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OptiBiotix Health PLC
28 June 2024

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

Final results
Notice of Annual General Meeting

OptiBiotix Health plc (AIM: OPTI), a life sciences business developing compounds to tackle obesity, high cholesterol, diabetes and skin care announces its audited results for the 12 months ended 31 December 2023.

Highlights

- Revenue for the year of £644,000, a 41% increase over 2022 (£457,000). There were a further circa £62k of sales orders received in December 2023 which were delivered in 2024 and carried forward into 2024 accounts.
- A circa 30% reduction in administrative expenses (excluding non-cash items such as share-based payments and amortisation) to £1.78m (2022: £2.50m), reflecting cost saving measures, the removal of ProBiotix Health plc (PBX)'s costs after March 2022 and recovery of some of the doubtful debt provided in the 2022 accounts.
- An increase in sales of LeanBiome® to The Hut Group and sales of SlimBiome® to Holland & Barrett, albeit from a very low base in 2022.
- An increase in sales of SlimBiome® to Paradise Fruits, a German company producing gummies for Walmart and for sale online in China.
- Increased sales of our OptiBiome® prebiotic fibre (an alternative trademark to SlimBiome®) to Optipharm in Australia following the launch online of their Optislim and Optiman ready meal ranges incorporating a ready meal OptiBiome sprinkle and a significant new investment in marketing.
- A reduction in stock: there was 13.9 metric tonnes of SlimBiome® taken from stock held by two partners (Maxum and Cambridge Commodities) in 2023 compared to 2022 (up 39%) representing a value of approximately £417K based on retail price of £30 per kg. Once this stock overhang is depleted, the Company should see sales of SlimBiome to these partners contributing to future revenues.
- Recruiting four new partners for SlimBiome® in Asia through our partnership with Nutraconnect Pte, all of whom placed initial orders before the end of 2023 and which we expect to contribute revenues of £125,000 to £150,000 in 2024.
- Securing a license agreement with Tata Chemicals - part of the $300bn turnover Tata Group - to incorporate its proprietary Fossence® into our SlimBiome® and WellBiome® products for the Indian market. This brings the assurance and familiarity of a branded ingredient from a well-known and trusted local source to the attention of Indian consumers.
- Reaching a new distribution agreement for SlimBiome® in Australia and New Zealand with Ravenswood Ingredients, part of the Brenntag group which is a global leader in specialised food ingredients.
- One of our partners, Optipharm, securing an international listing for products containing SlimBiome® with CostCo, the fifth largest retailer in the world.
- Ongoing discussions with a leading US corporate on a global launch of SlimBiome® in 2025 in multiple territories.

Post period end

- The recovery in sales in 2023 has carried forward into 2024 with sales order in H1 approaching FY 2023.
- Launch of LeanBiome® in MuscleTech®, a leading sports nutrition brand.
- Partnership agreement with Morepen for SlimBiome® containing finished products.
- Manufacturing agreement with KAG Industries in India.
- Roehampton University submitting the results of a third human study on SlimBiome® for publication, which demonstrated statistically significant benefits to appetite and hunger regulation with no safety,

compliance or tolerance issues reported by the participating volunteers. This study underlined the effectiveness of a single dose of SlimBiome® in delivering hunger-free weight loss by non-invasive means, and was timely in view of the growing consumer, media and pharmaceutical interest in this field.

- Successful placing to raise £1,350,500 through the issue of 6,752,500 new ordinary shares of 2 pence each in the Company in March 2024.

The Report & Accounts which will be shortly posted to shareholders contains a Notice of Annual General Meeting ("AGM") which will be held at 12 noon on 8 August 2024 at the offices of Peterhouse Capital Limited, 3rd Floor, 80 Cheapside, London EC2V 6EE.

Stephen O'Hara, CEO of OptiBiotix Health plc said: *"2023 was a year where we restructured the senior management team and focused on restoring sales growth through more active management of existing accounts, broadening our partner base by securing a number of new corporate partners in key strategic markets like the USA and Asia, and investing in ecommerce channels, while reducing operating costs. We continue to see sales momentum building in 2024 with our highest ever single order of over £200,000 and sales orders in H1 approaching FY 2023.*

With appetite suppression, gut health, sugar alternatives, and modulation of the human microbiome attracting ever-increasing interest, we look to the future with a high degree of confidence. With the Company's first generation products having multiple clinical studies and health claims we are now gaining commercial traction with large partners in key markets plus the excitement of bringing our industry changing second-generation products to market.

We have achieved this with minimal shareholder dilution, no debt, a strong balance sheet (circa £9.4m as at 31 December 2023) and significant exposure to the considerable growth potential of the microbiome through our shareholdings in PBX and SkinBioTherapeutics PLC (SBTX).

On behalf of the Board, I would like to thank our valued shareholders for their patience and ongoing support, and we look forward to continuing on an upward trajectory for the remainder of 2024 and beyond."

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

Forward-Looking Statements

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

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About OptiBiotix - www.optibiotix.com

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

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

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

Chairman's Report

This year has seen the Group successfully returned to sales growth under the renewed leadership of its founder Stephen O'Hara, who returned to the role of CEO of OptiBiotix Limited in March 2023. In that time we have secured a number of new corporate partners to help develop sales of our first-generation products in key strategic markets like the USA and Asia, increased direct to consumers sales through ecommerce channels and reduced operating costs. Our second-generation products are now approaching commercialisation, offering potential additional future growth for the Company. The positive trajectory re-established during the year has continued into 2024. With new corporate partners in new territories, strong ecommerce growth, reduced SlimBiome® ingredient stock levels held by Maxum and Cambridge Commodities, a strong balance sheet (circa £9.4m at 31 December 2023) and a successful fundraise in 2024, the financial strength of the Group provides shareholders with a robust platform for growth going forward.

Strategy and business development

From the outset, the business has had a clear strategic focus on developing unique products with functional benefits in high growth markets around the world, and balancing risk and reward by building sales of first-generation products while developing more innovative second-generation products with greater potential.

The CEO reports in detail below on the actions we have taken during the year to restore the Group to sales growth through more active management of existing key accounts, increasing the number of partners in key strategic markets, and investing to increase direct sales to customers through ecommerce channels in the UK and subsequently internationally.

Results

The results show that after a very poor start to 2023 management changes in spring led to a 41% increase in sales and a 30% decrease in costs in 2023, despite one off termination costs of £153k. With improved sales and tighter financial control operating losses for 2023 reduced by 33% from £2.4m to £1.6m.

The Board

As noted in the last annual report Rene Kamminga, who was appointed CEO of OptiBiotix Ltd in March 2021, and joined the Board of the Group in July 2022, left the business in February 2023 when Stephen O'Hara resumed the role of CEO at OptiBiotix Ltd. As outlined in the CEO report the Company took the opportunity to streamline its board and reduce advisor costs to move the business towards profitability. To support the management team Graham Myers joined the Board on 1 December 2023 as Finance Director, a part-time role in which he works closely with the OptiBiotix team to focus on driving each business unit to profitability.

Outlook

The recovery of sales established in 2023 have continued into the current year with the agreement with Morepen in India, encouraging discussion with a number of US corporates, and strong e-commerce growth, any of which having the potential to transform the business in 2024 and beyond. As the Chief Executive reports in more detail

below, we have secured additional agreements to grow sales of our first-generation products in a number of key strategic markets (e.g. USA, Asia), successfully broadened our product portfolio, and reached an exciting stage in the commercialisation of our second-generation sugar replacement SweetBiotix® and MicroBiome Modulators.

