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OptiBiotix Health PLC
28 May 2020

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

Final Results for 13 months to 31 December 2019

OptiBiotix Health plc (AIM: OPTI), a life sciences business developing compounds to tackle obesity, high cholesterol and diabetes, announces its audited results for the period ended 31 December 2019. During the period, the Company has met a significant number of important objectives that continue to build value for shareholders.

Operational highlights

- The award of a CE mark and registration of SlimBiome® as a medical device
- The recognition of OptiBiotix's cholesterol and blood pressure reducing Lactobacillus plantarum LP_{LDL}® probiotic strain determined as Generally Recognized As Safe (GRAS). GRAS is a United States Food and Drug Administration (FDA) designation and extends the potential applications of LP_{LDL}® to use as a functional ingredient in food, dairy, and beverage products across the USA
- Pharmaceutical GMP manufacturer approval of LP_{LDL}®. Pharmaceutical GMP proves that a drug substance (LP_{LDL}®) is produced consistently with pharmaceutical grade quality. GMP process validation is required by customers and health authorities around the globe to commercialise active ingredients as drugs. The validation of LP_{LDL}® pharmaceutical GMP manufacture is a significant step in the development of LP_{LDL}® as a pharmaceutical drug product
- The award of a licence from the Food Standards and Safety Authority India (FSSAI) to OptiBiotix's manufacturing partner, Zeon Life Sciences, to manufacture SlimBiome® and SlimBiome® containing products in India
- The appointment of EIWA Trading Company to import, market and distribute OptiBiotix's cholesterol and blood pressure-reducing probiotic strain Lactobacillus plantarum LP_{LDL}® in Japan
- The launch of LP_{LDL}® in pharmacies of El Corte Inglés, Spain's biggest department store in all of Spain's major cities, with IENP under the "39ytú" brand
- A license agreement with Kappa Bioscience AS ("Kappa") for the use of *Lactobacillus plantarum* LP_{LDL}® in a new application area within cardiovascular health in 27 countries

- Raising £1.025 million through the issue of convertible loan notes for OptiBiotix to provide funding for a potential initial public offering of wholly owned subsidiary ProBiotix Health, of which OptiBiotix subscribed for £250,000
- The appointment of Extensor and subsequent territory extension to import, market and distribute GoFigure® products in Poland, Ukraine, Estonia, Lithuania, Latvia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Armenia, Azerbaijan, Georgia, Belarus, Moldova and Russia. This is the start of a strategy to take OptiBiotix's own label GoFigure® products to international markets to build brand recognition, and create demand for SlimBiome®, the functional ingredient within Gofigure® products
- An agreement with Nutrilinea Srl to develop a food supplement containing LP_{LDL}® for the reduction of high blood pressure (hypertension). Nutrilinea will cover the cost of all product development, manufacturing and human studies in return for 12 months exclusivity for the European market. ProBiotix has exclusivity for the UK and all other markets outside Europe
- An agreement with Agropur to manufacture, supply and distribute OptiBiotix's SlimBiome® weight management technology in the USA, Canada and Mexico
- An agreement with Maxum Foods Pty Ltd to manufacture, supply and distribute OptiBiotix's SlimBiome® weight management technology in Australia and New Zealand
- The launch of two products formulated with SlimBiome® in India: Metalite - a supplement to aid with effective weight management and Metalite Pro - a high protein meal replacement (www.metalitepro.com)
- Winning the award for Weight Management Ingredient of the Year: Asia, for SlimBiome®, at the Vitafoods Asia trade exhibition tradeshow in Singapore. The award is given to the product identified by a panel of scientific, regulatory and industry experts demonstrating leading edge research and innovation in the weight management market

Post-period end highlights

- The launch of a product range containing OptiBiotix's SlimBiome® proprietary weight management technology under the SlimBiome® brand with Holland & Barrett
- The launch of a food supplement containing LP_{LDL}® by ALFASIGMA, the first of its kind nutraceutical probiotic in Italy for cholesterol reduction
- An agreement with Granja Pocha S.A. ("Granja Pocha") for the inclusion of LP_{LDL}® into a functional yogurt product in Uruguay, South America
- Successful completion of a three month study of 40 patients for a new food supplement containing LP_{LDL}® (CholBiome BP) carried out by the University of Pavia, Italy and showed statistically significant reductions in both systolic, diastolic blood pressure levels, and cholesterol levels
- An agreement with OptiPharm, whose flagship brand, Optislim, is Australia's leading weight management brand, for the use OptiBiome® weight management ingredient in over 20 countries including Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America
- The listing of SlimBiome® containing products in Walmart and Costco in the USA and Canada
- The signing of a deal with Pierce Asia taking OptiBiotix products to China

Stephen O'Hara, CEO of OptiBiotix, commented: *"OptiBiotix has made significant progress in the last 12 months growing sales across all divisions, signing 24 new agreements and extending our reach into 46 countries. OptiBiotix's products are now being commercialised as food ingredients, medical devices, drug biotherapeutics and supplements in more and more countries across the world helping to build brand presence.*

"The progress made in 2019 has continued into the first three months of 2020 with sales of LP_{LDL}® and SlimBiome® as ingredient or final product increasing by 928% when compared to the same period last year and extending geographic reach and brand presence into 119 countries.

"Despite challenges facing the global economy caused by the Covid-19 pandemic, we remain focused on the next phase of our strategy, driving our divisions to profitability in the current year. This is not just about continuing to grow sales, but also about managing costs, renegotiating contracts as volumes increase, reducing the cost of goods to OptiBiotix, and focusing on higher margin products.

"As part of our focus on managing costs we intend to transition our agreement with our financial adviser Goetz from a fixed monthly payment to an ad hoc project by project basis at the end of May 2020. This is an important part of building a profitable and sustainable business for our shareholders in a market forecast to become one of the world's fastest growth areas.

"Outside the OptiBiotix Board, Stephen Prescott, CEO of ProBiotix Health Ltd will leave the Company by mutual consent at the end of May 2020. On behalf of the Board, I would like to thank Steve for all his work and wish him all the best in the future."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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About OptiBiotix - www.optibiotix.com

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

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

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

Chairman's Report

I am pleased to report a period of very significant progress, during which OptiBiotix has achieved a real step change in its planned transition from a research and development specialist into a market-leading and profitable commercial operation. The business is now growing revenues and achieving global reach and recognition for its unique technologies and products. We have grown sales across all divisions, signed 24 new agreements extending our reach into 46 countries, and significantly strengthened our management team, all while maintaining cost control and a strong balance sheet.

Strategy

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

Our growth strategy is to secure multiple deals with multiple partners - manufacturers, formulators and distributors - so that we have control of the complete value chain for all the compounds we develop, and can extract value for our shareholders at each stage.

We also seek to reduce risk by reaching agreements with manufacturers in a range of different countries: hence our SlimBiome® compound is produced by separate companies in the UK, Continental Europe, USA, Australia and India, to which we will soon add a manufacturer in China.

Formulators apply our compounds to a range of different uses; the common factor is that our patented and trademarked products such as LP_{LDL}® and SlimBiome® act as the 'Intel' inside a wide and growing range of food, beverage, supplement, and medical products around the world.

This careful, low-risk approach is delivering on exactly the schedule envisaged when the Company began the process of commercialisation in 2017. This saw initial deals being secured that year, a broadening of reach in 2018, and the build-up of revenues from contracts in 2019. We now have a secure platform to deliver strong sales growth and with the aim of achieving profitability in 2020.

