OptiBiotix® HEALTH PLC

BETTER SCIENCE, BETTER HEALTH

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 NOVEMBER 2017

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Company Information

Directors:	S P O'Hara G Barker P Wennström P Rehne C Wood R Davidson
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 Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX
Brokers:	finnCap 60 New Broad street London EC2M 1JJ
Website Address:	www.optibiotix.com

Market Context

The human microbiome are collectively the trillions of microorganisms which lives in and on our bodies and which play a vital part in our health. The awareness and scientific evidence of the microbiome and its relationship to human health and disease has grown in the last few years and now attracts much interest from global pharmaceutical and biotechnology industries. Strong evidence of the growing interest is the rapidly growing number of scientific publications in the field from 247 papers in 2005 to over 5,000 papers in 2015, and almost 400 clinical studies in the USA.

Life sciences companies are showing growing interest in the microbiome to harness the power of developing non-pharmaceutical solutions for health problems. It is estimated that by 2025Microbiome development opportunities will be worth close to a trillion dollars with estimated growth (2022-2025) of 22.3% CAGR (Source: Market & Markets January 2016).

Europe is expected to account for the largest total share mainly through its significant presence in the probiotics and prebiotics fields and the acceptance of these products by the consumer. For probiotics the global retail value was USD 40billion in 2016. For probiotic supplements the retail value was USD 4.3 Billion in 2016 with a 38% growth prediction to 2021, whilst the US market retail value of probiotic supplements is expected to grow by 55% (2016-2021) to USD 3.3 Billion. (Source: Euromonitor International June 2017).

The OptiBiotix Difference

- Pioneers in microbiome modulation
- Utilises validated technology platforms which reduce the risk of developing products which modify the microbiome and improve health
- Holds a comprehensive IP portfolio of patents and trademarks to protect our inventions and commercial interests
- At the forefront in the development of microbiome products which enable next generation health solutions
- Enables current brands to renovate products and price levels and new brands to innovate in new differentiating solutions

According to the "Global Nutrition report 2017" more the 2 billion adults (age 18+) in the world are overweight or considered obese. It is today 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 an estimated cost to the global economy of USD1.2 trillion annual by 2025.In the UK, the bill is set to rise from USD19bn to USD31bn per year in 2025. (Source: The Guardian, October 2017).

OptiBiotix Health PLC is a leading company in the field of microbiome product research and development. We are developing the next generation of microbial strains (**LPLDL®**), targeted prebiotics (**LPGOS**), sweet functional fibres (**SweetBiotix®**), compounds and formulations (**SlimBiome®**) which modulate the human microbiome and impact on lipid and cholesterol management, energy harvest and appetite suppression, fuelled by our proprietary development and technology platforms to bring potential health benefits.

Three Core Screening Platforms

OptiScreen®

A screening platform to identify microbial metabolic pathways that interact with human pathways to improve health

OptiBiome®

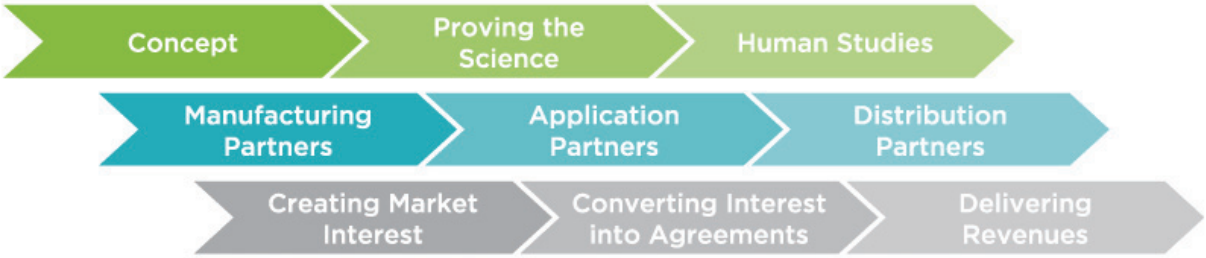
A screening platform to identify and develop microbiome modulators which can be used in proprietary formulations to prevent and manage a wide range of chronic lifestyle diseases

OptiBiotics®

A screening platform which generates and screens novel oligosaccharides for their ability to modulate the microbiome

Overview of OptiBiotix

From Science to Commercialisation, the OptiBiotix Route to Market



Key highlight of the year

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

Successful publication in the peer reviewed journal **PLOS ONE** of the results from Human Studies on OptiBiotix's **Lactobacillus plantarium LDL®** strain in the reduction of both cholesterol and blood pressure.

March – European manufacturing, supply and profit share agreement with **Sacco S.r.l.** for OptiBiotix's cholesterol reducing **LPLDL®** strain.