The actions we took during 2023 have put the Group back on a firm growth path and the Company looks forward to reporting further progress in the year ahead. We also look forward to realising the substantial potential value of our second-generation SweetBiotix® family of products and microbiome modulators as these achieve commercialisation.

N Davidson
Chairman
28 June 2024

Chief Executive's Report

Since the restructuring of our senior management team in Spring 2023, the Group has focused on restoring sales growth and working towards profitability through the more active management of existing accounts, broadening its partner base, and investing in ecommerce channels, while reducing costs. This is all part of a plan to take multiple products in the microbiome space to a global marketplace. Our first-generation products now enjoy widespread acceptance in international markets, helping us to reach new agreements with a number of well-known corporate partners and to launch new products in more territories expanding our customer base. Our online sales are growing strongly, particularly in China and we are looking to replicate this approach in other high growth territories such as India in 2024. We have also reached an exciting stage in the commercialisation of our second-generation products SweetBiotix® as a bulk sugar replacement and in finished products and seeing growing interest in our microbiome modulators. The Group remains financially robust with a strong balance sheet (circa £9.4m at 31 December 2023) and no debt. We believe that the Group is now at a strategic inflection point having made strong progress in 2023 and early 2024 on its stated aims of establishing sales in major international markets like the USA, China, and India. As partner and ecommerce sales in these territories grow, we launch new products like WellBiome® with existing partners, add new partners in the USA and India, and bring our second generation products to market, we have a number of opportunities, any one of which would be transformational for the Company and shareholders alike, and collectively change the future of the business.

Strategic overview

OptiBiotix Health PLC (OPTI) is a life sciences business founded on the development of prebiotic and probiotic compounds to tackle obesity, cardiovascular disease, diabetes and skincare: all markets offering strong growth potential in every part of the world. The Company has built an extensive portfolio of microbiome assets in this field including prebiotic products like SlimBiome®, WellBiome®, SweetBiotix® and Microbiome modulators within its core business, skincare through SkinBioTherapeutics PLC (SBTX) and probiotics through ProBiotix Health plc (PBX). These are both separately listed companies in which OptiBiotix has a shareholding. These create a diverse portfolio of opportunities in an emerging area of healthcare which is of growing interest to consumer markets around the world.

Our strategic approach has been to target global markets with highly differentiated, clinically proven and patented products. Whilst ambitious, more costly and time consuming than commercialising in local markets it recognises the potential scale of the opportunity. The strategy has been designed to reduce risk and maximise opportunities for investors by recognising the challenges inherent in bringing new technologies and products to a naturally conservative global food market, where consistency and risk avoidance are key, and the acceptance of new products is notoriously slow.

In addition to founding and developing three distinct companies, we have layered our development portfolio by creating both first-generation products (SlimBiome® and WellBiome® in prebiotics and LP_{LDL}® in probiotics) and second-generation products (SweetBiotix® and Microbiome modulators). This has allowed us initially to build sales and awareness of the Company and its functional ingredients through its first-generation products while developing the riskier and more innovative second-generation products that offer potentially greater upside for investors.

The development of three distinct companies (OPTI, SBTX and PBX) with similar fundamental science but different applications and markets provides investors with multiple plays in the emerging microbiome market, both

reducing their risk and providing significant potential gains if one or more new products is successfully brought to market.

Placing these companies separately on public markets creates tangible assets which can potentially be disposed of to pay shareholders an ad hoc dividend, as with the £10.25m dividend issue to OPTI shareholders on the listing of PBX in March 2022, or the £5.4m of share sales in SBTX by OPTI since its listing in 2017, which has reduced the need to fundraise for the continued development of OPTI and avoided dilution for our own shareholders.

As a result, OPTI today has a strong balance sheet (circa £9.4m at 31 December 2023) with no debt, and multiple plays providing scope for profitable development in different areas of the emerging microbiome space.

The annual accounts for 2020 and 2021 showed that each of OPTI's businesses was profitable at the EBITDA level, with the Group as a whole attaining profitability by virtue of the increased value of its SBTX asset. In 2022 we faced a most challenging year in the wake of the COVID-19 pandemic and the global economic uncertainty that followed the Russian invasion of Ukraine, and increased costs and reduced sales following the appointment of a new CEO.

We took decisive action to address this through the departure of the CEO of the prebiotic business under OptiBiotix Ltd in Spring 2023 and a series of measures to reduce Board, management and advisory costs. Since implementing these measures and under the renewed leadership of Stephen O'Hara as CEO, we have enjoyed three quarters of increased sales. This growth has continued into 2024.

Action has also been taken to reduce commercial risk in the business by increasing the number of large partners in key strategic markets, particularly the USA and Asia Pacific, with new relationships with Brenntag, Tata, Iovate/Muscletech, and in 2024 an agreement with Morepen.

Equally importantly, we have made significant investments in our ecommerce business to drive our direct-to-consumer sales, reducing reliance on retail partners and increase our profit margins. While sales through retail partners offer potential benefits in generating volume, and increase the awareness and credibility of OPTI products, margins are lower and the uniqueness of our formulations and their functional benefits are often lost to retail staff and consumers among the many competing brands on offer.

With our first generation products gaining traction in the USA, China, and India and the upcoming launch of our second-generation products, OPTI is well placed to become a major player in the expanding microbiome market.

Commercial and scientific overview

During the year we have focused on driving sales growth through the more active management of existing key accounts; increasing the number of partners in key strategic markets, particularly the USA, China, and India; and investing to increase direct sales to customers through ecommerce channels in the UK and subsequently internationally.

Key developments during the financial year included:

Active management of existing key accounts:

- An increase in sales of LeanBiome® to The Hut Group for inclusion in its Myprotein range.
- An increase in sales to Holland & Barrett health and wellbeing retail and online business in the UK, albeit from a very low base in 2022.
- An increase in sales of SlimBiome® to Paradise Fruits, a German company producing gummies for Walmart and for sale online in China.
- Increased sales of our OptiBiome® prebiotic fibre (an alternative trademark to SlimBiome®) to Optipharm in Australia following the launch online of their Optislim and Optiman ready meal ranges incorporating a ready meal OptiBiome sprinkle and a significant new investment in marketing.
- An increase in the number of Apollo pharmacies in India and Nahdi pharmacies in Saudi Arabia selling GoFigure® products.

- A reduction in SlimBiome® stock held by partners: there was 13.9 metric tonnes of SlimBiome® taken from stock held by two partners (Maxum and Cambridge Commodities) in 2023 compared to 2022 (up 39%) representing a value of approximately £417K based on retail price of £30 per kg. The Company has commenced manufacture of replacement stock for Cambridge Commodities as it anticipates most of this stock will be used for existing orders planned for delivery in the first half of 2024.

Increasing the number of new partners, particularly in the USA and India:

- Recruiting four new partners for SlimBiome® in Asia through our partnership with Nutraconnect Pte, all of which placed initial orders before the end of 2023 and which we expect to contribute revenues of £125,000 to £150,000 in 2024.

- Securing a license agreement with Tata Chemicals - part of the $300bn turnover Tata Group - to incorporate its proprietary Fossence® into our SlimBiome® and WellBiome® products for the Indian market. This brings the assurance and familiarity of a branded ingredient from a well-known and trusted local source to the attention of Indian consumers

- Reaching a new distribution agreement for SlimBiome® in Australia and New Zealand with Ravenswood Ingredients, part of the Brenntag group which is a global leader in specialised food ingredients.

- One of our partners, Optipharm, securing an international listing for products containing SlimBiome® with CostCo, the fifth largest retailer in the world.

- Ongoing discussions with a leading US corporate on a global launch of SlimBiome® in 2025 in multiple territories.