Business development

Among the many positive developments during the period, which the Chief Executive discusses more fully in his report, I would particularly like to highlight the achievement of US Food & Drug Administration GRAS status for LP_{LDL}®, and its pharmaceutical Good Manufacturing Practice designation. Together these achievements open the way for LP_{LDL}® to be used as a functional ingredient in a range of food, dairy and beverage products across the USA, and pave the way for its use as an active ingredient in pharmaceutical products. Similarly, significant potential should be unlocked by the award in Europe of a CE mark for SlimBiome® and its registration as a medical device.

I am also pleased that the effectiveness of our products continues to gain recognition through the achievement of major industry awards, with the naming of SlimBiome® as Weight Management Ingredient of the Year: Asia at Vitafoods in Singapore constituting a particular highlight of the year.

Board and management

This has been my second year as Chairman and it has been a real pleasure to see the business growing and maturing in line with all my expectations when I joined the Board at the beginning of 2018.

As announced in the last annual report, Dr Fred Narbel joined the Company on 1 March 2019 as Managing Director of our integrated Prebiotics division containing our SweetBiotix®, OptiBiotic® and microbiome modulating technology platforms. I believe we now have an excellent mix of executive talent with the scientific and commercial expertise of our founder and CEO Stephen O'Hara, the proven management skills and extensive industry contacts of Dr Fred Narbel; and the scientific leadership of our Research & Development Director Dr Sofia Kolyda. These are complemented by the expertise of my non-executive colleagues Peter Wennström and Sean Christie, with Peter bringing us more than 25 years of experience in international brand management and specialist consultancy, and Sean possessing extensive experience of finance, corporate governance, mergers and acquisitions.

Outside the main Board, Stephen Prescott joined us as CEO of our wholly-owned subsidiary ProBiotix Health Ltd in May 2019, while Steve Riley continues as head of our Consumer Health division, with responsibility for our Online store that makes our unique products available direct to consumers.

During the period Fred Narbel, Steve Prescott and Steve Riley were given full P&L responsibility for their respective divisions, charged with growing sales while managing costs.

Outlook

As shown in the recent trading update (RNS: 18 May 2020) we continue to grow our top line with strong commercial progress in the first three months of 2020 increasing sales of LPLDL® and SlimBiome® as ingredient or final product by 928% when compared to the same period last year and extending geographic reach and brand presence into 119 countries. As we benefit from increasing revenues from established deals, and new agreements begin to deliver sales we anticipate further revenue growth in 2020. Encouraging developments in our new financial year include the launch of SlimBiome® with Holland & Barrett in the UK, the launch of products with Walmart in the US, and a deal to enter the Chinese market. AlfaSigma in Italy and Akum in India are also both commercialising products in their home markets that will contribute to our sales growth during the year.

The renegotiation of our contract with Sacco S.r.l. in March 2020, extending this until 2023 and changing it from a profit sharing to a manufacturing and supply basis, is illustrative of the increasing leverage we can exercise as sales volumes increase, and will capture a greater share of value for our investors. This is an important precedent that we expect to follow in other contract renegotiations during the year.

We continue to explore the potential for a dual NASDAQ listing in the USA to capitalise on growing North American consumer and investor interest in the microbiome, broaden our investor base and reduce the share price volatility caused by the low liquidity associated with our current AIM listing in the UK.

Despite the pressures on the global economy caused by the Covid-19 pandemic, we continue to look to achieve revenue growth and profitability in all three of our divisions in the current year, and remain confident in our ability to deliver growing value for our shareholders in the longer term.

N Davidson
Chairman

27 May 2020

Chief Executive Officer's Report

OptiBiotix offers investors a unique opportunity to participate in the growth potential afforded by one the most progressive and exciting areas of biotechnological research: the modulation of the human microbiome. Everything we do involves the application of science to improve human health, developing pharmaceutical grade solutions to deliver food and dietary supplements of proven effectiveness; these are protected by our extensive international portfolio of patents and trademarks. Our low risk business model involves working with a range of local partners who are recognised and respected leaders in their fields to gain access to fast-growing markets around the world, developing a truly global reach that is delivering strong sales growth.

Strategic development

As the Chairman has noted, our strategy is designed to maximise the income potential of each of our products while limiting investment risk, and managing costs. We focus on large markets, valued at £100m or more, that are growing rapidly, showing a compound annual growth rate (CAGR) of 10 per cent or more, and where there is a large unmet demand. We aim to satisfy this demand by developing food ingredients, supplements and pharmaceutical products with a range of appropriate partners in a wide and growing range of territories. Our partners vary in size from $1bn turnover corporations to small, fast-growing companies, but all share an established industry reputation and an effective distribution network within their target market.

Our commercial strategy involves completing deals across multiple levels of the value chain, starting with manufacturing agreements such as that signed with Sacco S.r.l. in Italy in 2017 to manufacture LP_{LDL}®; this was then complemented by royalty bearing licence deals with formulation and distribution partners such as Nutrilinea, and final distribution partners like AlfaSigma.

While this strategy takes longer to develop than concluding a single licence deal, and requires close collaboration with partners, the multi-channel approach enables OptiBiotix to maximise the income potential of each product, whilst limiting the risk related to any individual deal.

This allows OptiBiotix to operate on a very asset-light infrastructure with manufacturing, product regulatory approvals, and sales and marketing infrastructure all funded by our partners so that licence and royalty fees are largely cost-free and flow straight to our bottom line. This is a low risk, low cost approach to accessing multiple consumer healthcare and pharmaceutical markets around the world and has the potential to cumulatively generate substantial revenues and profitability in the years ahead.

Key to this strategy is working with the right commercial partners and ensuring that their sales and marketing teams are provided with the supporting science and training to highlight the benefits of our technology in order to maximise sales growth. As we extend our reach into new application areas, create new products, and expand into new territories, the scale of our opportunity enlarges.

The next phase of our strategy, on which we have now embarked, is to drive the business to profitability. This is not just about continuing to grow sales, but also

about managing costs, renegotiating contracts as volumes increase, reducing the cost of goods to OptiBiotix, and focusing on higher margin products. This will be an important part of building a profitable and sustainable business.

The renegotiation of our terms of trade in an extended contract with Sacco S.r.l., announced in March 2020, provides an excellent illustration of this approach. Our original agreement with them in 2017 was a profit-sharing deal which encouraged and rewarded the manufacturer to use their industry network to promote and sell our products. This is a very cost-effective approach in the early days of building a business, since the manufacturer effectively becomes our global sales team without any cost to us, as they carry out marketing activities, promotion at exhibitions, application development and so forth.

However, as our sales volumes increase our leverage improves, allowing us to renegotiate our contract from profit share to manufacture and supply - where we buy the product and then sell on to our other partners. The advantages of this are two-fold: we can reduce our cost of goods from the manufacturer as volumes increase, and we can also exert increased leverage on our formulation and distribution partners as we become the direct sales link to them. Whist this may initially increase operating costs whilst we build stock levels, particularly to support retail partners who deliver large volume sales and require a responsive supply chain, this should ultimately deliver greater profitability.

Our contracts are typically of one to three years' duration and we expect to renegotiate a number of current agreements from a profit sharing to a manufacturing and supply basis during the current year, allowing us to capture more of the value chain for our shareholders by increasing control and profitability.

The historic uneven weighting of revenue towards the second half of our financial year will be smoothed out as more contracts are renewed on these terms.

