OptiBiotix® HEALTH PLC

BETTER SCIENCE, BETTER HEALTH

OptiBiotix Health Plc

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 NOVEMBER 2016

Developing a range of products to modify the human microbiome and improve human health

OptiBiotix Health Plc is a life sciences company operating in one of the most progressive areas of biotechnological research – the modulation of the Human Microbiome.

for more information
www.optibiotix.com

Contents

Company information

Directors:	S P O'Hara A Reynolds G Barker P Wennström J Laird (resigned 5 January 2017) P Rehne (appointed 6 March 2017) C Wood (appointed 6 March 2017)
Secretary:	International Registrars Limited
Registered number:	05880755 (England & Wales)
Registered office:	Innovation Centre Innovation Way York YO10 5DG
Auditors:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Nominated adviser:	Cairn Financial Advisers LLP
Brokers:	finnCap
Website Address:	www.optibiotix.com

Market Context

The human gut is home to trillions of microorganisms, which are collectively known as the **microbiome** which play a vital part in our gut health. It is estimated that by 2025, the **Microbiome Market** will be worth USD899m from USD506.5m in 2022 growing at a CAGR of 21.1% over that period with a world retail value of over USD50bn. Europe is expected to account for the largest share mainly through its significant presence in the probiotics and prebiotics fields and the acceptance of these products by the consumer. Obesity and overweight is one of the world's biggest public health problems increasing the risk of chronic diseases including diabetes, cardiovascular diseases, fatty liver, some cancers and immune-related diseases with a cost to the UK National Health Service alone of over £16bn and a global cost estimated at 2 trillion. (Source: Market&Markets January 2016).

Optibiotix Health PLC is working on the next generation of microbiotics by discovering and developing microbial strains, compounds and formulations which modulate the human microbiome and impact on lipid and cholesterol management, energy harvest and appetite suppression fuelled by its proprietary OptiScreen® and OptiBiotic® platforms to bring potential health benefits.

OptiBiotix believes that market opportunities with the microbiome will continue to increase and has developed a range of scientifically based compounds, supported by leading experts in the field and backed up by both patented technology and human intervention studies to enter this growth market and capture some of the USD2.2bn spend on dietary cholesterol products in the Cardiovascular field and USD4.1bn on probiotic supplements.

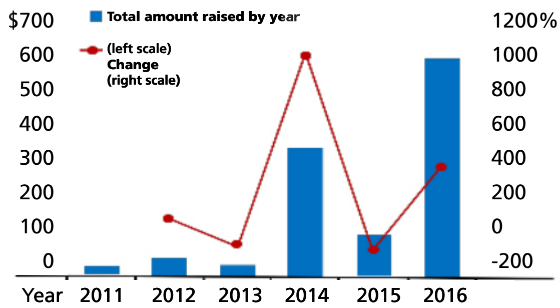
Slimbiome® is OptiBiotix's patented combination of natural ingredients, identified and developed by leading experts in nutrition and metabolism, which supports scientifically substantiated weight loss claims. In independent tests the component ingredients have shown reductions in calorie intake of >20% along with reduced levels of cravings.

CholBiome® is a food supplement that combines three science backed natural ingredients, including OptiBiotix's LP-LDL® as a holistic, non-pharmaceutical approach to maintenance of healthy cholesterol levels from within.

CardioBiome® was designed by Optibiotix and leading scientists to combine natural ingredients including OptiBiotix's LP-LDL® as a non pharmaceutical approach to the maintenance of overall cardiovascular and heart health from within.

Sweetbiotix® is looking at creating sugars that act as fibres but have no calories and do not add to obesity. They will combine sweetness, clean flavour with a positive impact on gut health.

Investors pour into microbiome companies
Venture capital investment, in millions



Sources: Dow Jones Venture Source; Securities & Exchange Commission; the companies.

THE BUSINESS JOURNALS
Microbiome: The new trillion-dollar market opportunity
Apr 26, 2016

New Scientist
Microbes on the Market

Microbes on the Market

MARKETSANDMARKETS
" Microbiome: Growing at a CAGR of 22.3% During the Forecast Period (2019-2023)"
January 2016

THE TIMES
Gut pills are like statins with no side-effects

Overview of OptiBiotix 2016

Key Highlights from the Year

January – Joint Development Agreement with **Slimfast** owner **KSF** to assess benefits of combining their weight management products

March – Acquired exclusive IP Rights developed by Manchester University in skin health to form **SkinBiotix®**

April – Joint Development Agreement signed with **Royal DSM** for collaboration to develop new products in the Optibiotic technology platform

April – Successful results from Human Studies on Optibiotix's ***Lactobacillus plantarium*** strain in the reduction of both cholesterol and blood pressure:

- 7.2% reduction (average)in LDL cholesterol (bad cholesterol)
- 12.4% reduction in LDL cholesterol in females volunteers
- 15% reduction in the 50-55 age groups (both sexes)
- 36.7% reduction in volunteers' who had total cholesterol levels higher than 6mmol/L
- A 6mmHg (5.1%) reduction in systolic blood pressure

July – Invested in acquisition of 51% in **The Healthy Weight Loss Company** following successful trials including Slimbiome® in a range of **GoFigure** replacement shakes and bars.

GoFigure was a finalist in '**Best New Health & Nutrition Product**' at the *2016 European Natural & Organic Awards* after a successful launch in key retail and pharmaceutical outlets in August. It's online sales are increasing and the products receive positive reviews from dieters finding the real benefits of this weight loss programme.

October – Increased investment in **SlimBiotherapeutics** to progress towards an independent listing in March 2017

December – Joint Development Agreement with **Tata** (>$100bn revenues) for weight management products containing **Slimbiome** technology for the Asian Market

'Slimbiome® supporting Hunger free weight loss'

As **Optibiotix's** R&D Platforms have continued to grow, Stephen O'Hara and Dr Sofia Kolida have presented at key international conferences including ***European Microbiome Summit*** in London, ***Asian Microbiome and Probiotics Congress*** in Hong Kong and ***Probiota*** in Berlin.

Preparation for the commercialisation of the Optibiotix products saw the appointment of **Per Rehne as Commercial Director** and **Christina Wood as Sales & Marketing Director** joining the Board in early 2017.

Professor Tim Spector (Genetic Epidemiology and Director of the Twins UK Registry at Kings College, London) leads as the company's Scientific Advisory Group.

Optibiotix will be launching their LP-LDL® and Slimbiome® compounds and ingredients at Vitafoods, Geneva May 2017

Chairman's and Chief Executive Statement

For the year ended 30 November 2016

We are pleased to present OptiBiotix Health plc's annual report and accounts for the year ended 30 November 2016.

OptiBiotix has made strong progress during this period in its strategy of developing compounds which modify the human Microbiome, developing partnerships with industry, and broadening its position in the microbiome space by the acquisition of intellectual property in the skin microbiome. This period has also seen the start of the transition of OptiBiotix from a technology company, to a product company, with early revenues and a developing pipeline of products bringing the promise of the microbiome to human healthcare. This transition heralds a new phase in the company's development as its science creates new products to prevent, manage, and treat many of today's chronic lifestyle diseases. As the promise of the microbiome materialises into products across an increasing number of OptiBiotix's technology platforms there is potential for significant enhancement in the value of the company.

KEY ACHIEVEMENTS

During the period to date we have achieved a number of key objectives which continue to build shareholder value, strengthen our position in the microbiome space, and put the necessary intellectual property protection and operational infrastructure in place to begin the next stage of development, the commercialisation of our products. These include:

- A fundraising in February 2016 which raised £1m from the placing of 1,282,051 new ordinary shares at 78p to extend our position in the microbiome space and capitalise on opportunities arising in the Skin microbiome
- Acquisition of the exclusive rights to intellectual property developed by The University of Manchester in skin health, creating a majority owned joint venture ('JV') called SkinBiotix Limited (subsequently renamed SkinBiotherapeutics plc)
- A substantive increase in our IP portfolio which now covers 50 patents across 15 families, 8 strain registrations, and 16 trademarks.
- The completion of a number of partner agreements with major industry players including KSF, owners of the Slimfast brand and DSM, the world's leading supplier of nutritional ingredients
- The development of sweet calorie free natural healthy sugars (SweetBiotix®) with safety and sweetness confirmed by human taste studies
- Demonstration of our ability to change the microbiome in a very targeted way, and enhance a health benefit, in the case of our own cholesterol reducing strain LPLDL, leading to a threefold increase in the strains ability to lower cholesterol
- An investment to acquire 51% of The Healthy Weight Loss Company, as a platform to incubate new technological solutions and develop wider product applications in weight management.
- The launch of our first product, Slimbiome®, as an ingredient in GoFigure meal replacement shakes and natural snack bars which are sold on line and through specialised retail outlets such as pharmacies and Whole Foods Market Inc (a $15bn American supermarket chain exclusively featuring healthy foods).
- The appointment of Luis Gosalbez as Director of Business Development to support the commercialisation and internationalisation of products.

