £8,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.





We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;

## Independent Auditor's Report to the Members of OptiBiotix Health Plc (continued)

- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- obtaining confirmation of compliance from the company's legal advisors.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Sachin Ramaiya**

(Senior Statutory Auditor)

For and on behalf of

**Jeffreys Henry LLP, Statutory Auditor**

Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE

23 June 2022

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022



	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)
<b>Gross profit</b>		<b>244</b>	<b>1,123</b>
Share based payments		(11)	(60)
Depreciation and amortisation		(224)	(288)
Other administrative costs		(2,498)	(2,140)
<b>Total administrative expenses</b>	6	<b>(2,733)</b>	<b>(2,488)</b>
<b>Operating loss</b>		<b>(2,489)</b>	<b>(1,365)</b>
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)	—
<b>Profit/(Loss) before tax</b>		<b>2,441</b>	<b>6,177</b>
Taxation	7	146	84
<b>Total comprehensive income for the period</b>		<b>2,587</b>	<b>6,261</b>
Total comprehensive income attributable to:			
Owners of the company		2,587	6,261
Non-controlling interests		—	—
		<b>2,587</b>	<b>6,261</b>
<b>Earnings per share from continued operations</b>			
Basic profit/(loss) per share	8	2.93p	7.15p
Diluted profit/(loss) per share	8	2.78p	6.55p

All activities relate to continuing operations

The notes on pages 31 to 54 form part of these financial statements

# Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangibles	9	1,540	2,641
Investments	11	5,022	13,651
Investment in associate	11	3,129	–
		<b>9,691</b>	<b>16,292</b>
<b>CURRENT ASSETS</b>			
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
		<b>1,857</b>	<b>3,853</b>
<b>TOTAL ASSETS</b>		<b>11,548</b>	<b>20,145</b>
<b>EQUITY</b>			
<b>Shareholders' Equity</b>			
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
		<b>10,905</b>	<b>18,137</b>
Non-controlling interest	16	–	35
<b>Total Equity</b>		<b>10,905</b>	<b>18,172</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	278	602
		<b>278</b>	<b>602</b>
<b>Non-current liabilities</b>			
Deferred tax liability	18	365	552
Convertible loan notes	19	–	819
		<b>365</b>	<b>1,371</b>
<b>TOTAL LIABILITIES</b>		<b>643</b>	<b>1,973</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,548</b>	<b>20,145</b>

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 Registration no. 05880755

The notes on pages 31 to 54 form part of these financial statement

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022



	Called up Share capital £'000	Retained Earnings £'000	Share Premium £'000	Share- based Payment reserve £'000	Convertible Debt Reserve £'000	Merger Relief Reserve £'000	Non- Controlling interest £'000	Total equity £'000
<b>Balance at 31 December 2020</b>	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
<b>Balance at 31 December 2021</b>	1,759	11,320	2,537	928	93	1,500	35	18,172
Profit for the year	–	2,587	–	–	–	–	–	2,587
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
<b>Balance at 31 December 2022</b>	<b>1,824</b>	<b>3,684</b>	<b>2,958</b>	<b>939</b>	<b>–</b>	<b>1,500</b>	<b>–</b>	<b>10,905</b>

The notes on pages 31 to 54 form part of these financial statements

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Opening Cash		2,007	865
<b>Operating activities</b>			
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)
<b>Investing activities</b>			
Additions to intangibles		(168)	(194)
Cash disposed on loss of subsidiary		(188)	–
Proceeds on disposal of investments		25	2,901
Net		(331)	2,707
<b>Financing activities</b>			
Net proceeds on Share issues		485	–
<b>Net cash inflow from financing activities</b>		485	–
Total movement		(955)	1,142
Cash and cash equivalents at end of period	I	1,052	2,007