A further benefit expected to flow through to the bottom line is that our research and development costs are set to fall as a proportion of sales now that clinical studies to confirm the efficacy of SlimBiome® and LP_{LDL}® are essentially complete. Intellectual property expenditure will also reduce now that patent and trademark registration in most key territories has been completed, and core patents have been granted. As part of this process whilst we will continue to register core patents in all major territories (typically US, Europe, Canada, Japan, Australia, India) we will limit supporting patents to Europe and the USA. This should reduce IP costs whilst continuing to protect our commercial interests.

Finally, we announced the appointment of Goetz Partner Securities ("Goetz") in June 2019 as financial advisers to the Company with the aim of improving institutional and family funds buy side access from within Europe. As part of our focus on managing costs we intend to transition our agreement with Goetz from a fixed monthly payment to an ad hoc project by project basis at the end of May 2020.

Operational highlights

During the period we have met a significant number of important objectives that continue to build value for our shareholders. Key achievements of the period

include:

- The award of a CE mark and registration of SlimBiome® as a medical device
- The recognition of OptiBiotix's cholesterol and blood pressure reducing Lactobacillus plantarum LP_{LDL}® probiotic strain determined as Generally Recognized As Safe (GRAS). GRAS is a United States Food and Drug Administration (FDA) designation and extends the potential applications of LP_{LDL}® to use as a functional ingredient in food, dairy, and beverage products across the USA
- Pharmaceutical GMP manufacturer approval of LP_{LDL}®. Pharmaceutical GMP proves that a drug substance (LP_{LDL}®) is produced consistently with pharmaceutical grade quality. GMP process validation is required by customers and health authorities around the globe to commercialise active ingredients as drugs. The validation of LP_{LDL}® pharmaceutical GMP manufacture is a significant step in the development of LP_{LDL}® as a pharmaceutical drug product
- The award of a licence from the Food Standards and Safety Authority India (FSSAI) to OptiBiotix's manufacturing partner, Zeon Life Sciences, to manufacture SlimBiome® and SlimBiome® containing products in India
- The appointment of EIWA Trading Company to import, market and distribute OptiBiotix's cholesterol and blood pressure-reducing probiotic strain Lactobacillus plantarum LP_{LDL}® in Japan
- The launch of LP_{LDL}® in pharmacies of El Corte Inglés, Spain's biggest department store in all of Spain's major cities, with IENP under the "39ytú" brand
- A license agreement with Kappa Bioscience AS ("Kappa") for the use of *Lactobacillus plantarum* LP_{LDL}® in a new application area within cardiovascular health in 27 countries
- The raise of £1.025 million through the issue of convertible loan notes for OptiBiotix to provide funding for a potential initial public offering of wholly owned subsidiary ProBiotix Health, of which OptiBiotix subscribed for £250,000
- The appointment of Extensor and subsequent territory extension to import, market and distribute GoFigure® products in Poland, Ukraine, Estonia, Lithuania, Latvia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Armenia, Azerbaijan, Georgia, Belarus, Moldova and Russia. This is the start of a strategy to take OptiBiotix's own label GoFigure® products to international markets to build brand recognition, and create demand for SlimBiome®, the functional ingredient within Gofigure® products
- An agreement with Nutrilinea Srl to develop a food supplement containing LP_{LDL}® for the reduction of high blood pressure (hypertension). Nutrilinea will cover the cost of all product development, manufacturing and human studies in return for 12 months exclusivity for the European market. ProBiotix has exclusivity for the UK and all other markets outside Europe
- An agreement with Agropur to manufacture, supply and distribute OptiBiotix's SlimBiome® weight management technology in the USA, Canada and Mexico
- An agreement with Maxum Foods Pty Ltd to manufacture, supply and distribute OptiBiotix's SlimBiome® weight management technology in

Australia and New Zealand
- The launch of two products formulated with SlimBiome® in India: Metalite - a supplement to aid with effective weight management and Metalite Pro - a high protein meal replacement (www.metalitepro.com)
- Winning the award for Weight Management Ingredient of the Year: Asia, for SlimBiome®, at the Vitafoods Asia trade exhibition tradeshow in Singapore. The award is given to the product identified by a panel of scientific, regulatory and industry experts demonstrating leading edge research and innovation in the weight management market

Post-period end highlights

- The launch of a product range containing OptiBiotix's SlimBiome® proprietary weight management technology under the SlimBiome® brand with Holland & Barrett
- The launch of a food supplement containing LP_{LDL}® by ALFASIGMA, the first of its kind nutraceutical probiotic in Italy for cholesterol reduction
- An agreement with Granja Pocha S.A. ("Granja Pocha") for the inclusion of LP_{LDL}® into a functional yogurt product in Uruguay, South America
- Successful completion of a three month study of 40 patients for a new food supplement containing LP_{LDL}® (CholBiome BP) carried out by the University of Pavia, Italy and showed statistically significant reductions in both systolic, diastolic blood pressure levels, and cholesterol levels
- An agreement with OptiPharm, whose flagship brand, Optislim, is Australia's leading weight management brand, for the use OptiBiome® weight management ingredient in over 20 countries including Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America
- The listing of SlimBiome® containing products in Walmart and Costco in the USA and Canada
- The signing of a deal with Pierce Asia taking OptiBiotix products to China

Regulatory approvals

In December 2019 we were delighted to achieve a CE mark and registration of SlimBiome® as a medical device by the European regulatory authorities. This was supported by independent human studies at a number of universities which demonstrated that, when compared to a control group, people who took SlimBiome® feel fuller and are less hungry; experience fewer food cravings; and change their food choice to eat fewer sweet and fatty foods. This registration unlocks significant further potential for the application of SlimBiome® beyond its current use as a functional food ingredient with the formulation and sachet presentation the basis for Holland and Barrett's launch of products in 2020.

Previously, in April 2019, our partner Zeon Life Sciences was awarded a licence by the Food Standards and Safety Authority India (FSSAI) to manufacture SlimBiome® and SlimBiome® containing products in India.

We have also made very important strides in the official recognition of our cholesterol and blood pressure reducing Lactobacillus plantarum LP_{LDL}® probiotic strain. This was Generally Recognized As Safe (GRAS) by the United States Food and Drug Administration (FDA) in February 2019. Securing this GRAS designation extended the potential applications of LP_{LDL}® to its use as a functional ingredient in food, dairy, and beverage products across the USA.

In October 2019 we also secured from the FDA Pharmaceutical Good Manufacturing Practice (GMP) approval of LP_{LDL}®, which is important in proving that LP_{LDL}® is produced consistently to pharmaceutical grade quality. GMP process validation is required by customers and health authorities around the world to commercialise active ingredients as drugs. The validation of LP_{LDL}® pharmaceutical GMP manufacture is a significant step in the development of LP_{LDL}® as a pharmaceutical drug product.

New partnerships and product launches

In February 2019 we appointed EIWA Trading Company to import, market and distribute OptiBiotix's cholesterol and blood pressure-reducing probiotic strain Lactobacillus plantarum LP_{LDL}® in Japan.

In May 2019 we reached an agreement with the Italy-based Nutrilinea Srl to develop a food supplement containing LP_{LDL}® for the reduction of high blood pressure (hypertension). Nutrilinea covered the cost of all product development, manufacturing and human studies in return for 12 months exclusivity within the Continental European market. ProBiotix retains exclusivity for the UK and all other markets outside Europe. Following successful human studies, OptiBiotix intends to launch a blood pressure product CholBiomeBP in 2020.