Investing in ecommerce channels:

- The Company has made significant investments in new ecommerce channels, including Amazon in the UK, Walmart in the USA, and Tmall.com in China, to increase the proportion of our sales made direct to consumers. This has generated strong growth in turnover, with total ecommerce sales up approximately threefold in 2023 from 2022 and continued growth in Q1 2024 which we hope will continue as more channels come on line.

- Successfully launching new products including our reformulated gut and digestive health WellBiome® functional fibre and mineral blend, which has been selling strongly through both our own website and Amazon UK.

Other developments:

- A shift in our commercial focus to selling SlimBiome® Medical sachets in Europe and SlimBiome® shots in India and the Gulf states. These have been developed to help users manage their weight by reducing hunger and food cravings. This is a highly differentiated product which leverages growing market interest in anti-obesity GLP-agonist drugs like Semaglutide which work by reducing appetite. SlimBiome® compares favourably with these drugs and offers a healthy, natural and safe approach to weight management, with no observed side effects in multiple human studies. GLP-agonists have a number of reported common adverse effects and potentially serious side effects in some groups. SlimBiome® can be used with any weight management or calorie restriction plan and so complements rather than competes in a crowded marketplace. The product enjoys high margins and became a top-selling line within its market segment on Amazon UK in 2023.

- Roehampton University submitting the results of a third human study on SlimBiome® for publication, which demonstrated statistically significant benefits to appetite and hunger regulation with no safety, compliance or tolerance issues reported by the participating volunteers. This study underlined the effectiveness of a single dose of SlimBiome® in delivering hunger-free weight loss by non-invasive means, and was timely in view of the growing consumer, media and pharmaceutical interest in this field.

- Securing a grant from the Biotechnology and Biological Science Research Council to fund a research project by the University of Leeds into the impact of WellBiome® on the gut microbiome throughout the

digestive tract. This is expected to provide further substantiation of existing health claims for WellBiome® in international markets.

- Hull University securing NHS Ethics approval as part of a large programme grant (£2.7 million) amongst which is the proposal to explore WellBiome® impact post-surgery. This is a project independent of OptiBiotix in which Hull University have purchased WellBiome® to explore its impact on post-surgical recovery times.

North America

We have a strong sales pipeline in North America and the USA made up of small, medium size, and a number of large US corporates (including a £9bn Multi-Level Marketing company -MLM) that offer opportunities for sales growth in 2024 and beyond. The Company was pleased to receive a first order of £116k from Muscletech in 2023, a leading weight management and sports nutrition brand in the USA. This is a major sports nutrition brand who are making a significant investment in LeanBiome® as a key differentiator in the protein market and, if successful on launch could have a material impact on future revenues.

The Company reported at the start of 2024 the launch of LeanBiome® in MuscleTech's Nitro Tech Ripped range, a premium protein powder designed to support athletes who want to lose fat and build lean muscle. LeanBiome® is now included in two leading sports nutrition brands, Myprotein and MuscleTech, across the world, a market worth $45.2bn in 2023, and expected to grow at a CAGR of 7.5% pa to 2030, (Grand View Research, 2023). The Company sees the sports nutrition market as an area of growing interest and opportunity for its LeanBiome® brand with the scientific evidence increasingly showing that optimising an athletes gut microbiome could improve an athletes' stamina, lower inflammation, and support physical fitness (Frontiers | Editorial: Nutrition to support gut health and the microbiome in athletes (frontiersin.org). Having two major global sports nutrition brands making a significant investment in LeanBiome® highlighting it as a key science based differentiator should provide investors a good indication to the potential opportunity developing within the sports nutrition market. If successful, this could have a material impact on future revenues and open up further opportunities in sports nutrition around the world. The Company continued to advance projects and expand the pipeline of opportunities with large North American companies and exhibited its SlimBiome®, LeanBiome®, and Wellbiome® products at Supply Side West, USA, in November 2023. Our focus is on companies committed to science and strong storytelling, especially in weight management, wellness, and sports nutrition with a special emphasis on e-commerce, direct selling, and retail brands.

The Company is hopeful that further announcements with corporate partners in the USA and Canada in 2024 will be made in due course.

OptiBiotix Health India

OptiBiotix Health India (OHI) was formed in November 2021 as a mid- to long-term strategic investment in the world's most populous nation of 1.4bn consumers, forecast to have a middle-class population of 475 million by 2030 and the world's largest cohort of medium to high level income customers by 2035. With obesity prevalence currently measured at 40.3%, India represents a huge area of opportunity for weight management products.

The formation of OHI has helped OPTI to avoid high import taxes and to control the purchase and sale of both ingredients (SlimBiome®) and finished product (GoFigure®, Morepen) manufactured and sold in India.

After a slow start following the launch of products with Apollo Pharmacies in September 2022, momentum built during the year resulting in GoFigure® products being sold through approximately 1,000 stores by the year-end.

Apollo's own consumer survey showed an 87% customer return rate among purchasers of GoFigure® products and 23% of new customers visiting their pharmacies who just bought GoFigure® products. This feedback is consistent with that from THG, who gained 40% new customers with the introduction of LeanBiome® to their Myprotein range. Such results create a positive platform for commercial discussions with potential new partners, demonstrating the consumer appeal of our products and their ability to attract both new and returning customers.

The licence agreement we secured with Tata Chemicals in October 2023 to incorporate its proprietary Fossence® into our SlimBiome® and WellBiome® products for the Indian market which is anticipated to increase their appeal to Indian consumers. In Q1 2024 we announced a major new partnership agreement to sell products containing

SlimBiome® under the well-known and trusted Dr Morepen brand. This is an established, well known, and trusted brand in the Indian market and represents a material step forward for our products in the Indian market. OptiBiotix will receive revenue for both the ingredient and BTB product sales with first orders placed for launch in Q3 2024. Based on Morepens current forecasts this agreement could contribute in the region of £6-7 million revenue per annum to OptiBiotix in the next four to five years (see announcement March 2024).

Thanks to the work of the Department of Business and Trade and our Business Development Director, Dr Taru Jain, we have high industry awareness of OptiBiotix and its products throughput India. This has created a strong pipeline of opportunities with emerging and leading players in weight management and sports nutrition in India, where we expect to build a substantial business in the years ahead.

Consumer Health and Ecommerce

The Consumer Health division grew rapidly during the year, with our total Ecommerce sales increasing threefold in 2023 compared to 2022. This was driven by strong growth in the sale of gummies in China and large increases in Amazon Prime subscriptions.

Gummy sales in China during the year varied widely per month, increasing rapidly in October and November with the aid of local key opinion leader influencers and new sales through the TikTok platform. Marketing on TikTok can increase sales rapidly but at a high cost and tend to be impulse buys with lower repeat purchases. Our TikTok account is managed by a Chinese agency with sales reconciled against costs some time after revenue is received. They are only then included in our accounts. We see TikTok as a means of increasing product and brand awareness providing early sales growth with Tmall (Alibaba) a more appropriate platform for sustainable growth.

In the UK we significantly increased our Amazon customer base by successfully moving to the Fulfilment by Amazon (FBA) model that allowed customers to receive faster deliveries through Prime accounts. SlimBiome® is consistently among Amazon's top sellers for appetite suppressants, and achieved record sales during Prime month in July 2023 and was awarded Amazon choice in Q1 2024.

We are extending our customer reach through new Amazon channels in Germany, the UAE and the Kingdom of Saudia Arabia, with Amazon India to follow in H2 2024. We have also broadened our offer to consumers with the launch of new products such as soups and indulgence bars, initially through our own website with Amazon to follow. Such additions to our range help to increase our average order value online and to compensate for the usual seasonal peaks and troughs in the weight management cycle.