RESEARCH AND DEVELOPMENT (R&D) STRATEGY

OptiBiotix's R&D strategy has been designed to create technology platforms and intellectual property which provide multiple product and partnering opportunities both within each platform, and by combining platforms. For example, the different oligosaccharides produced by our OptiBiotix® platform can be used in our SlimBiome® formulation or in combination with the microbes identified in our Optiscreen® platform. This means that for a limited amount of extra cost we have the potential to create large amounts of additional value. Whilst this approach has complexity it has been designed to mitigate development risk in an evolving scientific field and provide a cost effective way to build overlapping IP and exploit the many opportunities offered by the microbiome. The other advantage of this approach is that as these platforms are structured under separate divisions, each containing its own technology platform, IP portfolio and partner agreements, they could in due course become separate legal entities with the potential for investment or a public listing. This strategy allows investors in OptiBiotix to build up a broad based investment portfolio across a number of areas in the microbiome space which diversifies risk, whilst offering shareholders multiple opportunities in this exciting space.

OptiBiotix has made significant progress in the last 12 months as its development programmes have moved through the process of building the scientific and clinical evidence base for its products and reporting these for peer review in scientific journals and at international conferences, such as at the European Microbiome summit. These presentations and publications raise OptiBiotix's profile and reputation, attract commercial interest in

Chairman's and Chief Executive Statement (continued)

For the year ended 30 November 2016

our technology and products, and provide the scientific evidence for sales and marketing literature in support of product commercialisation.

As the company transitions from a technology company, to a product company, the company anticipates future presentations and publications to support the launch of its pipeline of products.

SLIMBIOME, GOFIGURE, AND THE HEALTH WEIGHT LOSS COMPANY

OptiBiotix's weight management formulation, branded as SlimBiome® was developed as a low risk product by experts in the weight management field to give early market access. The constituent ingredients are established, with a substantial scientific evidence base, and the requisite regulatory approvals. The novelty is in the formulation and delivery allowing SlimBiome® to be used as a supplement or a food ingredient in cereal bars or dairy products.

In July 2016 OptiBiotix formed a partnership with The Healthy Weight Loss Company (THWLC) to carry out a trial launch of Slimbiome® in GoFigure® snacks and shakes under a non-exclusive UK license agreement. The products received excellent reviews and most importantly, dieters reported losing an average of 2-3lbs with the products helping manage hunger and leading to a reduction in calorie intake. To gain more structured customer feedback OptiBiotix commissioned an independent consultant to carry out a small consumer survey by contacting customers who bought directly from the GoFigure website. These results provided further support of the science behind the Slimbiome® formulation with GoFigure® customers reporting reduced hunger, less snacking and easier weight loss. From launch to the end of this reporting period:

- THWLC has gained over 1,000 customers, retail listings in over 80 stores, and 4 distributorships in the UK and Iceland
- Sales have grown steadily and in line with seasonal trends
- GoFigure® was voted finalist in "Best New Health & Nutrition" at the 2016 European Natural & Organic Awards

THWLC provides an effective way to substantiate the commercial viability of early product concepts in the large but highly competitive weight management market. This market is driven by short-term fashions and trends which often lack scientific substantiation. Sales are driven by seasonality associated with targeted investment in product and brand marketing at key seasonal periods to attract motivated strugglers, whose weight typically fluctuates between diets. Products typically rely on customers' self-control to restrict calories and as a consequence have a high failure rate with only a small number of dieters maintaining their weight loss over the long term. The use of SlimBiome® in the GoFigure® range establishes a new approach to weight loss which uses innovations in science to help consumers manage their weight loss by reducing food intake without food cravings, leading to easier and more successful dieting.

OptiBiotix will continue to use THWLC to incubate new technological solutions and establish early consumer interest and product viability. It believes this is an effective way to attract interest from industry partners who want to use Slimbiome® as a food ingredient in other products in other product applications and international markets.

OPTISCREEN, CHOLESTEROL REDUCTION AND LPLDL®

OptiBiotix's first product developed using it's OptiScreen® platform, is a bacterial strain targeting cholesterol reduction. The strain, registered under international treaty's as *Lactobacillus plantarum* ECGC 13110402 and branded LPLDL®, was selected by OptiBiotix's proprietary OptiScreen® technology platform from over 4,000 candidate strains. The product, provided as a supplement containing 100mg of LPLDL®, successfully completed human studies in September 2015 with no safety, compliance, or tolerance issues and showing high levels of efficacy for both cholesterol and blood pressure reduction. The reduction of both blood pressure and cholesterol creates opportunities for a single product for both conditions (high cholesterol and high blood pressure), or two different products targeting separate conditions. Other possibilities under discussion with partners include combination products where additional ingredients provide performance or additional consumer benefits, such as reducing multiple cardiovascular risk factors, in a single presentation.

The results of the study created a greater number of opportunities than originally anticipated. This has led to OptiBiotix adding to its IP, developing novel formulations with key opinion leaders, and working with a wide range of partners who have the necessary supporting manufacturing, distribution, and sales infrastructure, to support a product launch in May 2017.

Presentation of our findings at international conferences has generated a lot of interest in this product as it has good clinical data, strong key opinion leader support, and uniquely reduces both cholesterol and blood pressure. This has an increased effect on reducing cardiovascular risk, and as such, provides a unique product differentiator. The key point to bring out to investors is that we don't see this as a single opportunity, but multiple opportunities with a range of partners with multiple products. Discussions have been on-going to ensure we have partners who have the necessary capability to fully exploit the opportunity across different formulations, presentations, and territories. We see our strain, which we have trademarked LPLDL®, as very much

Chairman's and Chief Executive Statement (continued)

For the year ended 30 November 2016

the 'Intel' inside a range of products for cardiovascular health across both consumer and pharmaceutical markets. This creates the opportunity for multiple revenue streams from sales of the strain, white label, and branded products – maximising shareholder return. Whilst time consuming multiple deals diversify investor risk and if successful will give a greater shareholder return.

The results from the independent human study have been submitted for publication in an international journal, and were presented at the European Microbiome summit. Further presentations are planned for ProBiotica (Berlin) in February 2017 and Microbiome Asia in March 2017, in preparation for a May 2017 launch of a range of formulations and presentations at Vitafoods in Geneva.

In the period covered by this report OptiBiotix has carried out further development to better understand the mechanisms of action and approaches to further optimise product efficacy. These include incorporating our own OptiBiotic® microbiome modulators with the LPLDL® strain, which has shown potential for a threefold enhancement in cholesterol reduction.

OPTIBIOTICS®, MICROBIOME MODULATION, AND SWEETBIOTICS®

Under the leadership of Dr Sophia Kolida OptiBiotix has made significant progress in its programmes to develop sweet functional oligosaccharides which modify the human microbiome to prevent, manage and treat disease. The Company believes these developments have the potential to substantially increase the company's value. This progress includes:

Microbiome modulation/Precision microbiome engineering

Our R&D teams have used gut models to demonstrate the ability of our microbiome modulators to increase the growth rate, biological activity, and health effect, of specific microbial species in the human microbiome. This has now been demonstrated in multiple species, including OptiBiotix's cholesterol reducing strain (LPLDL®). To our knowledge, this is the first time this effect has been demonstrated and creates the opportunity for designer prebiotics which can modulate targeted elements of the microbiome. The ability to develop designer prebiotics, which can modify both the microbiome's composition and its function, creates the potential for designer ingredients or supplements which can modify an individual's current microbiome to improve health and the potential for precision microbiome medicine. This is an area of growing scientific and commercial interest with increasing evidence that the microbiome plays an important role in how the body metabolises pharmaceutical products, influencing their effectiveness and the potential for adverse reactions.

The ability to create designer ingredients which can modify an individual's microbiome to improve health places OptiBiotix at the forefront of global microbiome research and product development. This is a significant scientific breakthrough and has the potential to substantially increase the company's value.