In the same month we signed an agreement with Instituto Español de Nutrición Personalizada, S.A. (IENP) for the use of LP_{LDL}® in personalised food supplements in Spain. IENP has already launched LP_{LDL}® under the '39ytú' brand in pharmacies of El Corte Inglés, Spain's largest department store chain with outlets in all the country's major cities.

In June 2019 we signed an agreement with the dairy co-operative Agropur to manufacture, supply and distribute OptiBiotix's SlimBiome® weight management technology in the USA, Canada and Mexico.

In the same month we appointed the well-known Polish brand Extensor to import, market and distribute GoFigure® weight management products directly to consumers in Poland, and subsequently agreed a territory extension that also covers Ukraine, Estonia, Lithuania, Latvia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Armenia, Azerbaijan, Georgia, Belarus, Moldova and Russia. This is the start of a strategy to take OptiBiotix's own label GoFigure® products to international markets, build brand recognition, and create demand for SlimBiome®, the functional ingredient within Gofigure® products.

In July 2019 we signed a licence agreement with Kappa Bioscience AS for the use of Lactobacillus plantarum LP_{LDL}® in a new application area within cardiovascular health in 27 countries.

In August 2019 we concluded an agreement with the Australian dairy ingredients company Maxum Foods Pty Ltd to manufacture, supply and distribute OptiBiotix's SlimBiome® weight management technology in Australia and New Zealand.

In December 2019 we launched two new products formulated with SlimBiome® to the Indian market in partnership with Anthem BioPharma and Zeon Life Sciences: Metalite, a supplement to aid with effective weight management, and Metalite Pro, a high protein meal replacement (www.metalitepro.com).

Awards

We were delighted to win the award for Weight Management Ingredient of the Year: Asia for SlimBiome® at the Vitafoods Asia trade exhibition tradeshow in Singapore in September 2019. The award is given to the product identified by a panel of scientific, regulatory and industry experts demonstrating leading edge research and innovation in the weight management market. This follows on from our Weight Management Ingredient of the Year awards for SlimBiome® in Europe (2018) and 2017 (UK), demonstrating a high level of industry recognition across global markets. The Company also received *The Grocer* New Product Award 2019, in the breakfast category, for its GoFigure Matcha Tea & Pistachio Muesli. This is a major food industry award and shows how SlimBiome® can effectively be incorporated into everyday breakfast products to support healthy weight management.

Results

As announced on 23 March, we changed our financial year-end to 31 December to align our reporting with that of similar companies on other international exchanges. We are therefore reporting results for the 13 months to 31 December 2019 (prior year: 12 months to 30 November 2018).

Total sales for the year were £744,883 (2018: £541,614) with other income of £617,000, i*ncluding, inter alia,* income resulting from the partial disposal of SkinBioTherapeutics plc shares as previously reported. The sales figure is less than the £808k reported in the unaudited figures (RNS: January 17 2020), as it no longer includes approximately £60,000 worth of LPLDL® which was invoiced and part paid in 2019 which under IFRS 15, the new international reporting standard, will now be accounted for in the 2020 accounts as delivery did not take place until 2020.

In line with previous years, the majority of income was generated in the second half of the year (H1 2019: £148,818). We expect this trend to continue in 2020 with a gradual smoothing in this second half as income from ingredient, white label and own label products sold through retailers or direct to consumers online, provide more evenly distributed income throughout the year.

Administrative expenses for the 13 months to end of December 2019 were £2,559,440 an increase of £709,037 from the £1,850,403 in the 12 months to November 2018. A large part of this increase (£261,904) arises from the combination of one-off regulatory costs (£185,447) and the increase in consultancy costs (£76,457) from achieving GRAS and GMP manufacture for LPLDL®. We calculate approximately £154,200 of expenses arises from the change in accounting period creating an additional month in this year's accounts. The appointment of Dr Fred Narbel and Steve Prescott contributed to an increase in Directors fees of £290,665. Director costs include the remuneration costs of Christina Wood who left in August 2019 but was remunerated to the end of November as part of her contractual 3 month notice period. Within 2019 administration expenses there were £355,304 of non-cash expenses representing

depreciation, amortisation and share based payment devaluations, an increase of £85,174 on 2018 (£270,130).

The share of loss from OptiBiotix's associate, SkinBiotherapeutics plc (SBTX), was £296,344. This is an accounting adjustment and has no impact on the Group's cash.

At 31 December 2019, the Group had £455,608 cash in the bank. Once R&D tax credits (£190,435), and recoverable VAT (£59,345) are added back, the balance was £705,388. On 17 April 2020, post accounting period, the Group raised £1.0 million through the issue of 2,500,000 new ordinary shares. With this funding and growing revenues, the cash position remains strong and sufficient to cover the delivery of existing commercial plans.

Management

We significantly strengthened our management team during the year with the appointment in March 2019 of Dr Fred Narbel as Managing Director of our Prebiotics division. Fred Narbel was formerly Vice President of Sales for Nutrition Solutions at Agropur, a major North American dairy company with sales of $6.7 billion in 2018. He has brought us extensive experience of selling speciality food ingredients in international markets, a wide network of contacts in the high value speciality food ingredients industry, and a strong track record of rapidly growing sales.

Outside the main Board, Stephen Prescott joined as Chief Executive Officer of OptiBiotix's wholly owned subsidiary, ProBiotix Health Ltd in May 2019. Steve will step down from the Board of ProBiotix Health Ltd and leave the Company by mutual consent at the end of May 2020. Mikkel Hvid-Hansen, who joined ProBiotix as European Sales Director in February 2020 will take on an extended role as Commercial Director with Stephen O'Hara acting as CEO of ProBiotix Health Ltd.

We anticipate further additions and changes to the management team and the Board of both OptiBiotix and ProBiotix Health in line with the growth aspirations of both companies and the aim of transitioning to a profitable and sustainable business.

Prospects

Despite the global challenges with Coronavirus we have continued to extend our global reach in 2020 signing 14 agreements for the period to date. These include 10 for SlimBiome® and four for LPLDL®. These agreements aim to extend the Company's geographic reach into 119 countries.

Significant developments in the year to date include the launch of a product range containing OptiBiotix's SlimBiome® proprietary weight management technology under the SlimBiome® brand with Holland & Barrett in the UK. Sales of the first products launched have exceeded our expectations and we are working with our partners to extend the product range.

In Italy, our partner AlfaSigma has launched a food supplement containing LP_{LDL}® which is the first nutraceutical probiotic for cholesterol reduction to reach the market there.

Also in Italy, the University of Pavia has successfully completed a three month study of 40 patients for a new food supplement containing LP_{LDL}® (CholBiome BP) which showed statistically significant reductions in both systolic and diastolic blood pressure levels, and in cholesterol levels, for the participants.

In March 2020 we announced a new global manufacturing and supply agreement for LP_{LDL}® with Italy-based Sacco S.r.l., extending our deal with them until 2023 and changing our original profit-sharing terms to allow us to benefit from lower prices for LP_{LDL}® as sales increase, and to receive commission from Sacco following successful sales of LP_{LDL}® to dairy customers.

We have signed a new agreement with Granja Pocha S.A. for the inclusion of LP_{LDL}® in a functional yogurt product in Uruguay. The use of LP_{LDL}® in functional foods is an important precedent which has the potential for replication in other territories.

Having achieved FDA GRAS and GMP manufacture standards, we hope to build on this proof of concept by Granja Pocha to further extend the application of LP_{LDL}® from its use as a supplement into use as a food and dairy ingredient in 2020.