Competitor analysis of our WellBiome® range indicated a need to increase awareness of the product through social channels. Competitors such as Symprove have annual sales of around £20-£25m and are exploring a £250m sale later this year (see Gut health supplement maker Symprove plots £250m sale | Business News | Sky News). They have a heavy reliance on promotion through influencers and social media. In adopting a similar approach, we believe we can demonstrate competitive advantage on both price and product efficacy, including on-pack health claims, and build similar sales and value.

Competitor analysis of WellBiome® also indicated value in a change in positioning from healthy ageing to boosting gut and digestive health which should allow us to attract more customers through more easily understood messaging and benefits for the consumer. We have targeted competitors with keywords/ads and successfully listed with Amazon UK FBA.

The Consumer Health division has the advantage of receiving online sales income immediately and allows more control of our brands and messaging, while reducing our reliance on distributors to grow our brands.

Results

The Group's results for 2023 reflect its new structure following the listing of ProBiotix Health (PBX) on the AQSE Growth Market on 31 March 2022. When making comparisons with 2022, it should be noted that the prior year accounts included revenues and costs for the combined Group (OPTI and PBX) up to the end of March 2022.

Revenue for the year of £644,000 showed a pleasing 41% increase over 2022's £457,000, with the move forward close to 50% once 2022's first quarter PBX sales are adjusted for. The change of CEO in March 2023 resulted in a significant improvement in revenue impetus following only £16K of sales in the first two months of the year. Orders from our wholesale business customers increased significantly year-on-year, although delays setting up logistics with new partners meant that some deliveries were delayed into 2024 with sales reportable in 2024. Our

investment in online direct to consumer business began to pay dividends as sales exceed £100,000 for the first time, a three fold increase on 2022.

Administrative expenses (excluding non-cash items such as share-based payments and amortisation) were reduced by almost 30% to £1,778K (2022: £2,498K), reflecting cost saving measures, the removal of PBX's costs after March 2022 and recovery of some of the doubtful debt provided in the 2022 accounts. Actions to reduce 2023's costs included the removal of Cavendish as joint broker, announced in December 2022, the departure of Rene Kamminga as CEO in March 2023, a 20% reduction in all directors' remuneration from January 2023 and the retirement of two non-executive directors in July 2023. The former CEO's termination agreement saw us incur a one-off cost of £153K.

With gross margins in percentage terms remaining steady year on year, the combination of improved sales and good control of administrative expenses saw operating losses reduce to £1,664K from £2,489K. Overall the Group recorded a loss before tax for the year of £2.08m, compared with a profit of £2.59m in 2022. The prior year benefitted from a significant gain on its investment in PBX offset by a loss on revaluation of its shareholding in SBTX, whilst the current year's results suffered from the inclusion of a very disappointing £323K share of the total loss for the year of PBX. On the plus side we netted a £487K accounting gain from the disposal of further shares in SBTX that realised £1.1m in cash in 2023.

The Company retains a relatively healthy balance sheet with gross assets of £9.4m (2022: £11.6m) and cash at the year-end of £0.6m (2022: £1.1m). Since the year end a share placing and further sales of SBTX shares have raised over £1.4m of additional funding to support the Group going forward.

The Board, senior management and advisers

We took decisive action in December 2022 and the first half of 2023 to reduce Board, management and advisory costs in order to move the Group to operational profitability as soon as possible.

As noted in the last annual report Rene Kamminga, who was appointed CEO of OptiBiotix Ltd in March 2021, left the business on 28 February 2023 when Stephen O'Hara resumed the role of CEO of OptiBiotix Health Limited. All directors voluntarily accepted a 20% reduction in their salaries from 1 January 2023 and, with non-executive directors now outnumbering executive directors by two to one, Stephen Hammond and Chris Brinsmead agreed to step down as non-executive directors at our AGM in July 2023, with our thanks for their contribution to the business.

Graham Myers joined the Board on 1 December 2023 as Finance Director, a part-time role in which he will work closely with the OptiBiotix team to focus on driving each business unit to profitability. Graham brings to us extensive experience in optimising financial controls, managing budgets, building profitable businesses and delivering mergers and acquisitions, all gained in a career of almost 30 years with Croda International Plc; he remains Chair of Croda Pension Trustees Limited.

On 28 December 2022 we served three months' notice to terminate the joint brokership of Cavendish Securities plc, with Peterhouse Capital continuing as the Company's sole broker. During the year we also secured a 50% reduction in the fees charged by our corporate PR adviser.

Outlook

The Company set out a strategy of developing first generation products using existing technology and highly innovative step change second generation products in parallel and commercialising these in global markets. Whist ambitious, costly and more time consuming, this strategy gave shareholders exposure to multiple opportunities within the emerging global human microbiome space and the potential for multiple upside. This strategy is now coming to fruition.

Whilst this strategy has taken longer to deliver than anticipated the Company is now at a tipping point with first generation products gaining widespread international acceptance with growing sales in multiple territories and the upcoming launch of our second generation products generating industry interest. This creates a range of opportunities to support future sales growth and value creation.

SlimBiome®/OptiBiome®/LeanBiome®

The Company has four human studies on SlimBiome which consistently demonstrate it reduces hunger and cravings leading to changes in the amount of food and type of food people eat and sustainable weight loss. The studies have allowed the Company to gain on pack health claims in major markets (Europe, Australia, USA, and Asia) leading to agreements with major international and national companies like Iovate (Muscletech),

TheHutGroup (Myprotein), Apollo, and Morepen. The partnership with Morepen and first order of over £175K plus ingredient sales of £27K in H1 2024 is the first step in an agreement in a major market and based on Morepen's forecast could contribute in the region of £6-7 million revenue per annum in the next four to five years. We believe these agreements, plus other deals in the pipeline, and our focus on selling finished products via e-commerce in multiple channels have the potential to achieve sales of £30m+ in the future.

WellBiome®

WellBiome® is a patented food supplement, designed to support gut health for wellbeing with health claims for improving gut health, brain and cognitive health, and improve immune function. Research studies have shown that a combination of fibres like WellBiome® can increase gut microbiome diversity more than single fibres. The Company has a number of human studies ongoing with WellBiome® including exploring its impact on post surgical recovery times with Hull University and a study on the impact on stress, anxiety, and sleep with Southampton University. Gut Health is a large and growing area in consumer health with companies like Symprove with single products reporting annual sales of around £20-£25m and a valuation of approximately £250m (see Gut health supplement maker Symprove plots £250m sale | Business News | Sky News). We believe WellBiome® has a number of significant advantages over Symprove including cost, shelf life, user convenience (sachet rather than bottle), and health claims and see this as an area of high future growth with the potential for similar sales and value.

Second generation products (SweetBiotix and MicroBiome Modulators/Synbiotics)

As with any step change innovation this has been a long and difficult path with significant challenges, particularly on scale up, and during the two years of COVID when development stopped. These challenges have now been overcome and we have been pleased that the scale of the opportunity and uniqueness of our patented approach has attracted the interest of major global partners both in the manufacture (e.g DSM-Firmenich) and application of these products (e.g Coca Cola, Nestle, Arla etc). These partners bring scale and global networks albeit time consuming and with stringent confidentiality conditions. We have been pleased with the progress made by DSM-Firmenich and its preliminary forecast for SweetBiotix® of >100,000 metric tonne per annum, demonstrating its intent and potential scale of the opportunity. If this forecast materialises at an expected price of £30 per kg this would represent substantial sales revenue. Experience tells us that partner forecasts tend to be optimistic, increases in volume often take longer, and over time the sales price is likely to be eroded to £18-£20 per kg, however this gives an indication of the potential scale of the opportunity. We are currently working with a manufacturer who supplies products to major corporates and uses 10,000 metric tonnes of sugar per annum. We are progressing incrementally and have included SweetBiotix® in a finished product for a large global partner with a view for an upcoming launch. The Company is also working on including SweetBiotix® in our own products and launching a bulk sugar replacement product with the aim of seeing SweetBiotix® in an increasing number of products in 2024 and beyond.