May – European non-exclusive license agreement with **Nutrilinea** for the production and commercialisation of products containing OptiBiotix's **LPLDL®** strain.

OptiBiotix launches **SlimBiome®** and **LPLDL®** at VitaFoods tradeshow in Geneva.

June – Supply agreement for **LPLDL®** capsules with **HLH Bio pharma GmbH** in Germany OptiBiotix's cholesterol reducing **LPLDL®** strain.

July – **LPLDL®** supply agreement for New Zealand & Australia with **Pharmabiota Ltd**.

August – Global manufacturing, supply and profit share agreement with Sacco S.r.l.. for OptiBiotix's cholesterol reducing **LPLDL®** strain.

September – Scale up and Manufacturing Agreement with Tata Chemicals for LPGOS prebiotic produced by OptiBiotix's **LPLDL®** strain.

Strategic partnership with Bened Biomedical for **LPLDL®** strain and **PS128**.

US product launch of **SlimBiome®** and **LPLDL®** strain at Supply Side West trade show in Las Vegas.

October – Supply agreement with **Galenicum** to commercialise products containing **LPLDL®** OptiBiotix invited to present its research and commercial developments at Expoquimia in Barcelona.

November – Manufacturing, supply and profit sharing agreement with Knighton Foods for OptiBiotix's **SlimBiome®** weight management technology in the United Kingdom.

Presenting research data on its microbiome modulators at MicroBiome R&D and Business Collaboration (USA. **SlimBiome®** wins award for "**Best Functional Ingredient for Health & Wellbeing**" at Foods Matters Live in London.

Award Nominations

AIM Awards / 2016 sponsored by pwc
Best Technology

UK Stock Market Awards 2016
Best Healthcare PLC

food matters live... winner Best Functional Ingredient for Health and Wellbeing
SlimBiome® Food Matters Live 2017

The Grant Thornton Quoted Company Awards 2016
Entrepreneur of the Year

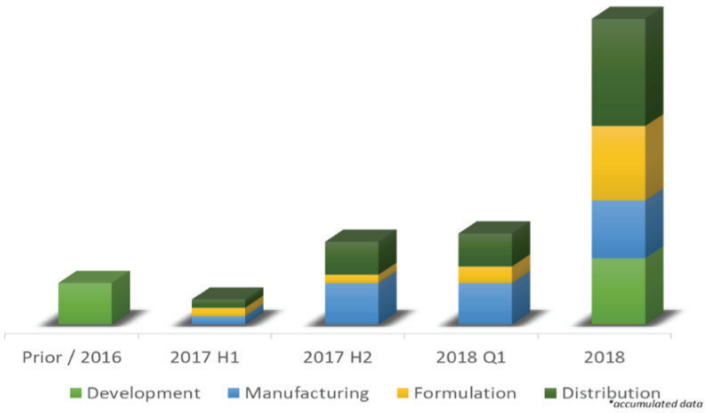
OptiBiotix has built upon its research and development foundation to establish its commercial business, **generating high market interest and early revenues with product launches**

Over the last year OptiBiotix has moved its Probiotic and OptiBiome divisions forward to commercialise their products i.e. Cholesterol and blood pressure reducing **LPLDL®** strain and its weight management ingredient **SlimBiome®** which were both launched at the VitaFoods tradeshow in Geneva may 2017. As part of the commercialisation process OptiBiotix has been focusing on getting the right partners in place for the manufacturing of the active ingredients and partners for the final product applications to be able to supply into distribution partners. OptiBiotix has over the last year achieved tremendous media and industry attention which has strengthened the commercial development of its products leading to a significant number of commercial agreements.

- SlimBiome® is a healthy, hunger-free system
- Formulated by world experts, using a combination of natural ingredients
- Promotes a feeling of fullness and lower cravings

- LP_{LDL}® can reduce cholesterol by up to 36.7%
- LDL lowered by up to 13.9%
- HDL increased by up to 6.5%

Brief outlook on 2018:



The focus in 2018 will be further development of revenue generating agreements for **SlimBiome®** and **LPLDL®** and extending the commercial reach into the US and Asia with a larger number of agreements expected to come through during 2018. With the fast maturing Probiotics division we see a large potential in developing the manufacturing of the **LPLDL®** strain suitable for the pharmaceutical area.

SweetBiotix® is progressing really well scientifically and is looking to offer a number of technology platforms that could develop into a wider range of opportunities with large corporates both on manufacturing and application development.

As part of industry recognition of our hard work and achievements since the official launch May 2017, at Vitafoods in Geneva, we have been shortlisted in two categories at the NutraIngredients Awards 2018.