OptiBiotics®

Our R&D teams have made rapid progress with a new product concept called an OptiBiotic® This is a combination of a targeted probiotic and prebiotic which selectively enhances the *in vivo* growth of the probiotic, accentuating its functional properties and health benefits. Our teams have demonstrated that by combining our cholesterol reducing strain, now trademarked LPLDL®, with galacto-oligosaccharides produced from it, we can selectively enhance its growth and increase cholesterol reduction threefold. To the best of our knowledge this is the first time that anyone has developed an optimised synbiotic, or OptiBiotic®, that increases the growth and health benefit of a specific bacterium in the microbiome

This new research demonstrates the potential for the development of species or genera-specific probiotics to selectively enhance the growth and health benefits of existing probiotics. This concept is directed at companies in the probiotics functional food market who have benefited from the global trend for fortified and functional foods, a market that is expected to be worth in excess of $46.5bn by 2020 (Markets and Markets).

These galacto-oligosaccharides when used by themselves are heat resistant and stable during processing making them suitable as ingredients in a wide range of products. This finding extends the existing product opportunity offered by OptiBiotix's LPLDL® cholesterol reducing strain from supplements to ingredients, greatly increasing the market opportunity. The results of these studies have been submitted for publication and presentation in mainstream scientific journals and conferences throughout 2017.

SweetBiotix®

Work to date has demonstrated our ability to synthesise sweet calorie free natural healthy sugars (SweetBiotix®) with safety and sweetness confirmed by human taste studies. These sweet natural healthy sugars are not digested in the human gut and hence calorie free. The SweetBiotix concept is an innovative concept with the potential to address a global requirement, addressing international concerns over the impact of sugar on obesity, with the prospect of replacing 'unhealthy' sugars in existing products with non-digestible, low calorie, healthy, SweetBiotix®. As the food and beverage industry responds to growing public and political concerns over traditional sugars and artificial sweeteners, we anticipate high levels of commercial interest in this product. In anticipation of growing industry interest, we have accelerated our development plans and hope

Chairman's and Chief Executive Statement (continued)

For the year ended 30 November 2016

to launch our first generation sugar product later this year, or at the start of 2018

Further work is ongoing to develop other sugars and to modify existing structures to accentuate sweetness further. Having demonstrated the synthesis and purification of SweetBiotix® we are now actively engaging with commercial partners looking for safer, healthy alternatives to existing products.

RESULTS

OptiBiotix results for the 12 months ended 30 November 2016 are set out in the Consolidated Statement of Comprehensive Income. Administrative expenses were £1,765,736 reflecting the costs of operating a public company. Cashflow remains tightly controlled with a focus on building shareholder value through investment in R&D, and adding to our in-house and out-house IP. The Groups cash position remains strong at £3,115,366 which is sufficient to fund its existing research and development programs, extend technology platforms into other product and application areas, and support the sales and marketing of our pipeline of products.

BOARD AND MANAGEMENT

We believe that we have a well-balanced Board with a focus on the domain expertise in the founder and Chief Executive Stephen O'Hara, Non-Executive Director Dr Gareth Barker, and Peter Wennström, one of the world's leading experts in functional food innovation and marketing. Dr Sofia Kolida as Director of Research and Development brings specialised expertise in prebiotics. They are complemented by our CFO Mark Collingbourne and Adam Reynolds as Chairman.

We were pleased to announce the appointment of Dr Luis Gosalbez to our management team as Director of Business Development. Luis has worked at various times in Germany, Spain, and South Korea as a researcher, analyst, and as a director of strategic projects exploring opportunities in consumer healthcare, the microbiome, and biotherapeutics. His experience of the Asian market will help enhance our understanding and capability to support wider internationalisation of products and create new joint development opportunities.

We anticipate further changes to the management team and the Board as we evolve from a technology company to the commercialisation of our pipeline of products

OUTLOOK

OptiBiotix is continuing its strategy of developing microbiome modulators for large markets (>£100m) where there are high growth opportunities (CAGR >10%), and a large unmet need. This will be achieved by developing our own IP, or acquiring new IP or technologies in areas of strategic interest in the microbiome space, when the opportunity arises.

As part of this strategy OptiBiotix acquired the rights to intellectual property developed by The University of Manchester in skin health in March 2016.

During 2016 it became clear to the board that the opportunity offered by Skin and its potential future value was not transparent to shareholders. Their interest tended to focus on more tangible near to market opportunities which were developed as low risk, relatively low return opportunities, to gain early market access. However, this meant that the value of some of OptiBiotix's more innovative technology, which was at an earlier stage of development, was not being realised.

The admission of SkinBiotherapeutics plc to AIM in April 2017 reflects a strategy to realise the value of each technology area, which the board believes was not being fully realised when viewed as a whole. The listing of SkinBiotherapeutics plc materialises the value of a part of the business in which a 52% stake was acquired for £250K in March 2016 and 12 months later listed at a valuation of £11m, with OptiBiotix owning a 41.9% shareholding. This represents a substantial return on our original investment in just over 12 months. OptiBiotix believes that there is potential for substantive future value enhancement in SkinBiotherapeutics using the £4.1m raised at listing allowing it to fully exploit the potential of this exciting technology.

This strategy allows investors in OptiBiotix to build up a broad based investment portfolio across a number of areas in the microbiome space which diversifies risk, whilst offering shareholders multiple opportunities in the exciting space. As a listed company grows in value OptiBiotix shareholders will benefit from the appreciation of each asset. This is an innovative business model which over time looks to give OptiBiotix shareholders a position in multiple companies, and with it the prospect of multiple returns.

The board anticipates a future where microbiome products will make a significant contribution to the prevention, management, and treatment of disease. As the promise of the microbiome materialises into products across an increasing number of OptiBiotix's technology platforms there is potential for significant enhancement in the value of the company. That future is unfolding with microbiome treatments using faecal microbial transplants (FMT's) now common place in over 500 US and

Chairman's and Chief Executive Statement (continued)

For the year ended 30 November 2016

10 UK hospitals. Further evidence for the growing role of microbiome in healthcare came when US researchers and clinicians presenting at the 2016 Medical Innovation Summit identified the microbiome as the top innovation that they believe has the power to transform healthcare in 2017.

With a growing number of research publications showing the potential of the human microbiome in a broad range of health areas we anticipate microbiome therapies will be a large part of modern healthcare in the years to come. We believe OptiBiotix's broad range of technology platforms and our ability to modify an individual's current microbiome to improve health creates the potential for precision microbiome medicine, and places OptiBiotix at the forefront of this revolution in healthcare.

In the last 12 months commercial deals have focused on joint development, cost sharing, or option agreements with partners contributing funding in return for certain future rights. The next 12 months will see the company transition from a technology company to a product company building revenues streams from a diverse range of products. This process started in August 2016 with the launch of GoFigure® products and continues with the launch of our LPLDL® cholesterol reducing strain in May 2017. We hope the launch of first generation SweetBiotix® later this year will complete the launch of innovative microbiome products across all our technology platforms.

The transition from a technology to product company requires a different skill set and the appointment of high calibre recruits who bring a track record of building sales, and a network of contacts across different geographies. This process commenced with the appointment of Luis Gosalbez in August 2016 and continued with the appointments of Per Rehne and Christina Woods in January 2017. Christina will take on responsibility for the commercialisation of SlimBiome® and its associated products (e.g. GoFigure) whilst Per will lead commercialisation of the LPLDL® strain.

To support the commercialisation of our technology and protect our investment we have added significantly to our IP portfolio which now covers 50 patents across 15 families, 8 strain registrations, and 16 trademarks. We anticipate further patents filings and strain registrations where we feel there is commercial value. In addition to our own filings we will continue to explore opportunities to acquire new technologies or IP in areas of strategic interest to support our continued growth.

The Board believes OptiBiotix is at the leading edge of an emerging market, forecast to become one of the world's fastest growth areas. Over the last twelve months we have continued our progress of building a microbiome business with significant value for shareholders with a strategy which best maximises the value in each division and a diversity of IP and commercial relationships which provides shareholders with multiple opportunities. OptiBiotix now has a broad portfolio of IP, multiple technology platforms, and an increasing range of products entering the market, and believes it is well placed to build on this solid foundation to build a microbiome business with significant future value for shareholders.

On behalf of everyone at OptiBiotix Health plc we thank you for your support and look forward to an exciting future.

A Reynolds and S P O'Hara
24 April 2017

Strategic Report

For the year ended 30 November 2016

REVIEW OF BUSINESS

A review of the business of the Group, together with comments on future developments is given in the Chairman's and Chief Executive's Statement on pages 4 to 8.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Technology and products

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

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

Intellectual Property

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

FINANCIAL AND CAPITAL RISK MANAGEMENT

The directors constantly monitor the financial risks and uncertainties facing the group with particular reference to the exposure of credit risk and liquidity risk. They are confident that suitable policies are in place and that all material financial risks have been considered. The financial risk management objectives and policies can be found within note 22 of the financial statements.