We have concluded an agreement with OptiPharm (whose flagship brand, Optislim, is Australia's leading weight management brand) for the use of our OptiBiome® weight management ingredient in over 20 countries including Australia, New Zealand, North America, parts of Asia, Gulf states and the wider Middle East.

In May 2020 OptiBiotix Health PLC announced that it had entered into a three-year distribution agreement with the Asian focused B2B product developer and distributor Pierce Group, granting it exclusive rights to import and commercialise OptiBiotix's SlimBiome® weight management ingredient and LP_{LDL}®, our cholesterol-lowering probiotic, in China and Hong Kong.

We also announced in May 2020 a non-exclusive licence agreement for our SlimBiome® trademark with Smart For Life, Inc. and the related launch of cookies containing OptiBiotix's SlimBiome® proprietary weight management technology in the USA and Canada; the cookies will be sold through Walmart in the USA, Costco in Canada, and online.

Our commercial plans for 2020 are centred on extending our reach into new application areas, including hypertension, immune and cognitive health, continuing to enter new territories, and supporting established partners like Agropur in the USA, AlfaSigma in Italy, and Akums in India, in the commercialisation of products in their territories.

Our own Online store - https://optibiotix.online - is offering a growing range of meal replacements, snacks and supplements including porridge, muesli, flapjacks and gummies containing SlimBiome® to aid weight management and CholBiome® probiotic supplements containing LP_{LDL}® to reduce cholesterol. These products act as a shop window for partners and to test new products before expanding into other territories and presenting to retailers. This approach has led to successful product launches in Holland and Barrett, and paved the way for product acceptance in Walmart, and Costco. We cannot predict the future in these difficult

times but hope this approach will lead to more products being launched online, and partners looking to extend their product ranges in the year ahead.

The recent trading update (RNS: 18 May 2020) shows strong commercial progress in the three months of this year with OptiBiotix extending its geographic reach and brand presence into 119 countries. With more agreements generating revenues, and a greater number of deals generating income in the first year of agreement, we have seen a large increase in revenues (928%) when compared to the same period last year. We anticipate further revenue growth in 2020 as existing deals contribute to full year revenues, we extend the application of our products into new areas, and continue to execute deals with new partners.

Investor and consumer interest in the human microbiome is growing steadily, presenting us with a market opportunity that is large and expanding. We will continue to devote our efforts to increasing our range of applications, products and territories in order to capitalise on this opportunity. Our strategy of developing microbiome products with a strong scientific and clinical evidence base with key opinion leader support has provided clear product differentiation and stimulated high commercial interest. We look forward to converting this interest into agreements in new territories and application areas in the months ahead to continue to grow revenues in this new and exciting area of science which has the potential to revolutionise the future of healthcare.

Stephen O'Hara
Chief Executive

27 May 2020

Consolidated Statement of Comprehensive Income

	Notes	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Revenue from contracts with customers		744,883	514,289
Cost of sales		(352,080)	(162,782)
Gross Profit		**392,803**	**351,507**
Share based payments		137,320	128,222

Depreciation and amortisation		217,904	141,908
Other administrative costs		2,204,216	1,580,273
Total administrative expenses	**6**	(2,559,440)	(1,850,403)
Operating loss		**(2,166,637)**	**(1,498,896)**
Finance cost	**5**	(44,467)	-
Finance income	**5**	111	169
		(2,210,993)	169
Share of loss from associate	**12**	(296,344)	(448,223)
Profit on disposal of investments	**12**	265,481	-
Loss before tax		(2,241,856)	(1,946,950)
Corporation tax	**7**	123,468	54,371
Loss for the period		(2,118,388)	(1,892,579)
Other comprehensive income		-	-
Total comprehensive income for the period		(2,118,388)	(1,892,579)
Total comprehensive income attributable to:			
Owners of the company		(2,117,273)	(1,919,276)
Non-controlling interests		(1,115)	26,697
		(2,118,388)	(1,892,579)
Earnings per share from continued operations			
Basic profit/(loss) per share - pence	**8**	(2.49)p	(2.30)p
Diluted profit/(loss) per share - pence		(2.49)p	(2.30)p

Consolidated Statement of Financial Position

	Notes	As at 31 December 2019	As at 30 November 2018
ASSETS		**£**	**£**
Non-current assets			
Intangibles	**10**	2,632,778	2,253,089
Property, plant & equipment	**11**	393	3,143

Investments	**12**	3,092,807	3,740,799
		5,725,978	5,997,031
CURRENT ASSETS			
Inventories	**13**	62,761	30,433
Trade and other receivables	**14**	607,308	373,803
Current tax asset	**7**	190,435	303,952
Cash and cash equivalents	**15**	455,608	1,324,307
		1,316,112	2,032,495
TOTAL ASSETS		**7,042,090**	**8,029,526**
EQUITY			
Shareholders' Equity			
Called up share capital	**16**	1,708,811	1,694,488
Share premium	**17**	1,646,873	1,603,904
Share based payment reserve	**17**	740,059	602,739
Merger relief reserve	**17**	1,500,000	1,500,000
Convertible debt - reserve	**17**	92,712	-
Retained Earnings	**17**	(492,925)	1,624,348
Non-controlling interest	**17**	35,782	36,897
Total Equity		**5,231,312**	**7,062,376**
LIABILITIES			
Current liabilities			
Trade and other payables	**18**	561,623	520,989
		561,623	520,989
Non - current liabilities			
Deferred tax liability	**19**	522,350	446,161
Convertible loan notes	**20**	726,805	-
		1,249,155	446,161
TOTAL LIABILITIES		**1,810,778**	**967,150**
TOTAL EQUITY AND LIABILITIES		**7,042,090**	**8,029,526**

Consolidated Statement of Changes in Equity

Called up Share	Non-Controlling interest	Convertible Debt	Merger Relief	Share-based Payment reserve	Total

	Share capital	Retained Earnings	Premium		Reserve	Reserve		equity
	£	£	£	£	£	£	£	£
Balance at 30 November 2017	1,586,628	(2,805,347)	6,279,718	10,200	-	1,500,000	474,517	7,045,716
Loss for the year	-	(1,919,276)	-	26,697	-	-	-	(1,892,579)
Issues of shares during the year	107,860	-	1,673,157	-	-	-	-	1,781,017
Share options and warrants	-	-	-	-	-	-	128,222	128,222
Cancellation of share premium account	-	6,348,971	(6,348,971)	-	-	-	-	-
Balance at 30 November 2018	1,694,488	1,624,348	1,603,904	36,897	-	1,500,000	602,739	7,062,376
Loss for the period	-	(2,117,273)		(1,115)	-	-	-	(2,118,388)
Issues of shares during the period	14,323	-	42,969	-	-	-	-	57,292
Share options and warrants	-	-		-	-	-	137,320	137,320
Value of conversion rights on convertible loan notes	-	-	-	-	92,712	-	-	92,712
Balance at 31 December 2019	1,708,811	(492,925)	1,646,873	35,782	92,712	1,500,000	740,059	5,231,312