Whilst SweetBiotix® has captured investors interest, the Company has another group of products which it believes create comparable opportunities for revenue growth and value creation. OptiBiotix has developed a number of unique, patented technologies, which allow it to create dietary ingredients and/or therapeutic products to precision engineer the microbiome. This is achieved by technologies which allow us to examine a microbe's genome to identify its ability to utilise specific substrates. With this information protein synthesis techniques can be used for large-scale production of unique substrates specific for the optimum growth of that microbe. This allows the creation of substrates which boost the growth of specific genera or species of microbes that have been connected with cancer, improving drug treatments, the development of chronic diseases, or even the ageing process Healthy longevity: The role of the gut microbiome (medicalnewstoday.com). This ability to identify and create products which selectively enhance the growth and activity of specific microbes is a new concept but has the potential to revolutionise microbiome-based products and therapies. Microbiome modulating approaches are a largely unexplored area of opportunity for both the food and pharmaceutical industry but have the potential to transform healthcare. If the microbiome is the future of healthcare, having an approach to precision engineer the microbiome to enhance those microbes that deliver health benefits is the pathway to achieving that aim.

As would be expected the Company has a high level of corporate interest in its second-generation products. The Company is in discussion with a wide range of industry partners over product application and launch timescales, some already announced and some with new potential partners, across a wide range of areas and will make announcements once these have been concluded. Given previous experience with some investors contacting partners pretending to be employed or representing OptiBiotix and damaging relationships, the Company wishes to maintain confidentiality in this area to protect the best interests of shareholders.

The focus for 2023 has been on recovering sales and moving the business to profitability by a reduction in costs, a focus on existing partners returning to forecast, bringing in new partners particularly in the USA and Asia, and expanding ecommerce channels to increase margins and reduce partner dependency. Good progress has been made in each of these areas which has led to a recovery of growth in 2023 which has carried forward into 2024 with sales orders in H1 approaching FY 2023. In the last year and into 2024 we have been particularly pleased with the pipeline of high-quality partners like Iovate, Dr Morepen, TheHutGroup, the high conversion rate of interest to new accounts, and the progress we are making with online sales, particularly in China. These all have the potential to bring in significant future revenues.

The fundamentals of our marketplace remain very exciting, with appetite suppression, gut health, sugar alternatives, and modulation of the human microbiome attracting ever-increasing interest as the potential solution to a wide and growing range of lifestyle-related health challenges. OptiBiotix has patented products with clinical studies in many of these areas. Our unique, innovative products are based on strong science, proven in clinical studies, comprehensively protected by our global portfolio of patents and trademarks, and are achieving growing international recognition through both industry awards and positive customer reviews and growing sales.

We look to the future with a high degree of confidence in our products, a growing online presence in international markets and the excitement of bringing our industry changing second-generation products to market.

We have achieved with minimal shareholder dilution, no debt, a strong balance sheet, and significant exposure to the considerable growth potential of the microbiome through our shareholdings in PBX and SBTX.

We would like to thank shareholders for their patience and support and look forward to growing the business and shareholder value in the years ahead.

Stephen O'Hara
Chief Executive
28 June 2024

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Revenue from contracts with customers		644	457
Cost of sales		(324)	(213)
Gross profit		**320**	**244**
Share based payments		(6)	(11)
Depreciation and amortisation		(205)	(224)
Other administrative costs		(1,804)	(2,498)
Total administrative expenses	**6**	(2,015)	(2,733)
Operating loss		**(1,695)**	**(2,489)**
Finance cost	**5**	-	-
Finance income	**5**	1	-
		1	-

Share of loss from associate	**11**	(323)	(83)
(Loss)/Gain on investments	**11**	(513)	(8,620)
Profit on disposal of investments	**11**	487	16
Profit on disposal of subsidiary	**11**	-	21,647
Provision against associate valuation	**11**	-	(8,030)
Profit/(Loss) before tax		(2,043)	2,441
Taxation	**7**	4	146
Total comprehensive income for the period		(2,039)	2,587
Total comprehensive income attributable to:			
Owners of the company		(2,039)	2,587
		(2,039)	2,587
Earnings per share from continued operations			
Basic profit/(loss) per share	**8**	(2.24)p	2.93p
Diluted profit/(loss) per share	**8**	(2.08)p	2.78p

Consolidated Statement of Financial Position

	Notes	As at 31 December 2023	As at 31 December 2022
ASSETS		**£'000**	**£'000**
Non-current assets			
Intangibles	**9**	1,331	1,540
Investments	**11**	3,887	5,022
Investment in associate	**11**	2,806	3,129
		8,024	9,691
CURRENT ASSETS			
Inventories	**12**	188	178
Trade and other receivables	**13**	460	521
Current tax asset	**7**	97	106
Cash and cash equivalents	**14**	635	1,052
		1,380	1,857
TOTAL ASSETS		**9,404**	**11,548**
EQUITY			
Shareholders' Equity			
Called up share capital	**15**	1,824	1,824
Share premium	**16**	2,958	2,958
Share based payment reserve	**16**	772	939
Merger relief reserve	**16**	1,500	1,500
Convertible debt - reserve	**16**	-	-
Retained Earnings	**16**	1,818	3,684
Total Equity		**8,872**	**10,905**

LIABILITIES			
Current liabilities			
Trade and other payables	**17**	180	278
		180	278
Non - current liabilities			
Deferred tax liability	**18**	352	365
		352	365
TOTAL LIABILITIES		**532**	**643**
TOTAL EQUITY AND LIABILITIES		**9,404**	**11,548**

Consolidated Statement of Changes in Equity

	Called up Share capital £'000	Retained Earnings £'000	Share Premium £'000	Share-based Payment reserve £'000	Convertible Debt Reserve £'000	Merger Relief Reserve £'000	Non-Controlling Interest £'000	Total equity £'000
Balance at 31 December 2021	1,759	11,320	2,537	928	93	1,500	35	18,172
Profit for the year	-	2,587	-	-	-	-	-	2,587
Dividends	-	(10,258)	-	-	-	-	-	(10,258)
Transfer on loss of control	-	-	-	-	(93)	-	-	(93)
Transfer within reserves	-	35	-	-	-	-	(35)	-
Issue of shares during the year	65	-	445	-	-	-	-	510
Fundraising commission	-	-	(24)	-	-	-	-	(24)
Share options and warrants	-	-	-	11	-	-	-	11
Balance at 31 December 2022	1,824	3,684	2,958	939	-	1,500	-	10,905
Loss for the year	-	(2,039)	-	-	-	-	-	(2,039)
Movement on reserves	-	173	-	(173)	-	-	-	-
Share options and warrants	-	-	-	6	-	-	-	6
Balance at 31 December 2023	1,824	1,818	2,958	772	-	1,500	-	8,872