The Board's objective is to maintain a balance sheet that is both efficient and delivers long term shareholder value. The Group had cash balances of £3,115,366 at 30 November 2016 and had no short-term borrowings. The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Strategic Report (continued)

For the year ended 30 November 2016

PRINCIPAL RISKS AND UNCERTAINTIES

Market Risks	Impact	Mitigation
Brexit	New regulations could add complexity and delays to operations. Currency fluctuations could increase costs and affect profitability.	Our regulatory department keeps up to date on all changes. The current consensus is that Brexit will not affect the regulations that are relevant to our business. Currency fluctuations will impact both sales and costs. Our initial product offering is not price-sensitive. Substantial cost increases will be passed on.
Technology	The Group's platform is currently unique. Rapid technological advances could see competitor products being launched.	The Group has product development plans in place for improved technology as well as for a wider product portfolio that includes additional innovative solutions for the targeted consumer groups.

Operational Risks	Impact	Mitigation
Technology	The Group is launching products that is not already available in the consumer market	The Group has responded to consumer demand
Commercialisation	The Group is making the transition from a research-based organisation to a full commercial organisation. Manufacturing set-up and learning curve could delay sales or could impact our rate of growth.	The Group recruited experienced management and consultants to manage the process and negotiate contracts.

Financial Risks	Impact	Mitigation
Future funding requirements	Our current funding covers current requirements. Potential as yet unidentified opportunities may not be pursued with the existing funding.	Management will analyse major opportunities and present them in additional business cases when warranted.

Legal Risks	Impact	Mitigation
Intellectual Property litigation	Any claim brought against us would detract the Company from its business.	The Group engages with IP specialists to ensure we have a strong position. To our knowledge we do not infringe on any patents.

Strategic Report (continued)

For the year ended 30 November 2016

KEY PERFORMANCE INDICATORS

Financial

	Year to 30 November 2016 £'000	Year to 30 November 2015 £'000
Revenue	288	28
Loss for the period	1,341	1,281
Cash as at 30 November 2016	3,115	2,041

During the year to 30 November 2016 the company has achieved a number of key objectives which continue to build shareholder value. These include:

- A substantive increase in our IP portfolio which now covers 50 patents across 15 families, 8 strain registrations, and 16 trademarks
- Joint venture agreement with the University of Manchester in skin health, creating a majority owned SkinBiotix Ltd (renamed SkinBioTherapeutics)
- Key commercial agreements signed with KSF Acquisition UK (Slimfast) and Royal DSM (leading supplier of nutritional ingredients)
- Successful launch and sales of Slimbiome® in GoFigure® shakes and bars; Creation of majority owned joint venture agreement with The Healthy Weight Loss Company

Non-financial

The board recognises the importance of KPIs in driving appropriate behaviour and enabling of Group performance. For the period to 30 November 2016 the primary KPI's were the completion of commercial agreements and the expansion of the Optibiotic® platform. The group intends to review the following non-financial KPIs going forward:

1. Customer relationships
2. IP and trademark registrations
3. Service quality and brand awareness
4. Attraction, motivation and retention of employees

DIVIDENDS

No dividends can be distributed for the year ended 30 November 2016.

FUTURE DEVELOPMENTS

The Chairman's and Chief Executive Statement on page 7 gives information on the future outlook of the Group.

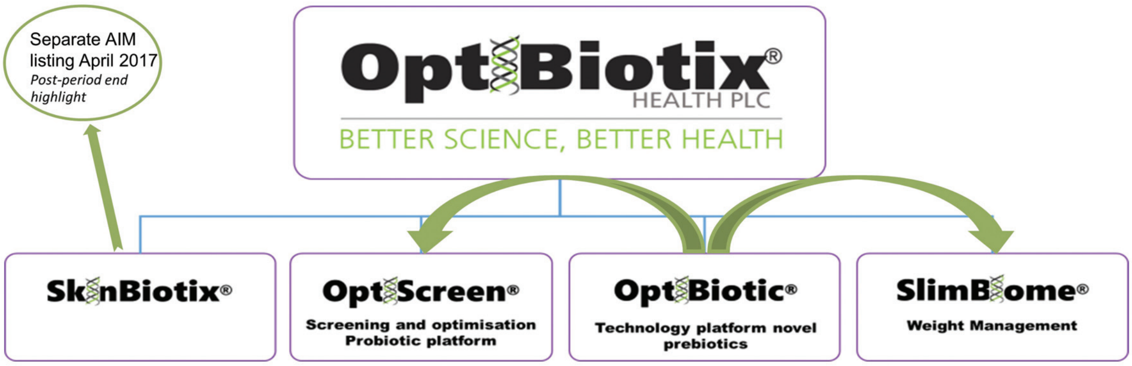
ON BEHALF OF THE BOARD

S P O'Hara
24 April 2017

OptiBiotix Business Overview

Maintaining progress across all areas

Research and Development



	SkinBiotix®	OptiScreen®	OptiBiotic®	SlimBiome®
IP	*18 patents, 3 families 2 trademarks*	*13 patents, 5 families 5 trademarks*	*13 patents, 5 families 5 trademarks*	*6 patents, 2 families 3 trademarks*
Science	*Development phase, 3 research programs, Humanstudy, product launch 2018*	*Validated platform, successful human studies Product launch May 2017*	*Validated platform successful human taste studies SweetBiotix H2 2017/ H1 2018*	*Successful product launch & Market studies Aug 2016. Geographical extension 017*

2016 has delivered continue progress across all platforms of the business and we have expanded our IP portfolio to 48 patents / 15 families, 8 strain deposits and 16 trademark registrations. This ensures that our strong science base is protected whilst offering a wide range of partnering and commercial opportunities.

Business Development

OptiBiotix continues to invest in the development of our four core product platforms to ensure diversification opportunities and synergies across platforms

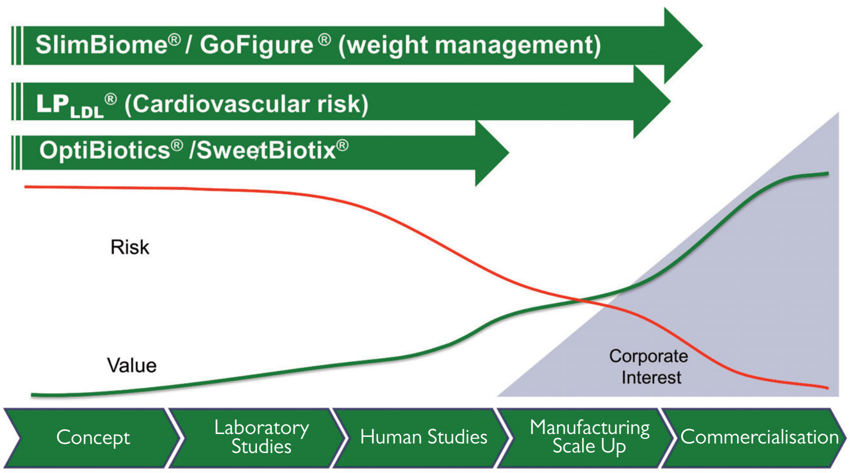
✓ SlimBiome® weight management formulation

✓ OptiScreen® High throughput screening platform to identify microbial pathways

✓ OptiBiotix® High throughput platform technology which generates novel sugars

Post-period end highlights

✓ SkinBiotix® (Established 2016), AIM listing April 2017 as SkinBiotherapeutics plc



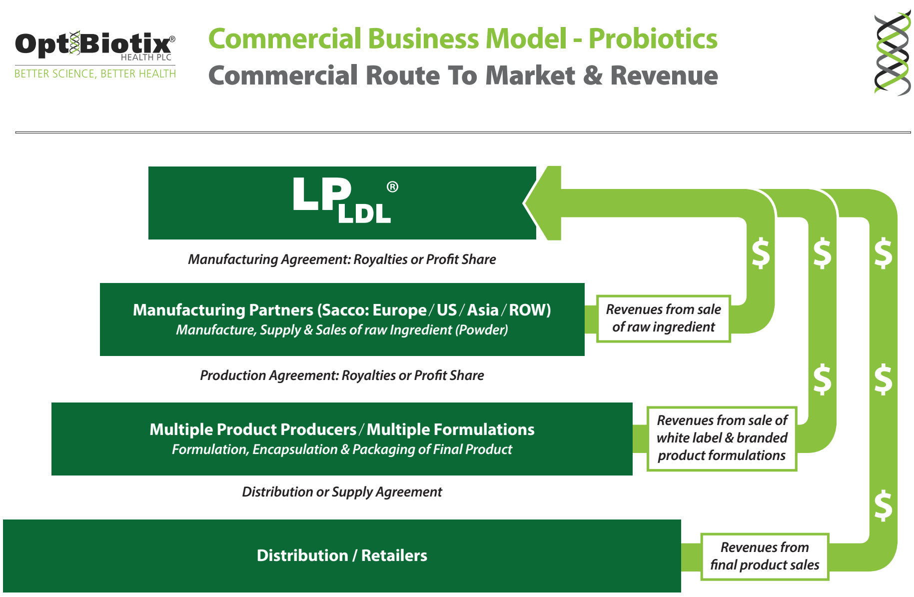
OptiBiotix Business Overview (continued)

Maintaining progress across all areas

Commercial Strategy

During the year to 30 November 2016 OptiBiotix has moved closer to product commercialisation on our OptiScreen® and SlimBiome® platforms, and as a result of that our main focus has shifted from technology partnering to production and commercial partnering as the next stage of business development.