The notes on pages 31 to 54 form part of these financial statements



# Notes to the Consolidated Statement of Cash Flows

For the year ended 31 December 2022



## I. Cash and Cash Equivalents

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

The notes on pages 31 to 54 form part of these financial statements

# Company Statement of Financial Position

As at 31 December 2022

	Notes	As at 31 December 2022 £'000	As at 31 December 2021 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	11	7,008	15,732
Investment in associate	11	3,212	–
Other receivables	13	–	318
		<b>10,220</b>	<b>16,050</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	25	66
Cash and cash equivalents	14	865	1,705
		<b>890</b>	<b>1,771</b>
<b>TOTAL ASSETS</b>		<b>11,110</b>	<b>17,821</b>
<b>EQUITY</b>			
<b>Shareholders' Equity</b>			
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
<b>Total Equity</b>		<b>11,027</b>	<b>17,780</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	83	41
<b>TOTAL LIABILITIES</b>		<b>83</b>	<b>41</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,110</b>	<b>17,821</b>

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 £3.008m (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 Registration no. 05880755

The notes on pages 31 to 54 form part of these financial statements

# Company Statement of Changes in Equity

For the year ended 31 December 2022



	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
<b>Balance at 31 December 2022</b>	<b>1,824</b>	<b>2,958</b>	<b>1,500</b>	<b>939</b>	<b>3,806</b>	<b>11,027</b>

The notes on pages 31 to 54 form part of these financial statements

# Company Statement of Cash Flows

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Opening Cash		1,705	533
<b>Operating activities</b>			
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)
<b>Investing activities</b>			
Net cash advances to subsidiary		(1,143)	26
Proceeds on disposal of investments		25	2,901
Net		(1,118)	2,927
<b>Financing activities</b>			
Net proceeds on Share issues		485	–
<b>Net cash inflow from financing activities</b>		485	–
Total movement		(840)	1,172
Cash and cash equivalents at end of period	I	865	1,705

The notes on pages 31 to 54 form part of these financial statements

# Notes to the Company Statement of Cash Flows

For the year ended 31 December 2022



## I. Cash and Cash Equivalents

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

The notes on pages 31 to 54 form part of these financial statements

# Notes to the Financial Statements

For the year ended 31 December 2021

## 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 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 scenarios.

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





## 2. Accounting Policies (continued)

### 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 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).

## 2. Accounting Policies (continued)

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. Accounting Policies (continued)

### 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.

## 2. Accounting Policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carrying forward or unused tax assets and unused tax losses can be utilised.

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

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

### 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, plus accrued interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

**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. Accounting Policies (continued)

### 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,

## 2. Accounting Policies (continued)

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

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

### 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. Accounting Policies (continued)

### 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.



## 2. Accounting Policies (continued)

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 £'000	Year ended 31 December 2021 £'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

#### 4. Employees and Directors (continued)

##### 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 £'000	Share based payments £'000	Pension Costs £'000	Benefits in Kind £'000	Total £'000	Total 2021 £'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	512
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)

## 7. Corporation Tax (continued)

### 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 £
<b>Current tax asset – Group</b>		
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:

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

		2021 Weighted average Number of shares No.	Profit per-share Pence
Basic and diluted EPS	Earnings £'000		
Basic EPS	6,261,029	87,574,152	7.15p
Diluted EPS	6,261,029	95,536,395	6.55p

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
<b>Cost</b>	
At 31 December 2020	3,672
Additions	193
Disposals	—
At 31 December 2021	3,865
Additions	46
Disposals	(1,370)
At 31 December 2022	<b>2,541</b>
<b>Amortisation</b>	
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	<b>1,001</b>
<b>Carrying amount</b>	
At 31 December 2022	<b>1,540</b>
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	£
<b>Cost</b>	
At 31 December 2020	8,461
Additions	—
Disposals	—
At 31 December 2021	8,461
Additions	—
Disposals	—
At 31 December 2022	8,461
<b>Depreciation</b>	
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
<b>Carrying amount</b>	
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 Skinbiotherapeutics 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 £8k.

	2022 £'000	2021 £'000
<b>Investments</b>		
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

## 11. Investments (continued)

### 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 £'000	2021 £'000
<b>Investments</b>		
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 £'000
Revenue	1,308
Loss from continuing operations	(237)
Total comprehensive income	(189)
Current assets	2,311
Current Liabilities	(307)
Non-current liabilities	(89)
44% share of total comprehensive loss.	(83)



## 11. Investments (continued)

### Company Investments

	2022 £'000	2021 £'000
<b>Listed Investments</b>		
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
<b>Investment in subsidiaries</b>		
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
<b>Company Investment in Associate</b>		
	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.