Notes to the Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Opening Cash		1,052	2,007
Operating activities			
Operating loss		(1,695)	(2,489)
Amortisation		205	224
Impairment of patents		5	-
Share based payments		6	11
Movement on inventory		(10)	(76)
Decrease/(increase) on receivables		61	1,116
(Decrease)/increase on payables		(98)	(19)
Tax received		-	124
Net Proceeds for operating activities		(1,527)	(1,109)
Investing activities			
Additions to intangibles		-	(168)
Cash disposed on loss of subsidiary		-	(188)
Proceeds on disposal of investments		1,110	25
Net		1,110	(331)
Financing activities			
Net proceeds on Share issues		-	485
Net cash inflow from financing activities		-	485
Total movement		(417)	(955)
Cash and cash equivalents at end of period	**1**	635	1,052

1. Cash and Cash Equivalents

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash and cash equivalents	635	1,052

Company Statement of Financial Position

	Notes	As at 31 December 2023 £'000	As at 31 December 2022 £'000
ASSETS			
Non-current assets			
Investments	**11**	5,858	7,008
Investment in associate	**11**	3,212	3,212
		9,070	10,220
CURRENT ASSETS			
Trade and other receivables	**13**	32	25
Cash and cash equivalents	**14**	434	865
		466	890
TOTAL ASSETS		**9,536**	**11,110**
EQUITY			
Shareholders' Equity			
Called up share capital	**15**	1,824	1,824
Share premium	**16**	2,958	2,958
Merger relief reserve	**16**	1,500	1,500
Share based payment reserve	**16**	772	939
Accumulated profit	**16**	2,400	3,806
Total Equity		**9,454**	**11,027**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**17**	82	83
TOTAL LIABILITIES		**82**	**83**
TOTAL EQUITY AND LIABILITIES		**9,536**	**11,110**

Company Statement of Changes in Equity

	Called up Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Share-based Payment reserve £'000	Retained Earnings £'000	Total equity £'000
Balance at 31 December 2021	1,759	2,537	1,500	928	11,056	17,780
Profit for the year	-	-	-	-	3,008	3,008
Dividends	-	-	-	-	(10,258)	(10,258)
Share options and warrants	-	-	-	11	-	11
Fundraising Commission	-	(24)	-	-	-	(24)
Issue of shares during the year	65	445	-	-	-	510
Balance at 31 December 2022	1,824	2,958	1,500	939	3,806	11,027
Loss for the year	-	-	-	-	(1,579)	(1,579)
Movement on reserves	-	-	-	(173)	173	-
Share options and warrants	-	-	-	6	-	6
Balance at 31 December 2023	1,824	2,958	1,500	772	2,400	9,454

Company Statement of Cash Flows

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Opening Cash		865	1,705
Operating activities			
Operating loss		(1,535)	(1,482)
Share based payments		-	11
Loan conversion to management charge		14	-
Decrease/(increase) on receivables		(7)	416
Impairment of investment in subsidiary		-	50
(Decrease)/increase on payables		-	42
Release of loan to subsidiary		901	756

Net Proceeds for operating activities		(627)	(207)
Investing activities			
Net cash advances to subsidiary		(915)	(1,143)
Proceeds on disposal of investments		1,110	25
Net		195	(1,118)
Financing activities			
Net proceeds on Share issues		-	485
Interest income		1	-
Net cash inflow from financing activities		1	485
Total movement		(431)	(840)
Cash and cash equivalents at end of period	**1**	434	865

Notes to the Company Statement of Cash Flows

1. Cash and Cash Equivalents

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Cash and cash equivalents	434	865

Notes on financial statements

1. General Information

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

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

These financial statements present the results and balances of the Company and its subsidiaries (together, the 'Group') for the year ended 31 December 2023.

2. Accounting Policies

Statement of compliance

The consolidated and parent company financial statements of Optibiotix Health Plc have been prepared in accordance with UK adopted international accounting standards (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

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

The principal accounting policies are summarised below. They have all been applied consistently throughout the period under review. The results are rounded to the nearest thousand.

2. Accounting Policies (continued)

Going concern

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

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

Management have considered its forecast of the group's cash requirements reflecting contracted and anticipated future revenue and the resulting net cash outflows. Management have not seen a material disruption to the business as a result of the current political crises in Eastern Europe. Management will keep events under constant review, and remedial action will be taken if the situation demands it.

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

2. Accounting Policies (continued)

Standards, amendments and interpretations effective and adopted in 2023

The accounting policies adopted are consistent with those of the previous financial year. In addition, the Group has adopted the new, and amendments to, standards listed below. These amendments were either not applicable or not material to the Group or Parent Company.

International Accounting Standards (IAS/IFRS)	Effective date
Initial Application of IFRS 17 and IFRS 9-Comparative Information	**1 January 2023**
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice	**1 January 2023**

Statement 2)	
Definition of Accounting Estimates (Amendments to IAS 8)	**1 January 2023**
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	**1 January 2023**
International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)	**1 January 2023**

New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) has issued the following standards, amendments and interpretations with an effective date after the date of these consolidated financial statements. These are effective for annual reporting periods beginning on or after the date indicated:

International Accounting Standards (IAS/IFRS)	**Effective date**
Classification of liabilities as current or non-current and non-current liabilities with Covenants - Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024
Lack of exchangeability - Amendments to IAS 21	1 January 2025

The Group is assessing the impact of these new standards and the Group's financial reporting will be presented in accordance with these standards from the effective date.

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

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

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained

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

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

2. Accounting Policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. Accounting Policies (continued)

2.2 Revenue recognition

Revenue is measured at the fair value of sales of goods and services less returns and sales taxes. The Group has analysed its business activities and applied the five-step model prescribed by IFRS 15 to each material line of business, as outlined below:

2.2.1 Sale of products

The contract to provide a product is established when the customer places a purchase order. The performance obligation is to provide the product requested by an agreed date, and the transaction price is the value of the product as stated in our order acknowledgement. The performance obligation is typically met when the product is dispatched and so revenue is primarily recognised for each product when dispatching takes place. In some limited situations when the product is complete but the customer is unable to take delivery the performance obligation is met when the customer formally accepts transfer of risk and control even though the product has not been dispatched.

2.2.2 License arrangements

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

2.2.3 Milestone payments

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

2.3 Investments in associates

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

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

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

2. Accounting Policies (continued)

2.4 Investments at fair value

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

2.5 Employee Benefits

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

2.6 Taxation

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

(i) Current tax

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

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

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

2. Accounting Policies (continued)

2.7 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

2.16 Inventory

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

2. Accounting Policies (continued)

2.17 Impairment of non-financial assets

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

assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

2.18 Capital management

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

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the Company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the period ended 31 December 2023.

2. Accounting Policies (continued)

2.19 Share-based compensation

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

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

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

2.20 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)

2.21 Intangibles - Patents and trademarks

Patents acquired by way of the fair value uplift by way of the reverse merger in 2014 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 these acquired patents over their estimated useful life of twenty years once the patents have been granted.

Development costs for new patents and trademarks since 2014 that have been capitalized in line with the recognition criteria of IAS38 have been estimated to have a useful economic life of 10 years

2.22 Research and Development

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

2.23 Merger relief reserve

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

2.24 Critical accounting judgments and key sources of estimation uncertainty

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

2. Accounting Policies (continued)

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

- **Share based payments**

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

estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

- **Useful life of intangible assets**

  Management have estimated that the useful life of the fair value uplift of the patents acquired by way of the reverse merger in 2014 to be 20 years. Development costs of patents and trademarks since 2014 that have been capitalized in line with the recognition criteria of IAS38 have been estimated to have a useful economic life of 10 years. These estimates will be reviewed annually and revised if the useful life is deemed to be lower based on the trading business or any changes to patent law. The net book value of intangible assets at the year- end was £1.331m (£1.540m)

- **Impairment reviews**

  IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters. The board looked at the current order book going forward, the ongoing discussions with current customers and the recent new customers and concluded that an impairment of the intangible assets was not applicable for the year to 31 December 2023.