- ✓ Partnership deals cover cost of development & provide a route to market with global brands
- ✓ Early revenues from product sales establish consumer acceptance and market potential
- ✓ Product launches, commercial agreements and sales growth in 2017
- ✓ Numerous product and partnering opportunities provide multiple revenue streams & risk diversification



Post-period end highlights'

Science presentations at major conferences

- ✓ Microbiome Summit Nov. 2016 European Edition
- ✓ PROBIOTA 2017 in Berlin
- ✓ 3rd Microbiome R&D and Business Collaboration Congress in Hong Kong March 2017

Key Milestones

- ✓ New commercial team in place March 2017 with track record of commercialising products and build revenue internationally
- ✓ European manufacturing, supply and profit sharing agreement in place with Sacco S.r.l.
- ✓ Product launch of CholBiome™ and CardioBiome™: at Vitafoods in Geneva 9-11 of May

Directors' Report

For the year ended 30 November 2016

The Directors present their report and the audited financial statements of the group for the year to 30 November 2016.

PRINCIPAL ACTIVITY

The principal activity of the group is that of research and development into microbiome modulators.

DIRECTORS

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

Executive Directors

S P O'Hara
J Laird (resigned 5 January 2016)
C Wood (appointed 6 March 2017)
P Rehne (appointed 6 March 2017)

Non-executive Directors

A Reynolds
D E Evans (Resigned 25 August 2016)
M Wyatt (resigned 1 January 2016)
G Barker
P Wennstrom (appointed 1 January 2016)

Directors' Remuneration

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

Directors and their interests

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

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of £0.02 each	Percentage Held	Ordinary shares of £0.02 each	Warrant exercise price	Ordinary shares of £0.02 each	Warrant exercise price
A Reynolds	1,262,158	1.6%	395,825	£0.08	–	–
S P O'Hara	10,103,031	12.9%	–	–	6,099,135	£0.08
P Wennström	–	–	–	–	–	–
G Barker	–	–	–	–	358,772	£0.20

The share warrants held by A Reynolds were granted on 18 November 2014 and are exercisable at £0.08 at any time up to 28 January 2022.

The share options held by S P O'Hara were granted on 17 September 2015 and are exercisable at £0.08 at any time up 16 September 2024, subject to vesting conditions.

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

The share options held by J Laird were granted on 30 March 2015 and are exercisable at £0.28 at any time up 10 March 2025, subject to vesting conditions.

SUBSTANTIAL SHAREHOLDINGS

Substantial shareholdings include directors as at 21 April 2017 were as follows:

	% of shares issued
Finance Yorkshire Seedcorn LP	13.4
Stephen O'Hara	12.9
David Evans	3.4

FINANCIAL INSTRUMENTS

The group's exposure to financial risk is set out in note 22 to the financial statements.

RESEARCH AND DEVELOPMENT

The Chairman's and Chief Executive Statement on pages 4-8 gives information on the Group's research and development activities.

The share price per share at 30/11/2016 was £0.65 (30/11/2015: £0.86)

Directors' Report (continued)

For the year ended 30 November 2016

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no charitable or political contributions during the period.

EVENTS AFTER THE REPORTING PERIOD

Refer to note 23 to the financial statements for further details.

PUBLICATION OF ACCOUNTS ON GROUP WEBSITE

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

GOING CONCERN

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITOR

Jeffreys Henry LLP will be proposed for re-appointment as auditors at the forthcoming Annual General Meeting.

STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 the Group chooses to report the review of the business, the future outlook and the risks and uncertainties faced by the Group in the Strategic Report on page 10.

ON BEHALF OF THE BOARD

S P O'Hara
24 April 2017

Independent Auditor's Report to The Members of OptiBiotix Health Plc For the year ended 30 November 2016

We have audited the group financial statements of Optibiotix Health Plc for the year ended 30 November 2016, which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's report, Strategic report and Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

– the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 30 November 2016 and of the group's loss and group's and parent company's cash flows for the year then ended.

– the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

– The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provision of the Companies Act 2006; and

– the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

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

– adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or

– the group financial statements are not in agreement with the accounting records and returns; or

– certain disclosures of Directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Sanjay Parmar
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London
EC1V 9EE

Date: 24 April 2017

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2016

	Notes	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Revenue		288,119	28,200
Cost of sales		(38,214)	–
Gross Profit		249,905	28,200
Administrative expenses	6	(1,765,736)	(1,451,451)
Operating loss		(1,515,831)	(1,423,251)
Finance income/(costs)	5	165	28
Loss before Income tax		(1,515,666)	(1,423,223)
Income tax	7	174,544	142,594
Loss for the period		(1,341,122)	(1,280,629)
Other comprehensive income		–	–
Total comprehensive income for the period		(1,341,122)	(1,280,629)
Total comprehensive income attributable to:			
Owners of the company		(1,297,871)	(1,280,629)
Non-controlling interests		(43,251)	–
		(1,341,122)	(1,280,629)
Loss per share			
Basic & Diluted loss per share – pence	8	1.67p	1.75p

The notes on pages 26 to 44 form part of these financial statements

Consolidated Statement of Financial Position

As at 30 November 2016

	Notes	As at 30 November 2016 £	As at 30 November 2015 £
ASSETS			
Non-current assets			
Intangibles	10	2,195,646	2,146,401
Property, plant & equipment	11	11,755	2,012
		2,207,401	2,148,413
CURRENT ASSETS			
Inventories	13	26,625	–
Trade and other receivables	14	194,230	62,597
Current tax asset	7	120,000	120,000
Cash and cash equivalents	15	3,115,366	2,040,888
		3,456,221	2,223,485
TOTAL ASSETS		5,663,622	4,371,898
EQUITY			
Shareholders' Equity			
Called up share capital	16	7,196,010	7,117,315
Share premium		6,144,357	3,863,687
Share based payment reserve		417,585	383,435
Merger relief reserve		1,500,000	1,500,000
Accumulated deficit		(10,345,513)	(9,047,642)
Non-controlling interests		90,692	–
Total Equity		5,003,131	3,816,795
LIABILITIES			
Current liabilities			
Trade and other payables	17	253,805	125,823
		253,805	125,823
Non-current liabilities			
Deferred tax liability	18	406,686	429,280
		406,686	429,280
TOTAL LIABILITIES		660,491	555,103
TOTAL EQUITY AND LIABILITIES		5,663,622	4,371,898

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2017 and were signed on its behalf by:

S P O'Hara
Director

Company Registration no. 05880755

The notes on pages 26 to 44 form part of these financial statements

Consolidated Statement of Changes in Equity

As at 30 November 2016

	Called up Share capital £	Accumu-lated deficit £	Share Premium £	Non Controlling interest £	Merger Relief Reserve £	Share-based Payment Reserve £	Total equity £
Balance at 30 November 2014	7,078,346	(7,767,013)	3,746,781	–	1,500,000	90,970	4,649,084
Loss for the year	–	(1,280,629)	–	–	–	–	(1280,629)
Exercise of warrants	38,969	–	116,906	–	–	–	155,875
Share options and warrants	–	–	–	–	–	292,465	292,465
Balance at 30 November 2015	7,117,315	(9,047,642)	3,863,687	–	1,500,000	383,435	3,816,795
Loss for the year	–	(1,297,871)	–	–	–	–	(1,297,871)
Issues of shares during the year	78,695	–	2,280,670	–	–	–	2,359,365
Share options and warrants	–	–	–	–	–	34,150	34,150
Non controlling Interest	–	–	–	90,692	–	–	90,692
Balance at 30 November 2016	**7,196,010**	**(10,345,513)**	**6,144,357**	**90,692**	**1,500,000**	**417,585**	**5,003,131**

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.