## 11. Investments (continued)

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

## 12. Inventories

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



### 13. Trade and other Receivables (continued)

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 year end 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 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 £'000	2021 £'000	2022 £'000	2021 £'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

	Group		Company	
	2022	2021	2022	2021
Current	£'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 No.	2021 No.	2022 £	2021 £
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).

## 22. Share Based payment Transactions (continued)

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	–	329,386	–	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.





## 23. Financial Risk Management Objectives and Policies (continued)

### 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.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of OptiBiotix Health PLC (the "Company") will be held at the offices of Walbrook PR Ltd, 75 King William Street, London, EC3V 9HD on 26 July 2023 at 11:00 am for the following purposes:

1. To receive the Company's Report and Accounts for the year ended 31 December 2022.
2. To re-elect Sofia Kolida, who retires by rotation, as a Director.
3. To re-elect Sean Christie, who retires by rotation, as a Director.
4. To appoint Gravita Audit Limited as auditors of the Company and to authorise the Directors to determine their remuneration.

## Special Business

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

5. **THAT** the Directors be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (such shares and/or rights being "Relevant Securities") up to an aggregate nominal amount of £607,937.57 being one third of the current issued share capital, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2024, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

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

6. **THAT**, subject to and conditional upon the passing of resolution 5, the Directors be and they are hereby generally empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred under Resolution 5 above as if sub-section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue or any pre-emptive offer in favour of holders of ordinary shares in the Company where the equity securities attributable to the respective interests of such holders are proportionate (as nearly as maybe) to the respective numbers of ordinary shares held by them on the record date for such allotment subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical difficulties under the laws of, or the requirements of, any regulatory body or stock exchange of any overseas territory or otherwise;
  - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £547,143.82 being 30% of the current issued share capital;

and shall expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2024, provided that the Company may before such expiry make an offer or agreement which would require equity securities to be allotted in pursuance of such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier power given to directors.

By Order of the Board

Stephen O'Hara

27 June 2023

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

# Explanatory Notes to the Notice of Annual General Meeting



## Notes:

1. A member of the Company is entitled to appoint a proxy or proxies to attend, speak and vote at the meeting in his stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy does not need to be a member of the Company.
2. To be effective Forms of Proxy can be registered as follows:
  - by logging on to [www.shareregistrars.uk.com](http://www.shareregistrars.uk.com), clicking on the "Proxy Vote" button and then following the on-screen instructions;
  - by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX using the proxy form accompanying this notice;
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 5 below.

In order for a proxy appointment to be valid the proxy must be received by Share Registrars Limited by 11:00 am on 24 July 2023.

3. To change your proxy instructions simply submit a new proxy appointment using the methods set out above and in the notes to the Form of Proxy. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
4. To be entitled to vote at the meeting (and for the purpose of the determination by Company of the number of votes they may cast), members must be entered in the Register of members at 11:00am on 24 July 2023 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCO Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent 7RA36 by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCO Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### Resolution 1

The Directors are required by law to present to the meeting the Audited Accounts and Directors' Report for the period ended 31 December 2022.

#### Resolutions 2-3

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

#### Resolution 4

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

#### Resolution 5

Under the Act, the Directors may only allot shares if authorised to do so. Whilst the current authority has not yet expired, it is customary to grant a new authority at each Annual General Meeting. Accordingly, this resolution will be proposed as an ordinary resolution to grant a new authority to allot or grant rights over up to £607,937.57 in nominal value of the Company's unissued share capital. If given, this authority will expire at the Company's next annual general meeting following the date of the resolution. Although the Directors currently have no present intention of exercising this authority, passing this resolution will allow the Directors flexibility to act in the best interests of the Company's shareholders when opportunities arise.

#### Resolution 6

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

- (i) by way of a rights or similar issue or
- (ii) with a nominal value of up to £547,143.82. This resolution will be proposed as a special resolution.

**optibiotix.com**



To find out more please contact OptiBiotix on:

 [info@optibiotix.com](mailto:info@optibiotix.com)

**OptiBiotix Health Plc** | Innovation Centre, Innovation Way, Heslington, York, YO10 5DG, UK.



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