"Rewarding true innovation and cutting edge research in healthy foods, supplements and nutrition"

FINALIST NUTRA INGREDIENTS AWARDS 2018

- LP_{LDL}® – 'Probiotic of the Year'
- SlimBiome® – 'Ingredients of the Year: Weight Management'

Chairman's and Chief Executive's Statement

For the year ended 30 November 2017

We are pleased to present OptiBiotix Health plc's ("Optibiotix") annual report and accounts for the year ended 30 November 2017.

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. This period reflects the transition of OptiBiotix from a research and development company into a commercial business, with the appointment of a Commercial Director, Per Rehne, and Sales & Marketing Director, Christina Wood, who both joined us in March 2017. Since joining Per and Christina have led product launches of SlimBiome® and LP_{LDL}® and concluded a total of ten commercial agreements with manufacturing, application and distribution partners. This period has also seen additions to OptiBiotix's intellectual property portfolio, FDA registration for the LP_{LDL}® and SlimBiome® product ranges allowing access to the US market, expansion of products into new territories, and a pipeline of commercial agreements which will provide future revenue streams. As the promise of the microbiome materialises into products across an increasing number of OptiBiotix's platforms, and industry interest translates into multiple revenue streams from royalties and supply agreements, there is potential for a 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. These include:

- Two agreements with Tata Chemicals, one of India's leading suppliers of food ingredients, to develop weight management products containing SlimBiome® for the Indian market and the second to scale up and manufacture the companies cholesterol reducing prebiotic LPGOS
- The appointment of Per Rehne as Commercial Director, and Christina Wood as Sales & Marketing Director, to support the commercialisation and global expansion of OptiBiotix products
- A global profit sharing agreement with Sacco S.r.l., one of Europe's leading probiotic manufacturers, to manufacture and supply OptiBiotix's cholesterol reducing strain, LP_{LDL}®
- Launch of OptiBiotix's SlimBiome® and LP_{LDL}® products at the Vitafoods Europe tradeshow in Geneva in May 2017
- The signing of eleven commercial agreements:
  - Three for the manufacture, supply and distribution of SlimBiome®
  - Seven for the manufacture, supply, and distribution of LP_{LDL}®
  - One for the manufacture and supply of LPGOS
- Presentation of OptiBiotix's science at international conferences including: the European MicroBiome Summit (November 2016); ProBiota (February 2017); the MicroBiome R&D and Business Collaboration: Asia (March 2017); International Scientific Conference on Probiotics and Prebiotics in Budapest (June 2017), and MicroBiome R&D and Business Collaboration (USA)
- FDA registration for LP-LDL® and SlimBiome® product ranges allowing access to the US market.
- The admission of OptiBiotix's majority owned skincare subsidiary, SkinBiotherapeutics Plc ("SkinBiotherapeutics") (formerly SkinBiotix), to AIM with an associated £4.5m institutional and private client fundraise
- A profit after tax of £1.9m reflecting an adjustment of £4.1m for the change in value of the investment in SkinBiotherapeutics following the listing on AIM in April 2017

Subsequent to the year end a number of further key agreements were reached which continue to build shareholder value: These include:

- A US manufacturing, supply and profit sharing agreement with Cereal Ingredients, Inc for SlimBiome®
- An exclusive royalty bearing agreement with Fine Foods and Pharmaceuticals for the production and supply of five formulations containing OptiBiotix's LP_{LDL}® strain in Europe
- A five year distribution agreement with Trigen Pharma International (Pvt) Ltd to exclusively distribute and commercialise OptiBiotix's own label CholBiome® products in Pakistan
- A non-exclusive distribution agreement with Cambridge Commodities Ltd to distribute SlimBiome® weight management technology in the United Kingdom
- A five year agreement with Akums Drugs and Pharmaceuticals Ltd to exclusively manufacture and supply supplements and biotherapeutic products containing LP-LDL® in India

Research And Development (R&D) Strategy

To exploit the diversity of opportunities, the Company has developed a number of pharmaceutical level technology platforms using different approaches to modulate the microbiome. These technology platforms have now moved through the development process of laboratory studies, independent human studies with world-renowned key opinion leaders and manufacturing scale up. These platforms provide a proven systematic approach to the development of products with the science winning awards at major international scientific conferences and the

products they produce awarded industry prizes for innovation. The validation of these technology platforms has substantially reduced investor technical and clinical risk and created industry leading capability for the development of further products by OptiBiotix and its partners both.