Accumulated deficit represents the cumulative losses of the group attributable to the owners of the company.

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

The notes on pages 26 to 44 form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 November 2016

	Notes	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Cash flows from operating activities			
Cash utilised by operations	1	(1,398,181)	(1,026,746)
Interest paid		–	–
Interest received		165	28
Taxation		151,950	43,254
Net cash outflow from operating activities		(1,246,066)	(983,464)
Cash flows from investing activities			
Purchases of property, plant and equipment		(10,551)	(1,965)
Purchase of intangible assets		(162,213)	–
Investment in subsidiaries		133,943	–
Net cash inflow from investing activities		(38,821)	(1,965)
Cash flows from financing activities			
Share issues		2,359,365	155,875
Net cash inflow from financing activities		2,359,365	155,875
Increase/(decrease) in cash and equivalents		1,074,478	(829,554)
Cash and cash equivalents at beginning of year		2,040,888	2,870,442
Cash and cash equivalents at end of year	15	3,115,366	2,040,888

The notes on pages 26 to 44 form part of these financial statements

Notes to the Consolidated Statement of Cash Flows

For the year ended 30 November 2016

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

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Operating loss	(1,515,831)	(1,423,251)
(Increase) in inventories	(26,625)	–
(Increase) in trade and other receivables	(131,633)	(57,946)
Increase in trade and other payables	127,982	48,210
Depreciation charge	808	808
Share Option expense	34,150	292,465
Amortisation of patents	112,968	112,968
Net cash outflow from operations	(1,398,181)	(1,026,746)

2. Cash and Cash Equivalents

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Cash and cash equivalents	3,115,366	2,040,888

The notes on pages 26 to 44 form part of these financial statements

Company Statement of Financial Position

As at 30 November 2016

	Notes	As at 30 November 2016 £	As at 30 November 2015 £
ASSETS			
Non-current assets			
Investments	12	2,735,205	2,000,100
		2,735,205	2,000,100
CURRENT ASSETS			
Trade and other receivables	14	1,888,076	842,030
Cash and cash equivalents	15	2,187,451	1,948,647
		4,075,527	2,790,677
TOTAL ASSETS		6,810,732	4,790,777
EQUITY			
Shareholders' Equity			
Called up share capital	16	7,196,010	7,117,315
Share premium		6,144,357	3,863,687
Merger relief reserve		1,500,000	1,500,000
Share based payment reserve		417,585	383,435
Accumulated deficit		(8,522,570)	(8,135,494)
Total Equity		6,735,382	4,728,943
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	75,350	61,834
TOTAL LIABILITIES		75,350	61,834
TOTAL EQUITY AND LIABILITIES		6,810,732	4,790,777

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2017 and were signed on its behalf by:

S P O'Hara
Director

Company Registration no. 05880755

The notes on pages 26 to 44 form part of these financial statements

Company Statement of Changes in Equity

For the year ended 30 November 2016

	Called up Share capital £	Accumu-lated deficit £	Share Premium £	Merger Relief Reserve £	Share-based Payment Reserve £	Total equity £
Balance at 30 November 2014	7,078,346	(7,631,532)	3,746,781	1,500,000	90,970	4,784,565
Loss for the period	–	(503,962)	–	–	–	(503,962)
Exercise of warrants	38,969	–	116,906	–	–	155,875
Share options and warrants	–	–	–	–	292,465	292,465
Balance at 30 November 2015	7,117,315	(8,135,494)	3,863,687	1,500,000	383,435	4,728,943
Loss for the period	–	(387,076)	–	–	–	(387,076)
Exercise of warrants	78,695	–	2,280,670	–	–	2,359,365
Share options and warrants	–	–	–	–	34,150	34,150
Balance at 30 November 2016	**7,196,010**	**(8,522,570)**	**6,144,357**	**1,500,000**	**417,585**	**6,735,382**

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.

Accumulated deficit represents the cumulative losses of the company attributable to the owners of the company.

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

The notes on pages 26 to 44 form part of these financial statements

Company Statement of Cash Flows

For the year ended 30 November 2016

	Notes	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Cash flows from operating activities			
Cash utilised by operations	1	(1,385,556)	(897,512)
Interest received		100	9
Net cash outflow from operating activities		(1,385,456)	(897,503)
Cash flows from investing activities			
Investment in subsidiaries		(735,105)	–
Net cash outflow from investing activities		(735,105)	–
Cash flows from financing activities			
Share issues		2,359,365	155,775
Net cash inflow from financing activities		2,359,365	155,775
Increase/(decrease) in cash and equivalents		238,804	(741,728)
Cash and cash equivalents at beginning of year		1,948,647	2,690,375
Cash and cash equivalents at end of year	14	2,187,451	1,948,647

The notes on pages 26 to 44 form part of these financial statements

Notes to the Company Statement of Cash Flows

For the year ended 30 November 2016

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

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Operating loss	(387,076)	(503,971)
(Increase)/decrease in trade and other receivables	(1,046,046)	(710,923)
(Decrease)/increase in trade and other payables	13,516	24,917
Share Option expense	34,150	292,465
Interest received	(100)	–
Net cash outflow from operations	(1,385,556)	(897,512)

2. Cash and Cash Equivalents

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Cash and cash equivalents	2,187,451	1,948,647

The notes on pages 26 to 44 form part of these financial statements

Notes to the Financial Statements

For the year ended 30 November 2016

1. General Information

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

The principal activity of the group was that of research and development into microbiome modulators.

2. Accounting Policies

Statement of compliance

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

Basis of preparation

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

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

Going concern

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

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

New and amended standards adopted by the group

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

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

2. Accounting Policies (continued)

New Standards, amendments and interpretations issued but not effective

Reference	Title	Summary	Application date of standard	Application date of Company
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2018	1 December 2018
IFRS 10	Consolidated financial statement	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2016	1 December 2016
IFRS 11	Joint Arrangements	Amended by Accounting for Acquisitions of Interests in Joint Operations	Periods commencing on or after 1 January 2016	1 December 2016
IFRS 12	Disclosure of Interests in Other Entities	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2016	1 December 2016
IFRS 14	Regulatory deferral accounts	Aims to enhance the comparability of financial reporting by entities subject to rate-regulations	Periods commencing on or after 1 January 2016	1 December 2016
IFRS 15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more informative and relevant disclosures	Periods commencing on or after 1 January 2018	1 December 2018
IFRS 16	Lease	IFRS 16 Leases published	Periods commencing on or after 1 January 2019	1 December 2019
IAS 16	Property, Plant and Equipment	Amended standard for accounting treatment for property, plant and equipment	Periods commencing on or after 1 January 2016	1 December 2016
IAS 27	Separate financial statement	Amended by Equity Method in Separate Financial Statements (Amendments to IAS 27)	Periods commencing on or after 1 January 2016	1 December 2016
IAS 28	Investments in Associates and Joint Ventures	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2016	1 December 2016

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

2. Accounting Policies (continued)

New Standards, amendments and interpretations issued but not effective (continued)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group. The group does not intend to apply any of these pronouncements early.

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

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

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

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

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

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

2. Accounting Policies (continued)

Business combinations (continued)

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.

Taxation

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

(i) Current tax

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

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

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

Investments

Investments in subsidiaries are held at cost less any impairment.

Financial instruments

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

Inventory

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

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

2. Accounting Policies (continued)

Trade and other receivables

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

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

Cash and cash equivalents

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

Fair values

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

Trade and other payables

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

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

2. Accounting Policies (continued)

Capital management

Capital is made up of stated capital, premium 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 year ended 30 November 2016.

Equity instruments

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

Share-based compensation

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

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

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

Property, plant and equipment

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

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

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

Computer equipment	30%

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

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

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

2. Accounting Policies (continued)

Intangibles – Patents

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

Research and Development

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

Revenue recognition

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

Merger relief reserve

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

- **Share based payments**

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

- **Amortisation**

  Management have estimated that the useful life of the fair value of the patents acquired on the acquisition to be 20 years. The estimate will be reviewed annually and revised if the useful life is deemed to be lower than 20 years based on the trading business or any changes to patent law.

- **Accounting for research and development (R&D) expenditure**

  During the period the group has charged all of its research costs to the income statement. Management have considered the criteria for capitalising such costs, however, management determined that the commercial feasibility is not yet met for its projects and as such the group's R&D expenditure remains in the research phase.

3. Segmental Reporting

In the opinion of the directors, the group has one class of business, being that of research and development. The group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is the UK. All costs are derived from the single segment.