2. Accounting Policies (continued)

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

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

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

  The Directors have had regard to potential impairment of this asset. The Directors believe there are no indicators which point to a potential adverse impact on the asset.

3. Segmental Reporting

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

Revenue analysed by geographical market

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
UK	221	136

US	202	100
India	-	61
China	75	-
Rest of world	146	160
	644	457

During the reporting period one customer represented £104k (14.9%) of Group revenues. (2022: one customer generated £100k representing 21.9% of Group revenues)

4. Employees and Directors

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Wages and salaries	375	522
Directors' remuneration	272	354
Social security costs	54	66
Pension costs	19	35
	720	977

Within salaries and wages there is a charge of £153k (2022:NIL) for termination payments made to R Kamminga.

In addition to the costs disclosed above a further £177k of employee costs have been recharged to Probiotix Health Plc under a shared services agreement.

	Year ended 31 December 2023 No.	Year ended 31 December 2022 No.
The average monthly number of employees during the period was as follows:		
Group		
Directors	5	6
Selling, General and Administration	5	5
	10	11
Company		
Directors	**5**	6
	5	**6**

4. Employees and Directors (Continued...)

Directors' remuneration was as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Directors' remuneration	272	354
Directors' share based payments	-	12
Benefits in kind	5	5
Bonus	-	-
Pension	7	10
Total emoluments	284	381
Emoluments paid to the highest paid director		
Remuneration for qualifying services	138	143
Company pension contributions to defined	5	4
	143	147

4. Employees and Directors (continued)

Directors' remuneration

Details of emoluments received by Directors and key management of the Company for the year ended 31 December 2023 are as follows:

Directors

	Remuneration and fees	Share based payments	Pension Costs	Benefits in Kind	Total	Total 2022
	£'000	£'000	£'000	£'000	£'000	£'000
S P O'Hara	138	-	5	4	147	151
S Christie	20	-	-	-	20	25
R Davidson	44	-	-	-	44	55
S Kolyda	44	-	2	1	47	88
C Brinsmead	11	-	-	-	11	31
S Hammond	11	-	-	-	11	31
G Myers	4	-	-	-	4	-
Total	272	-	7	5	284	381

Benefits in kind relate to medical insurance. The number of directors to whom retirement benefits were accruing was 2 (2022: 2).

5. Net Finance Income / (Costs)

	Year ended	Year ended

	31 December 2023 £'000	31 December 2022 £'000
Finance Income:		
Bank Interest	1	-
Net Finance Income / (Costs)	1	-

6. Expenses - analysis by nature

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Research and development	40	68
Directors' fees & remuneration (Note 4)	272	354
Salaries, pension and social security	447	623
Auditor remuneration - Group and Company audit fees	58	25
Auditor remuneration-Audit of subsidiaries	-	15
Auditor remuneration - non audit fees:tax compliance	-	8
Auditor remuneration - non audit fees: other assurance	-	2
Brokers & Advisors	94	122
Advertising & marketing	114	84
Share based payments charge	6	12
Bad debt provision	(104)	458
Amortisation of patents and development costs	205	224
Patent and IP costs	183	88
Consultancy fees	314	378
Legal and professional fees	9	12
Public Relations costs	55	80
Travel costs	93	102
Other expenses	229	78
Total administrative expenses	2,015	2,733

7. Corporation Tax

Corporation Tax

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Corporation tax credit	17	(38)
Deferred tax movement	(13)	(108)
Total taxation	4	(146)

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2023 nor for the year ended 31 December 2022.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Profit (Loss) on ordinary activities before income tax	(2,043)	2,442
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 23.5% (2023 - 19%)	(480)	466
Effects of:		
Disallowables	171	166
Income not taxable	(63)	(1,068)
Accelerated depreciation	-	-
R&D tax credit claimed	-	(38)
Amortisation	31	28
Revenue items capitalised	-	-
Other timing differences		-
Unused tax losses carried forward	358	408
Tax credit	17	(38)

The group has estimated losses of £7.6m (2022: £6.1m) in respect of which a deferred tax asset of £1.9m (2022: £1.5m) has not been recognised due to the uncertainty of future taxable profits. The unrecognised deferred tax asset has been assessed by reference to a rate of 25% which is the UK headline corporation tax rate from 1 April 2023.

7. Corporation Tax (continued)

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

Current tax asset - Group	**2023 £**	**2022 £**
Balance brought forward		191,249
Received during the year		(123,663)
Prior year adjustment		-
Research & development tax credit claimed		37,500
		105,086

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:

2023

Basic and diluted EPS	Earnings £'000	Weighted average Number of shares No.	Profit per-share Pence
Basic EPS	(2,038)	90,190,661	(2.24)p
Diluted EPS	(2,038)	98,273,568	(2.08)p

	2022		
	Earnings £'000	Weighted average Number of shares £	Profit per-share Pence
Basic EPS	2,587	88,279,952	2.93
Diluted EPS	2,587	93,213,179	2.78

As at 31 December 2023 there were 7,082,907 (2022: 7,182,907) outstanding share options and NIL (2022: NIL) outstanding share warrants.

9. Intangible assets

Group	Development Costs and Patents £'000
Cost	
At 31 December 2021	3,865
Additions	46
Disposals	(1,370)
At 31 December 2022	2,541
Additions	-
Disposals	-
Impairment	(4)
At 31 December 2023	2,537
Amortisation	
At 31 December 2021	1,225
Amortisation charge for the year	224
Disposals	(448)
At 31 December 2022	1,001
Amortisation charge for the year	206
Disposals	-
Amortisation eliminated on impairment	(1)
At 31 December 2023	1,206
Carrying amount	
At 31 December 2023	1,331
At 31 December 2022	1,540

The company had no intangible assets during the reporting period.

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

Disposals in the year 31 December 2022 relate to two patent families relating to probiotic patents owned by Probiotix Limited and therefore which were derecognised upon the group's loss of control of Probiotix Health plc. This disposal has formed part of the gain on loss on disposal reported in the income statement.

10. Property, plant and equipment

Group

	£'000
Cost	
At 31 December 2021	8
Additions	-
Disposals	-
At 31 December 2022	8
Additions	-
Disposals	-
At 31 December 2023	8
Depreciation	
At 31 December 2021	8
Charge for the year	-
At 31 December 2022	8
Charge for the year	-
At 31 December 2023	8
Carrying amount	
At 31 December 2023	-
At 31 December 2022	-

The company had no fixed assets during the reporting period.

11. Investments

Group

Set out below is the investment in Skinbiotherapeutics PLC. The investment was treated as an associate of the group until 2 November 2020, after which time the shareholding dropped to 24.65% and recalculated as an equity investment. The Group records its investment in Skinbiotherapeutics plc at fair value and is remeasured by reference to its closing price on AIM at each reporting date. The share price at 31 December 2023 was 15.25p.

During the year, 6,911,567 were disposed to generate gross proceeds of £1.1m with original cost of £622k. At 31 December 2023 the holding stood at 13.39%

	2023 £'000	2022 £'000
Investments		
At the beginning of the period	5,022	13,651

Revaluations	-	(8,620)
(Loss)/Gain on investments	(513)	-
Disposal of shares during year	(622)	(9)
At 31 December	3,887	5,022

Investment in Associate

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

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

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

11. Investments (continued...)

Investment in Associate

	2023 £'000	**2022 £'000**
Investments		
At the beginning of the period	3,129	-
Additions		
Deemed cost on reclassification from subsidiary	-	11,242
Impairment in the period	-	(8,030)
Share of result for the period (see below)	(323)	(83)
At 31 December	2,806	3,129

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

Set out below is financial information on PBX set out in its IFRS financial statements for the year to 31 December 2023.