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, by combining our cholesterol reducing strain, LP_{LDL}®, with galacto-oligosaccharides (LPGOS) produced from it, we can selectively enhance its growth and increase cholesterol reduction threefold. This means that for a limited amount of extra investment, we have the potential to create large amounts of additional value and expand the market opportunities. Whilst this approach has complexity, it has been designed to mitigate development risk in the evolving microbiome field and provide a cost-effective way to build overlapping intellectual property ("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 the microbiome space. Whilst each division has a different technological base they are united by a common theme of:

- Understanding the underlying science and mechanism of action in laboratory studies. This allows us to optimise our products and identify multiple application opportunities
- Proving our products are safe and that they work in humans by carrying out independent clinical studies and publishing them in leading peer reviewed journals authored by leading academics well known to industry
- Working with world renowned key opinion leaders who support the science behind our products

OptiBiotix's technology platforms have now moved through the development process of laboratory studies, human studies and manufacturing scale up and this has substantially reduced technical and clinical risk. This changes the risk reward ratio leading to both an increase in value and greater interest from corporate partners in the Company's technology, products and assets. Our deals with Tata Chemicals (December 2016 and July 2017) and Galenicum (October 2017) reflect this progression of our technology. These platforms have been designed around pharmaceutical drug discovery approaches creating the potential to extend existing products beyond functional ingredients into biopharmaceuticals and into the drug market.

OptiBiotix is rapidly transitioning from a product development company to the commercial stage of the Company's development. This started with the European launch of SlimBiome® at Vitafoods in May 2017 and continued with the USA launch in late September 2017 at Supply Side West. Since then, the Company has been developing a deal pipeline which we believe will build into significant revenues over time.

The key to establishing the scientific maturity and credibility of our technology is the reporting and peer review of our data in scientific journals and at international conferences by independent key opinion leaders. The last twelve months has seen an increase in the number of these presentations and publications reflecting the maturity of our science. One of the most significant of these was the publication of our human studies on LP_{LDL}®, in the peer reviewed scientific journal PLOS-One by Professor Glen Gibson, one of the world's leading authorities in this field. Another significant presentation was give by Professor Bob Rastall, an international key opinion leader and expert on prebiotics at the MicroBiome R&D and Business Collaboration (USA) in San Diego in November 2017. Professor Rastall presented the Company's research programme on its OptiBiotics® concept: a combination of a probiotic and a targeted prebiotic specifically designed to selectively enhance the growth rate and health benefits of probiotic products.

Following on from winning the best scientific abstract at ProBiota 2017 we were pleased to win the best scientific abstract at ProBiota 2018 for the identification and development of a prebiotic which selectively enhances the growth of *Lactobacillus rhamnosus GG* ("LGG®") in the gut. LGG® is contained within DSM's Culturelle® probiotic range which is the best-selling probiotic supplement brand in the world. These presentations and publications raise OptiBiotix's profile and reputation, attract commercial interest in 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, it will continue to present its science at international conferences and in leading peer reviewed journals around the world.

Optibiome® (Slimbiome®, Cardiobiome, Immunobiome, Wellbiome® And Psychobiome)

OptiBiome® is a range of products developed as functional ingredients to help prevent and manage many of today's chronic lifestyle diseases. SlimBiome®, the first product in the range, is a patented weight management formulation scientifically formulated by experts in weight management to reduce hunger, leading to less snacking and easier weight loss. This is a new approach to weight loss and contrasts with

existing 'diet' products which typically rely on customers' self-control to restrict calories and as a consequence have a high failure rate.

The ingredients in SlimBiome® are backed up by over one thousand publications and developed such that each of the ingredients work synergistically, in that they act at different parts of the gut in three different ways. These being:

i. They make you feel full, and hence less likely to eat as much food, or to snack between meals.

ii. They control blood sugar peaks and troughs reducing sugar cravings.

iii. They increase the diversity of microbes (microbiome) in the gut which helps people loose weight more quickly and most importantly sustain this weight loss.

SlimBiome® is sold as an ingredient, in white label products, and in OptiBiotix's own brand of GoFigure® range of shakes and bars. We are pleased that Tata Chemicals, one of India's leading suppliers of food ingredients, signed an agreement in December 2016 to develop weight management products containing SlimBiome® for the Indian market. With India ranked second in the world with 30m overweight people and Tata's local knowledge, reputation and sales & distribution capability, this has the potential to develop into a healthy future revenue stream as Tata commercialises OptiBiotix's and its own label products across it developing B2C network in India.

Christina Wood is leading the commercialisation of SlimBiome® and has made strong progress since commencing her role as Sales and Marketing Director in March 2017. Christina has been working with manufacturers, application developers and retailers to expand the range of application opportunities. This has led to a profit sharing agreement with Knighton Foods (November 2017) a wholly owned subsidiary of Premier Foods plc, and Cereal Ingredients (December 2017), a speciality ingredients manufacturer based in the USA. Further developments are on-going with other partners to develop applications for breaded products, biscuits, dairy, gummies (children's products), muesli pots, porridge pots, healthy snacks, and a range of cereals in puff, flakes and crisp format. This creates the opportunity for multiple revenue streams from sales of ingredients to food manufacturers, white label products to large retailers, and branded products in multiple presentations to meet the needs of a diverse range of national and international markets. This is all part of a series of ongoing developments with a number of international partners and large retailers to extend SlimBiome® application into a broader range of 'Health & Wellbeing' food and beverage products. This is to coincide with increased consumer awareness of using functional natural ingredients as part of a healthy lifestyle to manage and reduce the risks of illness and disease.