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

4. Employees and Directors

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Wages and salaries	144,736	62,090
Directors remuneration	283,333	225,214
Directors Fees	136,863	78,283
Social security costs	52,473	34,295
	617,405	399,822

	Year ended 30 November 2016 No.	Year ended 30 November 2015 No.
The average monthly number of employees during the year was as follows:		
Directors	6	6
Research and development	2	2
	8	8

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Directors' remuneration	390,196	261,497
Directors' share based payments	23,389	256,658
Bonus	30,000	42,000
Total emoluments	443,585	560,155
Emoluments paid to the highest paid director	200,000	273,035

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

4. Employees and Directors (continued)

Directors' remuneration

Details of emoluments received by Directors of the Group for the year ended 30 November 2016 are as follows:

	Remuneration and fees £	Share based payments £	Total £
A Reynolds*	59,583	–	59,583
S P O'Hara	200,000	–	200,000
M Wyatt*	6,000	–	6,000
D E Evans	18,280	–	18,280
G Barker	12,000	10,761	22,761
J Laird	113,333	12,628	126,261
P Wenstromn	11,000	–	11,000
Total	**420,196**	**23,389**	**443,585**

*For disclosure in relation to directors' fees please refer to note 19.

5. Net Finance Income/(Costs)

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Finance Income:		
Bank Interest	165	28
Finance Costs:		
Bank interest	–	–
Net Finance Income/(Costs)	165	28

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

6. Expenses – analysis by nature

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Research and development	308,083	230,119
Directors' remuneration (Note 4)	420,196	303,947
Wages and Salaries	144,736	62,090
Auditor remuneration – audit fees (Company only £8,000 (2015: £15,000))	20,000	15,000
Auditor remuneration – non audit fees	2,000	3,430
Share based payments charge	34,150	292,465
Depreciation on property, plant and equipment	808	808
Amortisation of patents	112,968	112,968
Patent and IP costs	101,427	53,682
Consultancy fees	212,390	74,803
Legal and professional fees	23,664	125,241
Public Relations costs	38,265	38,308
Travel costs	66,960	40,260
Other expenses	280,089	98,330
Total administrative expenses	1,765,736	1,451,451

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

7. Income Tax

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Corporation tax credit	(120,000)	(120,000)
Corporation tax credit prior year	(31,950)	–
Deferred tax movement	(22,594)	(22,594)
Total taxation	(174,544)	(142,594)

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 30 November 2016 nor for the year ended 30 November 2015.

	Year ended 30 November 2016 £	Year ended 30 November 2015 £
Loss on ordinary activities before income tax	(1,515,666)	(1,423,223)
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 20% (2015: 20%)	(303,133)	(284,645)
Effects of:		
Disallowables	13,435	59,402
R&D enhanced deductions	(93,553)	(118,139)
Effect of research & development tax credit	(120,000)	(120,000
Capital allowances	738	(231)
Losses surrendered	–	209,586
Unused tax losses carried forward	382,513	134,027
Tax credit	(120,000)	(120,000)

The group has estimated losses of £1,150,476 (2015: £495,716) and estimated excess management expenses of £1,707,427 (2015: £1,354,501).

The tax losses have resulted in a deferred tax asset at 19 per cent. of approximately £543,000 (2015: £370,043) which has not been recognized as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

Current tax asset – Group	2016 £	2015 £
Research & development tax credit claimed	120,000	120,000

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

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:

	Earnings £	2016 Weighted average Number of shares £	Loss per-share Pence
Basic and diluted EPS			
Earnings attributable to ordinary shareholders	(1,297,871)	77,683,891	1.67

	Earnings £	2015 Weighted average Number of shares £	Loss per-share Pence
Basic and diluted EPS			
Earnings attributable to ordinary shareholders	(1,280,629)	73,167,562	1.75

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 November 2016 there were 10,345,237 (2015: 10,345,237) outstanding share options and 1,983,709 (2015: 2,631,125) outstanding share warrants, both are potentially dilutive.

9. Company's result for the year

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

The result for the parent Company for the year was £387,076 (2015: £503,962).

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

10. Intangible assets

Group	Development Costs and Patents £
Cost	
At 1 December 2014 & 2015	2,259,369
Additions	162,213
At 30 November 2016	**2,421,582**
Amortisation	
At 1 December 2014 & 1 December 2015	112,968
Amortisation charge for the year	112,968
At 30 November 2016	225,936
Carrying amount	
At 30 November 2016	**2,195,646**
At 30 November 2015	2,146,401

The above additions represent the fair value of IP on acquisition of the company's subsidiary undertaking, SkinBiotix Limited.

11. Property, plant and equipment

Group	Patents £
Cost	
At 30 November 2014	1,099
Additions	1,965
At 30 November 2015	3,064
Additions	10,551
At 30 November 2016	**13,615**
Depreciation	
At 30 November 2014	244
Charge for the year	808
At 30 November 2015	1,052
Charge for the year	808
At 30 November 2016	**1,860**
Carrying amount	
At 30 November 2016	**11,755**
At 30 November 2015	2,012

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

12. Investment in subsidiary undertakings

Company	£
Cost	
At 30 November 2014	2,000,000
Additions	100
At 30 November 2015	2,000,100
Additions	735,105
Carrying amount	
At 30 November 2016	**2,735,205**
At 30 November 2015	2,000,100

As at 30 November 2016, the company directly held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest 2016
OptiBiotix Limited	Research & Development	United Kingdom	100% of ordinary shares
SkinBioTherapeutics Plc	Research & Development	United Kingdom	52% of ordinary shares
The Healthy Weight Loss Company Limited	Health foods	United Kingdom	51% of ordinary shares

Additions for the year include acquisition of The Healthy Weight Loss Company for £75,105 during the year.

On 17 March 2016, the company injected cash of £260,000 into SkinBioTherapeutics Plc.

On 31 October 2016, the Company wrote down a loan of £400,000 ("Loan") under a term loan facility agreed on 13 October 2016 with SkinBioTherapeutics Plc to fund its ongoing working capital requirements. The Loan is unsecured, bears interest at a rate of 5 per cent. per annum and repayable in full on 30 September 2020. The Loan was converted into equity in SkinBioTherapeutics Plc on admission to AIM.

13. Inventories

	Group		Company	
Current	2016 £	2015 £	2016 £	2015 £
Finished goods	**26,625**	–	–	–

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

14. Trade and other Receivables

	Group		Company	
Current	2016	2015	2016	2015
	£	£	£	£
Accounts receivable	79,238	–	–	–
Amounts owed by group undertakings	–	–	1,856,003	706,108
Other receivables	105,121	52,613	23,142	125,938
Prepayments and accrued income	9,871	9,984	8,931	9,984
	194,230	62,597	1,888,076	842,030

15. Cash and Cash Equivalents

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Cash and bank balances	3,115,366	2,040,888	2,187,451	1,948,647

16. Called Up Share Capital

Issued share capital comprises:	2016	2015
	£	£
Ordinary shares of 2p each – 78,150,534 (2015: 74,229,517)	1,563,286	1,484,591
Deferred shares of 19p each – 26,001,739 (2015: 26,001,739)	4,940,330	4,940,330
Deferred shares of 0.9p – 63,373,961 (2015: 63,373,961)	570,366	570,366
Deferred shares of 0.09p – 135,587,295 (2015: 135,587,295)	122,028	122,028
	7,196,010	7,117,315

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

Date issued	Number	Date issued	Number
26/01/2016	125,000	25/05/2016	31,250
12/02/2016	150,107	29/06/2016	6,250
19/02/2016	65,500	27/06/2016	23,725
26/02/2016	44,959	08/08/2016	100,000
24/03/2016	5,000	20/09/2016	42,500
20/04/2016	53,125		
Total warrants exercised in the year			647,416

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

16. Called Up Share Capital (continued)

The ordinary shares are non-redeemable and provide holders with one vote per share on a vote at a company meeting. They also provide one equal right per share in any ordinary dividend declared and one equal right per share in the distribution of any surplus due to the ordinary shareholders on a winding up.

The deferred shares of 19p each, 0.9p each and 0.09p each respectively the A Deferred shares, B Deferred Shares and C Deferred shares are non-redeemable, non-voting and the holders are not entitled to dividends or to participate in profits. On a return of capital on a winding up, each holder is entitled to receive a sum equal to the nominal capital paid up or credited as paid up thereon but only after the aggregate sum of £10,000,000, £20,000,000 and £30,000,000 (respectively for the A, B and C Deferred shares) has been paid to the holders of ordinary shares and in proportion to the number of shares held and the holders of the A, B and C Deferred shares shall not be entitled to any further participation in the assets or profits of the company.