	2023 £'000	**2022 £'000**
Revenue	1,673	1,308
Loss from continuing operations	(729)	(237)
Total comprehensive loss	(735)	(189)
Current assets	1,871	2,311

Current Liabilities	(566)	(307)
Non-current liabilities	(97)	(89)
44% share of total comprehensive loss	(323)	(83)

11. Investments (continued)

Company Investments

	2023	2022
	£'000	£'000
Listed Investments		
At the beginning of the period	5,022	13,651
Additions		-
Revaluations	(513)	(8,620)
Disposal of shares during year	(622)	(9)
	3,887	5,022
Investment in subsidiaries		
At the beginning of the period	1,986	2,081
Additions	-	16
Impairment	(15)	(50)
Disposals	-	(61)
	1,970	1,986
At 31 December	5,858	7,008

Company Investment in Associate

	2023	2022
	£'000	£'000
At the beginning of the period	3,212	60
Reclassification to associate	-	11,182
Provision against value of associate	-	(8,030)
At 31 December	3,212	3,212

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

11. Investments (continued)

The Directors have had regard to potential impairment of this group's investment in Probiotix. The Directors believe there are no indicators which point to a potential adverse impact on the asset.

During the year to 31 December 2022 an impairment charge of £8.03m was recorded in the income statement as a separate line item. The impairment assessment was made by reference to fair values using Level 1 inputs on the Fair Value Hierarchy, being observable traded prices on the AQSE Growth exchange.

During the year to 31 December 2022 an impairment of £50,000 was raised against the Company's investment in The Healthy Weight Loss Company Limited as the board intend to wind up this company which has minimal assets and no trading activity.

The entities listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also the principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held.

As at 31 December 2023 the Company directly held the following subsidiaries:

Name and Registered office address of company	Nature of Business	Active / Dormant	Country of incorporation and place of business	Proportion of equity interest
OptiBiotix Limited	Research & Development	Active	United Kingdom	100% of ordinary shares
	Innovation Centre Innovation Way, Heslington, York, YO10 5DG			
Optibiotix Health India Private Limited	Health foods	Active	India	100% of ordinary shares
	House NO.243, Mcd Colony, Vivekanand Puri Sarai Rohilla City, Delhi CITY, DELHI, North Delhi, Delhi, India, 110007			

The Healthy Weight Loss Company Limited was dissolved on 19 December 2023.

12. Inventories

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Finished goods	188	178	-	-

During the period £334k (2022: £213k) has been expensed to the income statement.

13. Trade and other Receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000

Current				
Accounts receivable	345	379	18	-
Other receivables	97	131	12	17
Prepayments and accrued income	18	11	2	8
	460	521	32	25

During the year Optibiotix Health PLC recharged Probiotix Health PLC £15,000 for Directors' fees which was repaid after the year end.

During the year Optibiotix Health PLC loaned Optibiotix Limited £1,223,340 to finance working capital costs. Optibiotix Limited recharged Optibiotix Health PLC £327,979 , (2022: £373,426) for salary costs. The balance at the year end of £895,381 (2022: £846,574) was cancelled. There was no interest charged during the year. This does not impact on the consolidated Group accounts.

During the year Optibiotix Limited recharged Probiotix Health PLC £44,799(2022: £23,139) for directors' fees. The balance at the yearend was £NIL. There was no interest charged during the year.

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

- £490,786 (2022:£440,663) for salaries and administration costs;
- £67,700 (2022: £60,676 income received on behalf of Probiotix limited; and
- £425,639 repayments received.

There was no interest charged during the year. The remaining balance of £27,617 was received after the year end.

14. Cash and Cash Equivalents

	Group		Company	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Cash and bank balances	635	1,052	434	865

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

15. Called Up Share Capital

	2023	**2022**
Issued share capital comprises:	**£'000**	**£'000**
Ordinary shares of 2p each -91,190,661 (2022: 91,190,661)	1,824	1,824
	1,824	1,824

No new shares were issued during the year.

16. Reserves

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

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

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

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

17. Trade and other payables

Current:

	Group		Company	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Accounts Payable	56	191	7	34
· Accrued expenses	75	70	67	39
· Other payables	49	17	8	10
·				
Total trade and other payables	180	278	82	83

18. Deferred Tax

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25%).

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

	2023 £'000	**2022 £'000**
At 31 December	365	552
Movement in the period	(13)	(187)
At 31 December	352	365

Deferred tax assets have not been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets as the directors believe there is uncertainty over the timing of future taxable profits. Further details of available losses are set out in note 7.

19. Related Party Disclosures

Transactions and balances with Probiotix Health Plc are set out in note 13. Key Management Personel (KMP) disclosures have been made under note 4.

20. Ultimate Controlling Party

The Board consider that there is no overall controlling party.

21. Share Based payment Transactions

(i) Share options

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

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

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

	Number of options		Average exercise price	
	2023	2022	2023	2022
	No.	No.	£	£
Outstanding at the beginning of the period	7,182,907	7,632,907	0.092	0.18
· Granted during the period	-	500,000	-	0.02
· Forfeited/cancelled during the year	(325,000)	(950,000)	0.52	0.70
· Exercised during the period	-	-	-	-
·				
Outstanding at the end of the period	6,857,907	7,182,907	0.08	0.092

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

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

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

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

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

21. Share Based payment Transactions (continued)

The share options outstanding at the period end had a weighted average remaining contractual life of 475 days (2022: 830 days) and the maximum term is 10 years.

The share price per share at 31/12/23 was £0.27 (31/12/2022: £0.13)

Where share options were cancelled and replaced with share options with revised terms, the Board have considered this set of transactions as a modification of share based payment arrangements and have therefore considered whether any incremental value arises as a result of the grant of modified awards.

Having performed an assessment the Board have concluded that no incremental value fair is required and therefore no charge has been recognised. In respect of replacement options which include market based vesting conditions in respect of revenue targets, the Board have determined that the value of this proportion of shares have immaterial value in light of the Group's results for the 2022 accounting period in which they were granted.

(i) Warrants

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

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

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

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

	Number of warrants		Average exercise price	
	2023	2022	2023	2022
	No.	No.	£	£
Outstanding at the beginning of the period	-	329,336	-	0.08
· Exercised	-	(125,060)	-	0.08
· Cancelled	-	(204,276)	-	-
·				
Outstanding at the end of the period	-	-	-	0.08

There were no warrants in issue at 31 December 2023.

A charge of £NIL (2022: £Nil) has been recognised during the year for the share based payments over the vesting period.

22. Financial Risk Management Objectives and Policies (Continued..)

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

The main risks the Group faces in respect of its financial statements are liquidity risk and credit risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Group's policies for managing these risks are summarised below and have been applied throughout the period.

Interest risk

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

The group's financial assets do not bear interest.

Credit Risk

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

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

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

Liquidity risk

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

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

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

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

Capital risk

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

23. Post Balance Sheet Events

On 25 March 2024 the company issued and allotted 6,627,500 shares of 2 pence per share exercised at a price of 20 pence per share in the capital of the company.

On 25 March 2024 Mr Graham Myers, recently appointed Director of the company acquired 125,000 shares in the company representing 0.13% of the Company's issued share capital at a price of 20 pence per share

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