In addition to the commercialisation of SlimBiome the Company is extending its OptiBiome® range beyond weight management (SlimBiome®) to include cardiovascular health (CardioBiome®), immune health (ImmunoBiome®), cognitive health (PsychoBiome), and general health (WellBiome®).

Optiscreen, Cholesterol Reduction And LP_{LDL}®

OptiBiotix's first product developed using its OptiScreen® platform is a bacterial strain targeting cholesterol and blood pressure reduction. The strain, registered under international treaty's as *Lactobacillus plantarum* ECGC 13110402 and branded LP_{LDL}®, was selected by OptiBiotix's proprietary OptiScreen® technology platform from over 4,000 candidate strains. The product has successfully undergone independent human studies showing high levels of efficacy for both cholesterol and blood pressure reduction. The reduction of both cholesterol and blood pressure is a significant advantage over existing cholesterol products as the ability to reduce both LDL cholesterol and blood pressure has a multiplicative effect in reducing cardiovascular risk.

Per Rehne is leading the commercialisation of LP_{LDL}® and has made strong progress since commencing his role as Commercial Director. Since Per's appointment, LP_{LDL}® has undergone rapid commercial development with the announcement of seven manufacturing, application and distribution agreements since its launch at VitaFoods in May 2017. Per has been working with partners to develop around 30 formulations containing LP_{LDL}® which have the science, cost structure and synergistic mode of action to create a broad product range to meet the needs of international markets. This approach allows OptiBiotix to present product solutions to consumer health, pharmaceutical and retail companies to generate multiple revenue streams from ingredient sales, white label and own branded products. This is all part of a process of building multiple revenue streams using LP_{LDL}® as the 'Intel inside' different presentations and formulations developed with industry partners to access consumer and pharmaceutical markets around the world.

We are pleased that Sacco S.r.l. ("Sacco"), one of Europe's leading probiotic manufacturers, signed a global profit sharing agreement with us to manufacture and supply OptiBiotix's cholesterol reducing strain, LP_{LDL}®. We chose Sacco from a number of interested manufacturers due to their industry reputation, extensive global network of distributors and track record in building sales for what have become some of the world's best selling probiotic strains. The ability to supply competitively priced ingredients from a single manufacturer across world markets simplifies the supply chain and contract negotiations with corporate partners. Our agreement with Sacco extends LP_{LDL}® into dairy applications leveraging Sacco's network to access the global $35.5 billion probiotic dairy market. Our agreement, an extension of an existing European agreement, was a strategic step to access the US probiotic supplement market, and to extend the opportunities offered by LP_{LDL}® into dairy applications, with one of the largest and internationally respected supplier of probiotic ingredients.

Sacco produce LP_{LDL}® as an ingredient which can be sold directly to companies or as the functional active within different formulations and presentations of both white label and branded products. One example of this is the non-exclusive agreement with Nutrilinea – one of Europe's fastest growing providers of food supplements- for the production and commercialisation of products containing OptiBiotix's LP_{LDL}® strain in Europe. Under the terms of the agreement, Nutrilinea will produce, promote, market and commercialise OptiBiotix's CholBiome® and CardioBiome® products to their European network with the aim of maximizing the financial return for both parties. Similarly, Galenicum, one of Spain's leading pharmaceutical groups with an annual turnover of over €100 million and a year-on-year double-digit growth, have a non-exclusive license to commercialise Cardiocare™, a nutritional supplement containing OptiBiotix's LP_{LDL}® strain in Spain, Chile, Peru and the Middle East. Galenicum has an international reputation for high quality innovative products and was awarded the prestigious **European Business Award** of "Business of the Year" in 2013/2014.

We believe that working with industry leading partners like Sacco, Nutrilinea and Galenicum provides the best opportunity of rapidly building LP_{LDL}® into a leading global brand. We see LP_{LDL}®, as the 'Intel' inside a range of products for cardiovascular health across both consumer and pharmaceutical markets. The overall aim is to achieve a multiple deal structure where we get revenues from manufacturers who produce LP_{LDL}®, and application and formulation partners who formulate and package the product, as well as distributors who distribute the product. This creates the opportunity for multiple revenue streams from sales of the strain and white label and branded products to consumer and pharmaceutical companies around the world.