Consolidated Statement of Cash Flows

	Notes	Period ended 31 December 2019	Year ended 30 November 2018

		£	£
Cash flows from operating activities			
Cash utilised by operations	**1**	(2,036,532)	(1,233,717)
Tax received		313,173	-
Interest paid		(57)	-
Interest received		168	169
Net cash outflow from operating activities		(1,723,248)	(1,233,548)
Cash flows from investing activities			
Purchases of property, plant and equipment		-	(2,954)
Purchase of intangible assets		(594,923)	(467,639)
Net cash outflow from investing activities		(594,923)	(470,593)
Cash flows from financing activities			
Share issues		57,292	1,781,017
Issue of loan notes		775,050	-
Disposal of investments		617,130	-
Net cash inflow from financing activities		1,449,472	1,781,017
Increase/(decrease) in cash and equivalents		(868,699)	76,876
Cash and cash equivalents at beginning of period		1,324,307	1,247,431
Cash and cash equivalents at end of period	**15**	455,608	1,324,307

Notes to the Consolidated Statement of Cash Flows

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

	Period ended 31 December 2019 £	Year ended 30 November 2018 £

Operating loss	(2,166,637)	(1,498,896)
(Increase)/Decrease in inventories	(32,328)	(21,543)
Increase in trade and other receivables	(233,505)	(267,681)
Increase in trade and other payables	40,634	281,594
Depreciation charge	2,750	2,187
Share Option expense	137,320	128,222
Amortisation of patents and development costs	215,234	139,721
Loss on disposal of tangible and intangible assets	-	2,679
Net cash outflow from operations	(2,036,532)	(1,233,717)

2. Cash and Cash Equivalents

	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Cash and cash equivalents	455,608	1,324,307

Company Statement on Financial Position

	Notes	As at 31 December 2019 £	As at 30 November 2018 £
ASSETS			
Non-current assets			
Investments	**12**	6,212,556	6,534,300
Other receivables	**14**	5,941,360	4,242,286
		12,153,917	10,776,586
CURRENT ASSETS			
Trade and other receivables	**14**	24,707	9,242
Cash and cash equivalents	**15**	139,243	1,167,437
		163,950	1,176,679
TOTAL ASSETS		**12,317,866**	**11,953,265**
EQUITY			
Shareholders' Equity			
Called up share capital	**16**	1,708,811	1,694,488
Share premium	**17**	1,646,873	1,603,904
Merger relief reserve	**17**	1,500,000	1,500,000
Share based payment reserve	**17**	740,059	602,739
Accumulated profit	**17**	6,436,938	6,323,134
Total Equity		**12,032,681**	**11,724,265**

LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**18**	285,185	229,000
TOTAL LIABILITIES		**285,185**	**229,000**
TOTAL EQUITY AND LIABILITIES		**12,317,866**	**11,953,265**

Company Statement on Changes in Equity

	Called up Share capital £	Retained Earnings £	Share Premium £	Merger Relief Reserve £	Share-based Payment reserve £	Total equity £
Balance at 30 November 2017	1,586,628	470,658	6,279,718	1,500,000	474,517	10,311,521
Loss for the period	-	(496,495)	-	-	-	(496,495)
Issues of shares during the year	107,860	-	1,673,157	-	-	1,781,017
Share options and warrants	-	-	-	-	128,222	128,222
Cancellation of share premium account	-	6,348,971	(6,348,971)	-	-	-
Balance at 30 November 2018	1,694,488	6,323,134	1,603,904	1,500,000	602,739	11,724,265
Profit for the period	-	113,804	-	-	-	113,804
Issues of shares during the period	14,323	-	42,969	-	-	57,292
Share options and warrants	-	-	-	-	137,320	137,320
Balance at 31 December 2019	1,708,811	6,436,938	1,646,873	1,500,000	740,059	12,032,681

Company Statement on Cash Flows

	Notes	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Cash flows from operating activities			
Cash utilised by operations	**1**	(1,702,719)	(1,620,434)
Interest received		104	85
Net cash outflow from operating activities		(1,702,615)	(1,620,349)
Cash flows from investing activities			
Investment in subsidiaries		-	(1,000)
Net cash outflow from investing activities		-	(1,000)
Cash flows from financing activities			
Share issues		57,292	1,781,017
Proceeds from disposal of investments		617,129	-
Net cash inflow from financing activities		674,421	1,781,017
Increase/(decrease) in cash and equivalents		(1,028,194)	159,668
Cash and cash equivalents at beginning of period		1,167,437	1,007,769
Cash and cash equivalents at end of period	**15**	139,243	1,167,437

Notes on Company Statement of Cash Flows

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

	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Operating loss	(457,816)	(496,495)
Increase in trade and other receivables	(1,438,409)	(1,327,028)
Increase in trade and other payables	56,186	172,593

Share Option expense	137,320	128,222
Interest received	-	(197,725)
Impairment losses	-	99,999
Net cash outflow from operations	(1,702,719)	(1,620,434)

2. Cash and Cash Equivalents

	As at 30 December 2019 £	As at 30 November 2018 £
Cash and cash equivalents	139,243	1,167,437

Printed copies of the Annual accounts will be posted to shareholders in the next few days.

Notes on financial statements

1. General Information

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

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

2. Accounting Policies

Statement of compliance

The consolidated financial statements of OptiBiotix Health plc have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively 'IFRS') as adopted for use in the European Union and as issued by the International Accounting Standards Board and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

The financial statements have been prepared under the historical cost convention.

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

Going concern

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

Management have considered its forecast of the group's cash requirements reflecting contracted and anticipated future revenue and the resulting net cash outflows. Management have not yet seen a material disruption to the business as a result of the COVID-19 outbreak, however events are rapidly evolving and at this stage, it is difficult to assess reliably whether there will be any material disruption in the future which could adversely impact the group's forecast.

Subsequent to the period end, the group announced the successful completion of an equity fundraise of £1.0 million on 17 April 2020 to fund the growth of the business and delivery of existing commercial plans.

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

New and amended standards adopted by the group

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

2. Accounting Policies (continued)

The following new standards, amendments to standards, and interpretations have been issued, but are not effective for the financial period beginning 1 December 2018 and have not been early adopted:

New Standards, amendments and interpretations issued but not effective

Reference	Title	Summary	Application date of standard	Application date of Company
IFRS 16	Lease	IFRS 16 Leases published	Periods commencing on or after 1 January 2019	1 January 2020
IFRS 9	Financial instruments	Amendments to IFRS 9, 'Financial instruments' - Prepayment features with negative compensation	Periods commencing on or after 1 January 2019	1 January 2020
IAS 28	Investments in associates	Amendments to IAS 28, 'Investments in associates' Long-term interests in associates and joint ventures	Periods commencing on or after 1 January 2019	1 January 2020

IAS 19	Employee benefits	Amendments to IAS 19, 'Employee benefits' - Plan amendment, curtailment or settlement	Periods commencing on or after 1 January 2019	1 January 2020
IFRS 3	Business combinations	Amendments to IFRS 3, 'Business combinations', definition of a business	Periods commencing on or after 1 January 2020	1 January 2020
IAS 1	Presentation of financial statements'	Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' definition of material	Periods commencing on or after 1 January 2020	1 January 2020
IFRS 17	Insurance contracts	Principles for the recognition, measurement, presentation an disclosure of insurance contracts	Periods commencing on or after 1 January 2021	1 January 2021

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

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, previously 30 November. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their

2. Accounting Policies (continued)

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.

Basis of consolidation (continued)

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

and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "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. Accounting Policies (continued)

Revenue recognition

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5 step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The application of IFRS 15 has not had a significant impact on the current financial position and/or financial performance of the Group and so no transition adjustment has been made. The Standard has not had a material impact on the accounting policy adopted in respect to revenue as previously disclosed in the 2018 financial statements

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules using tax rates enacted or substantially enacted by the statement of financial position date.

Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

Investments

Investments are held at cost less any impairment.

Financial instruments

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

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.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to the initial recognition, trade and receivables and measured at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Company at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments

2. Accounting Policies (continued)

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated in amortised cost, except where the payables are interest free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

Impairment of non-financial assets

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

intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Capital management

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

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the Company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the period ended 31 December 2019.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received. Incremental
costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

2. Accounting Policies (continued)
Convertible Loans

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

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

Share-based compensation

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

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

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

Property, plant and equipment

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

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

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

Computer equipment	30%

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

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

2. Accounting Policies (continued)

Intangibles - Patents

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

Research and Development

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty.

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.

Convertible debt reserve

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

2. Accounting Policies (continued)

Critical accounting judgments and key sources of estimation uncertainty

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

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

- **Share based payments**
  The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.
- **Amortisation**
  Management have estimated that the useful life of the fair value of the patents acquired on the acquisition to be 20 years. Research and developments that have been capitalised in line with the recognition criteria of IAS38 have been estimated to have a useful economic life of 10 years. These estimates will be reviewed annually and revised if the useful life is deemed to be lower based on the trading business or any changes to patent law.
- **Impairment reviews**
  IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported

by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

3. Segmental Reporting

In the opinion of the directors, the Group has one class of business, being that of identifying and developing microbial strains, compounds and formulations for use in the nutraceutical industry. The Group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is the UK. The Directors believe that income, costs, assets and liabilities are interconnected and as there is only one location all income and costs are derived from the single segment. Subsequent to the year end the business is developing into new territories and the directors will assess the need for segmental reporting for the year ended 31 December 2020.

4. Employees and Directors

	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Wages and salaries	53,037	23,274
Directors' remuneration*	647,421	576,228
Directors' fees*	310,832	41,083
Social security costs	76,508	79,319
Pension costs	26,459	54,385
	1,114,257	774,289

*Total Directors' remuneration £958,253 see Directors' remuneration note below

	Period ended 31 December 2019 No.	Year ended 30 November 2018 No.
The average monthly number of employees during the period was as follows:		
Directors	8	8
Research and development	2	2
	10	10

	Period ended 31 December 2019 £	Year ended 30 November 2018 £

Directors' remuneration*	873,253	572,311
Directors' share based payments	123,362	120,793
Bonus*	85,000	45,000
Pension	28,618	53,834
Total emoluments	1,110,233	791,938
Emoluments paid to the highest paid director	248,000	212,897

*Total Directors' remuneration £958,253 see Directors' remuneration note below

Included in total emoluments paid to Directors are capitalised wages of £248,707 (2018: £221,703)

Directors' remuneration

Details of emoluments received by Directors of the Group for the period ended 31 December 2019 are as follows:

	Remuneration and fees	Share based payments	Total
	£	£	£
A Reynolds*	29,165		29,165
S P O'Hara	248,000	-	248,000
F Narbel	139,105	37,910	177,015
G Barker*	6,048	-	6,048
S Christie	27,083	13,343	40,426
R Davidson	59,583	34,893	94,476
S Kolyda	106,666	14,954	121,620
P Wenstromm*	19,548	-	19,548
P Rehne	56,268	3,180	59,448
C Wood	149,820	19,082	168,902
S Prescott*	116,966		116,966
Total	958,253	123,362	1,081,615

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

5. Net Finance Income / (Costs)

	Period ended 31 December 2019	Year ended 30 November 2018
	£	£
Finance Income:		
Bank Interest	111	169
Finance Cost :		
Loan note interest	(44,467)	-
Net Finance Income / (Costs)	(44,356)	169

6. Expenses - analysis by nature

	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Research and development	167,869	160,673
Regulatory Costs	185,447	-
Directors' fees & remuneration (Note 4)*	709,546	418,881
Auditor remuneration - audit fees (Consolidated accounts £17,500, 2018:£17,000)	42,220	47,293
Auditor remuneration - non audit fees (tax compliance)	6,200	6,000
Brokers & Advisors	113,036	86,414
Advertising & marketing	66,556	48,201
Share based payments charge	137,320	128,222
Depreciation on property, plant and equipment	2,750	2,187
Amortisation of patents and development costs	215,234	139,721
Patent and IP costs	55,483	88,003
Consultancy fees	223,016	146,559
Legal and professional fees	24,399	26,563
Public Relations costs	101,795	152,082
Travel costs	171,448	120,541
Other expenses	337,121	279,063
Total administrative expenses	2,559,440	1,850,403

*£709,546 is net of £248,707, capitalised in the year, total remuneration £958,253 as per note 4.

7. Corporation Tax

	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Corporation tax credit	(190,435)	(120,000)
Under provision prior year	(9,221)	-
Deferred tax movement	76,188	62,069
Overseas tax suffered	-	3,560
Total taxation	(123,468	(54,371)

7. Corporation Tax (continued)

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the period ended 31 December 2019 nor for the year ended 30 November 2018.

	Period ended 31 December 2019 £	Year ended 30 November 2018 £
Loss on ordinary activities before income tax	(2,241,856)	(1,946,950)
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2018 - 19.33%)	(425,953)	(376,345)
Effects of:		
Disallowables	56,787	62,017
Income not taxable	(50,441)	-
Accelerated capital allowances	-	(571)
Accelerated depreciation	52	-
R&D enhanced deductions	(141,042)	(122,086)
R&D tax credit claimed	(199,656)	(120,000)
Capital allowances		(571)
Amortisation	40,895	27,008
Revenue items capitalised	(65,072)	(90,395)
Other timing differences	76,188	62,069
Overseas tax suffered		3,560
Unused tax losses carried forward	584,303	500,372
Tax credit	(123,468)	(54,371)

The Group has estimated losses of £3,253,189 (2018: £1,646,423) and estimated excess management expenses of £2,248,357 (2018: £2,093,197).

The tax losses have resulted in a deferred tax asset at 19% of approximately £1,045,294 (2018: £710,528) which has not been recognized as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

Current tax asset - Group	2019 £	2018 £
Balance brought forward	303,952	183,952
Received during the year	(313,170)	-
Prior year adjustment	9,217	-
Research & development tax credit claimed	190,435	120,000
	190,435	303,952

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:

	2019

Basic and diluted EPS	Earnings £	Weighted average Number of shares No.	Loss per-share Pence
Basic EPS	(2,118,388)	85,262,488	(2.49)
Diluted EPS	(2,118,388)	85,262,488	(2.49)

	Earnings £	2018 Weighted average Number of shares £	Loss per-share Pence
Basic EPS	(1,892,579)	82,233,690	(2.30)
Diluted EPS	(1,892,579)	82,233,690	(2.30)

As at 31 December 2019 there were 7,765,907 (2018: 8,272,907) outstanding share options and 324,019 (2018 1,045,524) outstanding share warrants. As the Group was loss making in the year, the options and warrants are considered anti-dilutive.

9. Company's result for the period

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

The profit for the parent Company for the period was £113,804 (2018: Loss £496,495).

10. Intangible assets

Group	Development Costs and Patents £
Cost	
At 1 December 2017	2,266,130
Additions	467,639
Disposals	(6,763)
At 30 November 2018	2,727,006
Additions	594,924
Disposals	-
At 31 December 2019	3,321,930
Amortisation	
At 1 December 2017	338,904
Amortisation charge for the period	139,721
Eliminated on disposal	(4,708)
At 30 November 2018	473,917
Amortisation charge for the period	
Eliminated on disposal	215,234
At 31 December 2019	689,152

Carrying amount	
At 31 December 2019	2,632,778
At 30 November 2018	2,253,089

The company had no intangible assets.