Neither the passing by the company of any special resolution for the cancellation of the A Deferred shares, B Deferred shares and C Deferred shares for no consideration by means of a reduction of capital requiring the confirmation of the Court, nor the obtaining by the company nor the making by the Court of any order confirming any such reduction of capital, nor the becoming effective of any such order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred shares accordingly the Deferred shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without sanction on the part of the holders of the Deferred shares.

17. Trade and other payables

	Group		Company	
Current:	2016 £	2015 £	2016 £	2015 £
Accrued expenses	253,764	125,634	75,250	61,834
Amount due to director	41	189	–	–
Other payables	–	–	100	–
Total trade and other payables	253,805	125,823	75,350	61,834

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 20% (2015: 20%)

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

	2016 £	2015 £
At 1 December	429,280	451,874
Arising on business combination	–	–
Movement in the year	(22,594)	(22,594)
At 30 November	406,686	429,280

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

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

19. Related Party Disclosures

Directors and shareholders of the Group

During the year to 30 November 2016 the group was charged £59,583 (2015: £25,000) for services provided by Reyco Limited, a company controlled by A Reynolds.

During the year to 30 November 2016 the group was charged £6,000 (2015: £17,700) in relation to Mark Wyatt's directors fee by Enterprise Venture Limited.

During the year to 30 November 2016 the group was charged £31,666 (2015: £25,000) for services provided by Morrison Kingsley Consultants Limited, a company controlled by Mark Collingbourne, Chief Financial Officer.

During the year to 30 November 2016 the group was charged £18,280 (2015: £7,500) by MBA consultancy for the services of David Evans. At the year end, the group owed £9,946 to MBA Consulting.

At the year end the group owed £189 (2015: £189) to SP O'Hara for expenses incurred on behalf of the group.

20. Ultimate Controlling Party

No one shareholder has control of the company.

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 former subsidiaries.

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

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

	Number of options		Average exercise price	
	2016	2015	2016	2015
	No.	No.	£	£
Outstanding at the beginning of the period	**10,345,237**	8,627,693	**0.11**	0.08
Granted during the year	–	1,717,544	–	0.25
Forfeited/cancelled during the year	–	–	–	–
Outstanding at the end of the period	**10,345,237**	10,345,237	**0.11**	0.11

*After the share consolidation on 4 August 2014.

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

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

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

21. Share Based payment Transactions (continued)

The share options outstanding at the period end had a weighted average remaining contractual life of 2,876 days (2015: 3,241 days) and the maximum term is 10 years.

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

Grant date	10/03/2015	30/03/2015
Exercise price	20.00p	27.99p
Share price at grant date	28.38p	27.99p
Risk-free rate	1%	1%
Volatility	64%	64%
Expected life	3 years	3 years
Fair value	12.00p	9.43p

The share price per share at 30/11/2016 was £0.65 (30/11/2015: £0.86)

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

(ii) 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 2016 at £0.0004 per shares.

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.

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

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

	Number of warrants		Average exercise price	
	2016	2015	2016	2015
	No.	No.	£	£
Outstanding at the beginning of the period	2,631,125	4,579,560	0.08	0.08
Effects of reorganisation*	–	–	0.08	0.08
Granted during the year	–	–	0.08	0.08
Forfeited/cancelled during the year	–	–	0.08	0.08
Exchanged for shares	(647,416)	(1,948,435)	0.08	0.08
Outstanding at the end of the period	1,983,709	2,631,125	0.08	0.08

*After the share consolidation on 4 August 2014.

A charge of £34,150 (2015: £292,465) has been recognised during the year for the share based payments over the vesting period.

Notes to the Financial Statements (continued)

For the year ended 30 November 2016

22. Financial Risk Management Objectives and Policies

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

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

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

Interest risk

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

Credit risk

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

Liquidity risk

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

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

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

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

Capital risk

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

23. Post Balance Sheet Events

On 1 December 2016 the company issued and allotted 13,725 ordinary shares of 2 pence each exercised at a price of 8 pence per share in the capital of the Company following the exercise of warrants.

On 3 January 2017 the company invested £75,000 on the Healthy Weight Loss Company Limited to increase its shareholding to 64 per cent..

On 11 January 2017 the company issued and allotted 29,375 ordinary shares of 2 pence each exercised at a price of 8 pence per share in the capital of the Company following the exercise of warrants.

On 13 January 2017 the company issued and allotted 333,333 ordinary shares of 2 pence each exercised at a price of 8 pence per share in the capital of the Company following the exercise of options.

On 8 February 2017 the company issued and allotted 16,351 ordinary shares of 2 pence each exercised at a price of 8 pence per share in the capital of the Company following the exercise of warrants.

On 8 March 2017 the company entered into an agreement with Sacco S.r.l. The agreement grants Sacco an exclusive licence to manufacture and supply OptiBiotix's cholesterol reducing strain, LPLDL®, in Europe in return for 50 per cent. of the profit with a minimum price per kilogramme to secure against discounting.

On 5 April 2017 SkinBioTherapeutics Plc listed on the AIM market of the London stock exchange.

24. Financial commitments

The company has unrecognised contractual commitments in relation to an agreement entered with CSIC of 8,750 Euros.

Notice of Annual General Meeting

OPTIBIOTIX HEALTH Plc

Notice is hereby given that the Annual General Meeting of OptiBiotix Health PLC (the "Company") will be held at the offices of WalbrookPR 4 Lombard Street, London, EC3 9HD at 12.00 noon on 15 June 2017 for the following purposes:

1. To receive the Company's Report and Accounts for the year ended 30 November 2016.
2. To re-elect Gareth Barker, who retires by rotation, as a Director.
3. To re-elect Stephen O'Hara, who retires by rotation, as a Director.
4. To re-elect Christina Wood, who retires by rotation, as a Director.
5. To re-elect Per Rehné, who retires by rotation, as a Director.
6. To re-appoint Jeffrey's Henry LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions as to the resolution numbered 7 as an Ordinary Resolution and as to the resolutions numbered 8 as Special Resolutions:

7. **THAT** the Directors be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (such shares and/or rights being "Relevant Securities") up to an aggregate nominal amount of £523,622.12 being one third of the current issued share capital, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2018, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

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

8. **THAT**, subject to and conditional upon the passing of resolution 7, the Directors be and they are hereby generally empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred under Resolution 5 above as if sub-section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

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

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £471,259.90 being 30% of the current issued share capital;

   and shall expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2018, provided that the Company may before such expiry make an offer or agreement which would require equity securities to be allotted in pursuance of such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier power given to directors.

By Order of the Board

Stephen O'Hara

Registered Office:

Innovation Centre
Innovation Way
Heslington
York
YO10 5DG

24 April 2017

Notice of Annual General Meeting (continued)

OPTIBIOTIX HEALTH Plc

Notes

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

2. The appointment of a proxy does not preclude you from attending the meeting and voting in person. If you appoint a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. To be effective Forms of Proxy must be duly completed and returned so as to reach the Share Registrars Ltd, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR no later than 12.00 noon on 13 June 2017.

4. To be entitled to attend and vote at the meeting (and for the purpose of the determination by Company of the number of votes they may cast), members must be entered in the Register of members at 12.00 noon on 13 June 2017 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

Explanatory Notes to the Notice of Annual General Meeting

Resolution 1

The Directors are required by law to present to the meeting the Audited Accounts and Directors' Report for the year ended 30 November 2016.

Resolutions 2-3

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

Resolutions 4-5

Each of the Company's Directors listed in this resolution was appointed by the Board after the last Annual General Meeting of the Company. Under the terms of the Company's Articles of Association any Director appointed as an additional director after the last Annual General Meeting must resign at the next Annual General Meeting and may offer himself or herself for re-appointment. Each of the Directors of the Company listed in these resolutions is offering himself for re-appointment.

Resolution 6

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

Resolution 7

Under the Act, the Directors may only allot shares if authorised to do so. Whilst the current authority has not yet expired, it is customary to grant a new authority at each Annual General Meeting. Accordingly, this resolution will be proposed as an ordinary resolution to grant a new authority to allot or grant rights over up to £523,622.12 in nominal value of the Company's unissued share capital. If given, this authority will expire at the Company's next annual general meeting following the date of the resolution. Although the Directors currently have no present intention of exercising this authority, passing this resolution will allow the Directors flexibility to act in the best interests of the Company's shareholders when opportunities arise.

Resolution 8

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

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

(j) (ii) with a nominal value of up to £471,259.90. This resolution will be proposed as a special resolution.

Innovation Centre
Innovation Way
Heslington
York YO10 5DG
www.optibiotix.com