This division has a broad deal pipeline and we would anticipate further agreements with product formulation groups and distributors both within Europe and other territories in the forthcoming months.

Microbiome Modulators, Optibiotics® And Sweetbiotics®

The Company has made significant progress in its scientific programmes to develop compounds which modify the human microbiome to prevent, manage and treat disease and create natural high intensity sweeteners and sweet healthy fibres (SweetBiotix®).

These now cover three areas with each developing into a substantive opportunity in its own right:

Microbiome modulators: OptiBiotix R&D teams have used gut models to demonstrate the ability to increase the growth rate, biological activity and health effect of specific microbial species in the human microbiome and in doing so, manipulate both the microbiome's composition and its function. This has now been demonstrated in multiple species, including OptiBiotix's cholesterol reducing LP_{LDL}® strain and partner strains such as DSMs Lactobacillus rhamnosus GG (LGG®), contained within its Culturelle® range. The results of this study were reported with DSM as co-authors at ProBiota 2018 where it was awarded the prize for best scientific abstract. We believe this is the first reported publication of an optimised prebiotic for LGG®.

OptiBiotix reached an agreement with Tata Chemicals in September 2017 to scale up and exclusively manufacture galacto-oligosaccharide produced by OptiBiotix's LP_{LDL}® strain (LPGOS) for the use in food and 'over the counter' (OTC) products. The agreement brought together Tata's expertise in the manufacture of galacto-oligosaccharides (GOS) with OptiBiotix's microbiome modulation expertise. LPGOS is heat resistant and stable during processing and has been shown to reduce cholesterol by up to 22% in gut models. OptiBiotix believes this creates opportunities to use LPGOS in a wide range of food products to help reduce cardiovascular risk factors and improve health.

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 and has the potential to substantially increase the company's value.

OptiBiotics®: OptiBiotix's R&D teams have demonstrated that by combining our cholesterol reducing strain LP_{LDL}®, with galacto-oligosaccharides produced from it, we can selectively enhance its growth and increase cholesterol reduction threefold. Work in the last 12 months has led to the development of new high throughput carbohydrate screening platforms which have allowed the extension of these concepts to other probiotic genera and species. To the best of our knowledge, our presentations at international conferences and partner discussion lead us to believe we are one of the world's leaders in this field. We see the development of species or genera specific prebiotics which can selectively enhance the growth and health benefits of existing probiotic products as a growing area of interest to the probiotic industry, a market expected to be worth more than $46.5bn by 2020 (Markets and Markets).

SweetBiotix®: SweetBiotix® are 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®. These sweet natural healthy sugars are not digested in the human gut and hence calorie free. In the last 12 months, we have accelerated our development programmes in this area and carried out five successful independent human studies in

which OptiBiotix's products and commercially available comparator samples were tested by an expert panel of 11 panellists who rated 11 products attributes (e.g. sweetness, aftertaste, off- flavour, bitterness etc) compared to sucrose as a benchmark. OptiBiotix's products were created by two development programmes which showed:

i. Natural high intensity sweeteners with improved flavour profile and microbiome modulating functionality. Independent human studies have demonstrated these have a good flavour profile and sweetness of between 140x and 223x of sucrose at equivalent concentrations.

ii. Sweet natural healthy fibres being developed as potential bulk sugar replacements which are not digested in the human gut, and hence calorie free. Human studies have demonstrated these sweet fibres had the highest sweetness and lowest off-flavours when compared to a wide range of existing sugars and fibres and sucrose.

With growing concerns over traditional sugars and artificial sweeteners these results create the prospect of SweetBiotix® replacing 'unhealthy' sugars in existing products with non-digestible, low calorie, healthy SweetBiotix®. Given that the global sweetener market, currently dominated by sugar, is forecast to reach $112bn by 2022 (Mordor Intelligence, 2017), the Company believes these developments have the potential to greatly enhance shareholder value. Publication of the results on our human studies and accompanying media report in national newspapers such as The Times has stimulated high industry interest and we anticipate further developments and announcements in this area in the future.

SkinBiotherapeutics PLC

In April 2017, OptiBiotix's majority owned skincare subsidiary, SkinBiotherapeutics (formerly SkinBiotix), was admitted to AIM with an associated £4.5m fundraise, supported by institutional investors. This is part of OptiBiotix's strategy of building value in each of its divisions with some of this value, when realised, being returned to shareholders and reinvesting some of the gains to develop other divisions so they, in due course, can become separate legal entities with the potential for a separate public listing.

The admission to AIM of SkinBiotherapeutics plc attributes value to 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. 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.

As SkinBiotherapeutics plc grows in value, OptiBiotix shareholders will benefit from the appreciation of this 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.