11. Property, plant and equipment

Group

	£
Cost	
At 30 November 2017	15,419
Additions	2,954
Disposals	(9,912)
At 30 November 2018	8,461
Additions	-
Disposals	-
At 31 December 2019	8,461
Depreciation	
At 30 November 2017	8,858
Charge for the year	2,187
Eliminated on disposal	(5,727)
At 30 November 2018	5,318
Charge for the period	2,750
At 31 December 2019	8,068
Carrying amount	
At 31 December 2019	393
At 30 November 2018	3,143

The company had no property plant and equipment.

12. Investments

Set out below is the associate of the Group as at 31 December 2019 which is material to the Group. The entity listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also the principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held.

Group: Investments

	£
Cost	
At 30 November 2018	3,740,799
Share of loss to 4 July 2019	(296,344)
Disposal of shares during the period	(351,648)

At 31 December 2019	3,092,807
Carrying amount	
At 31 December 2019	3,092,807
At 30 November 2018	3,740,799

S O'Hara resigned as a Director of SkinBioTherapeutics PLC on 4 July 2019. Following his resignation the shares held in SkinBioTherapeutics PLC are treated as an investment rather than an associate company.

Company: Investments in subsidiary undertakings

	£
Cost	
At 30 November 2017	2,149,999
Additions	1,000
Impairment	(99,999)
At 30 November 2018	2,051,000
Addition: Equity element of convertible loan notes	29,905
Carrying amount	
At 31 December 2019	2,080,905
At 30 November 2018	2,051,000

12. Investments (continued)

As at 31 December 2019 the Company directly held the following subsidiaries:

Name of company	**Principal activities**	**Country of incorporation and place of business**	**Proportion of equity interest 2018**
OptiBiotix Limited	Research & Development	United Kingdom	100% of ordinary shares
The Healthy Weight Loss Company Limited	Health foods	United Kingdom	68% of ordinary shares
ProBiotix Health Ltd	Health foods	United Kingdom	100% of ordinary shares

Investments

	£
Cost	
At 30 November 2017 and 2018	4,483,300
Disposals	(351,649)
At 31 December 2019	4.131,651
Carrying amount	
At 31 December 2019	4,131,651
At 30 November 2018	4,483,300
Total investment	
At 31 December 2019	6,212,556
At 30 November 2018	6,534,300

13. Inventories

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Finished goods	62,761	30,433	-	-

During the period £352,080 has been expensed to the income statement.

14. Trade and other Receivables

	Group		Company	
	2019	2018	2019	2018
Non- current			£	£
Amounts owed by group undertakings	**-**	**-**	**5,941,360**	4,242,286
	-	-	**5,941,360**	4,242,286
Current				
Accounts receivable	511,833	228,825	-	-
Other receivables	59,346	52,190	19,857	969
Prepayments and accrued income	36,129	92,788	4,850	8,273
	607,308	373,803	24,707	9,242

15. Cash and Cash Equivalents

	Group		Company	
	2019	2018	2019	2018
			£	£
Cash and bank balances	455,608	1,324,307	139,243	1,167,437

16. Called Up Share Capital

Issued share capital comprises:	2019 £	2018 £
Ordinary shares of 2p each - 85,440,551 (2018: 84,724,413)	1,708,811	1,694,488
	1,708,811	1,694,488

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

Date issued	Number
18/01/2019	7,813
13/03/2019	708,325
Total warrants exercised in the period	716,138

17. Reserves

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

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

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

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

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

18. Trade and other payables

Current:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£

Accounts Payable	347,822	115,697	2,685	-
- Accrued expenses	186,329	207,103	32,500	30,000
- Amount due to director	189	189	-	-
- Other payables	27,283	198,000	-	-
- Amounts due to group undertakings	-	-	250,000	199,000
-				
Total trade and other payables	561,623	520,989	285,185	229,000

19. Deferred Tax

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2018: 19%).

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

	2019 £	2018 £
At 30 November	446,161	384,092
Movement in the period	76,189	62,069
At 31 December 2019	522,350	446,161

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

20. Convertible Loan Notes

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

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

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

	2019	2018
	£	£
Face value of the convertible loan notes in issue as at the period end	775,050	-
Equity element	(92,712)	-
Liability component on initial recognition	**682,338**	
Interest charged at effective interest rate	44,467	
Non-current liability	**726,805**	

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

21. Related Party Disclosures

During the period to 31 December 2019 £19,548 (2018: £18,000) was paid to P Wennstrom in respect of Director's services provided.

During the period to 31 December 2019 £139,105 (2018: £nil) was paid to F Narbel in respect of Director's services provided.

During the period to 31 December 2019 £116,966 (2018: £nil) was paid to Stephen Prescott in respect of Director's services provided.

During the period to 31 December 2019 £29,165 (2018: £5,083) was paid to Reyco Limited for the services of Adam Reynolds as Director of ProBiotix Health Limited

During the period to 31 December 2019 the Group was charged £45,500 (2018: £36,167) for services provided by Morrison Kingsley Consultants Limited, a company controlled by Mark Collingbourne, Chief Financial Officer.

22. Ultimate Controlling Party

No one shareholder has control of the company.

23. Share Based payment Transactions

(i) Share options

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

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

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

	Number of options		Average exercise price	
	2019	**2018**	**2019**	**2018**
	No.	No.	£	£
Outstanding at the beginning of the period	8,272,907	10,077,087	0.23	0.17
- Granted during the year	500,000	815,000	0.78	0.76
- Forfeited/cancelled during the year	1,007,000	-	0.70	-
- Exercised for shares	-	(2,619,180)		0.10

-

Outstanding at the end of the period	7,765,907	8.272,907	0.20	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 year vesting conditions dictate that some of the options will vest if the middle market quotation of an existing Ordinary share is 40p or more on each day during any period of at least 30 consecutive Dealing days and some will vest if certain revenue targets are met or if certain scientific studies are completed. The conditions are not dependent on each other and will vest separately.

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

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

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

The share options outstanding at the period end had a weighted average remaining contractual life of 1,977 days (2018: 2,146 days) and the maximum term is 10 years.

The share price per share at 31/12/19 was £0.66 (30/11/2018: £0.92)

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

(i) Share options

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

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

Grant date	27/03/2019
Exercise price	78.50p
Share price at grant date	78.50p
Risk-free rate	0.25%
Volatility	35%
Expected life	10 years
Fair value	26.83p

(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	
	2019	2018	2019	2018
	No.	No.	£	£
Outstanding at the beginning of the period	1,045,524	1,399,925	0.08	0.08
- Exercised for shares	(716,138)	(354,401)	0.08	0.08
-				
Outstanding at the end of the period	329,386	1,045,524	0.08	0.08

A charge of £137,320 (2018: £128,222) has been recognised during the year for the share based payments over the vesting period.

24. Financial Risk Management Objectives and Policies

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

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

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

Interest risk

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

Credit risk

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

Liquidity risk

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

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

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

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

Capital risk

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

25. Post Balance Sheet Events

On 27 March 2020 the company sold 3,250,000 shares in SkinBioTherapeutics plc at a price of 5 pence per share.

On 19 April 2020 the Company issued and allotted 2,500,000 ordinary shares of 2 pence each exercised at a price of 40 pence per share in the capital of the Company by way of a placing.

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