SkinBiotherapeutics plc is at an early stage in its development, similar to the beginnings of OptiBiotix in August 2014, and continues to make solid progress building relationships with potential commercial partners and progressing towards the start of human studies, which if successful, should provide a substantive uplift in valuation. The Board remain optimistic on the future of SkinBiotherapeutics plc as it has good technology and is targeting multi-billion dollar global markets, where there is a real need for new science.

Results

OptiBiotix results for the 12 months ended 30 November 2017 are set out in the Consolidated Statement of Comprehensive Income. Administrative expenses were £2,244,169 (2016: £1,765,736) including a number of non-recurring costs associated with listing SkinBiotherapeutics in April 2017.

The accounts show a profit after tax of £1.9m following the successful listing of SkinBiotherapeutics. The income statement includes an adjustment of £4.1m for the change in value of the investment in SkinBiotherapeutics immediately following the listing. This is an accounting adjustment and as an unrealised profit on the investment is not taxable. Since that time the value of SBTX shares and thereby OptiBiotix's holding in SBTX has increased representing a valuable current and future asset.

After accounting for the adjustment, operating loss for the period is £2.13m (2016: £1.52m). Following the listing of SkinBiotherapeutics and the diluting of Optibiotix plc's shareholding, the company now has to account for its share (41.9%) of future profits and losses. As this is an accounting adjustment, there is no impact on the Groups cash balance. Cashflows remain tightly controlled, with a focus on building shareholder value through investment in R& D, IP and in-licensing opportunities. The Group's cash position remains strong at £1.25m at the year end.

Board and Management

We continue to evolve the Board in line with the Company's development. The last 12 months has seen a number of Board additions to reflect the increased commercial focus.

We were pleased to announce the appointment of Per Rehne as Commercial Director and Christina Wood as Sales and Marketing Director, who joined us in March 2017. Both come with a wide network of contacts in the food industry and a track record of working with manufacturers, distributors and retailers to rapidly grow sales revenues in international markets. Per has taken responsibility for leading the commercialisation of LP$_{LDL}$®, and Christina responsibility for SlimBiome®. Their addition to the Board increases the company's capacity and capability to better exploit the opportunities created by our growing

pipeline of products in international markets. We anticipate seeing the benefit of these appointments in the next six to 12 months.

We believe with the addition of Per and Christina, we have a well-balanced Board with scientific and commercial expertise in the founder and Chief Executive Stephen O'Hara and market expertise in 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 our interim Chairman.

At the end of the accounting period we announced Adam Reynolds would step down as Non-Executive Chairman on 31 December 2017 and be replaced by Neil Davidson. This was part of a strategy to supplement the existing Board with sector specific commercial leadership. Neil brings a network of industry contacts and over 30 years of operational and Board experience as Chairman and Chief Executive of FTSE 100, AIM and private companies in both an executive and non-executive capacity.

We anticipate further additions and changes to the management team and the Board as we extend the global reach of our products and in-line with the continued growth and expansion of the Company.

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.

The last 12 months has seen the transition of OptiBiotix® from a research and development Company to a commercial business, with the appointment of a commercial team, product launches of SlimBiome® and LP_{LDL}® at Vitafoods and Supply Side West, followed by the signing of eleven commercial agreements. This is all part of a commercial strategy based on closing out deals across multiple levels of the value chain, starting from manufacturing agreements such as the profit sharing agreement signed with Sacco for the production of LP_{LDL}® and Knighton Foods for the production of SlimBiome. This is complemented by royalty bearing license deals with formulation partners for the supply of white label and branded products to food producers and consumer health companies, and distribution agreements directly with retailers. Whilst this strategy takes longer to develop than single license deals, this multi-channel approach enables OptiBiotix to maximize the income potential of each product, whilst limiting the risk related to any individual deal. This approach also allows OptiBiotix to operate on a very asset-light infrastructure. Product manufacturing, regulatory approvals, and costly sales and marketing infrastructure are funded by OptiBiotix's partners meaning that license and royalty fees are largely cost free and enter the bottom line. This is a low risk, low cost approach to accessing multiple consumer healthcare and pharmaceutical markets around the world, and if successful, has the potential to cumulatively generate substantive revenues and profitability in the forthcoming years.

Key to this commercial strategy is the appointment of industry leading partners like DSM, Tata, Sacco, Nutrilinea and Galenicum who provide the best opportunity of rapidly building our products into global brands. We were pleased at the high level of interest in both LP_{LDL}® and SlimBiome® at Vitafoods and Supply Side West and hope the rich deal pipeline we have created will translate into material revenue growth in the next financial year against a continued lean cost base.

As we extend our reach into new application areas and new territories, the scale of the opportunity enlarges. The US is one of the largest and fastest growing probiotic markets in the world, with supplements alone accounting for US$2.06bn sales, and a projected 55% growth to US$3.3bn by 2021. The extension of our products into other application areas reflects a growing confidence in our products and the scale of the opportunity. We would hope to see the expansion of territories and application areas leading to announcements of deals with a number of national and international partners in the forthcoming months.

Whilst initial products are targeted at the ingredient and supplement markets, the gaps between neutraceuticals and pharmaceutical is narrowing. Given OptiBiotix's products have been developed using pharmaceutical platforms and our clinical studies have been designed to be consistent with phase 1 and phase 2 pharmaceutical studies, OptiBiotix has received partner interest to license LP_{LDL}® to extend our products into biotherapeutics. This is a path OptiBiotix has explored provided the substantive investment in the development of a biopharmaceutical was supported by a suitable pharmaceutical partner. If this is achieved this has the potential to create significant value uplift given the high value deal structure typical in drug development and pharmaceutical industries. The deal announced with Akums in May 2018 is an early example of such a deal whereby the partner provides all funding for drug registration, phase 3 and 4 clinical studies, in return for exclusivity and royalty payments based on future product sales. We anticipate future high value deals for use of LP_{LDL}® as a biotherapeutic in other territories in the month and years ahead.

As the Company enters the next stage of its development, we will need to evolve the structure to fully exploit the expanding range of opportunities and maximise revenue. Currently the Company is structured around technology platforms, such as Optiscreen® and OptiBiotics®, which creates a scientific focus. The transition from a technology to product company requires a different focus and skill set and restructuring of our website. The appointment of Per Rehne (Commercial Director), and Christina Wood (Sales Director), who were appointed in January 2017 and joined us in March 2017, was the start of this process and has delivered an increase number of quality in deal flow. OptiBiotix's technology platforms are being developed into self-sustaining business units with a commercial focus lead by directors who have the business development, sales skills and experience to fully

exploit the revenue potential of the products. As these develop, we will separate them into wholly owned separate legal entities with the potential for an independent exit by a trade sale or listing separately or collectively in UK or the US, depending on market conditions. The benchmark for this is seen with the transition of SkinBiotix Limited as a technology platform within OptiBiotix to a high value public company with £4.1m cash allowing it to fully exploit the potential of this exciting technology. This allows OptiBiotix shareholders to benefit from the appreciation of this asset plus any dividends which may be returned in recognition of this value uplift. This is consistent with our strategy of providing investors 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.

The Board believes OptiBiotix is at the leading edge of one of the hottest areas of healthcare innovation which is forecast to become one of the world's fastest growth areas. Over the last 12 months, we have continued our progress of building a broad based microbiome business with a strategy which best maximizes the value in each division and a diversity of IP and commercial relationships which provides shareholders with multiple opportunities. The next stage of the process involves the continued development of new application areas and extending our products into new territories and application areas, such a biotherapeutics, with suitable partners. We believe the Company has now significantly de-risked scientific, clinical and manufacturing risk across its platforms. This changes the risk reward ratio leading to an increase in value and the Company and its assets becoming an attractive proposition for corporate partners. This has led to a number of approaches from potential acquirers interested in assets in specific divisions.

The Board anticipates further scientific and commercial interest in the Company's technology and products and a future where microbiome products will make a significant contribution to the prevention, management and treatment of disease. We are pleased that our strategy of developing microbiome products with a strong scientific and clinical evidence base with key opinion leader support has provided clear product differentiation and stimulated high commercial interest. We look forward to converting this interest into a growing number of revenue generating deals, of increasing value and in a wider range of territories.

The last twelve months have seen a growing number of awards for our science, industry awards for our products, and increased deal flow. We anticipate both the rate and value of deal flow increasing as we develop new applications, take existing products into new territories, and leverage our technology platforms to develop new product opportunities.

OptiBiotix has made strong progress in the last twelve months and now looks to build on its scientific innovation, product success, and commercial interest to build a diverse microbiome business with significant value for shareholders.

On behalf of everyone at OptiBiotix Health, we would like to thank our investors for their continued support and look forward to an exciting future in this exciting area of science which has the potential to revolutionise the future of health care.

N Davidson and S OHara
22 May 2018

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 6 to 12.

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 24 of the financial statements.

The Board's objective is to maintain a balance sheet that is both efficient and delivers long term shareholder value. The Group had cash balances of £1,247,431 as at 30 November 2017 and had no short-term borrowings. The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Principal Risks And Uncertainties

Market Risks	Impact	Mitigation
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.

Key Performance Indicators

Financial	Year to 30 November 2017 £'000	Year to 30 November 2016 £'000
Revenue	191	288
Profit/(loss) for the period	1,917	1,341
Cash as at 30 November 2017	1,247	3,115

During the year to 30 November 2017 the company has achieved a number of key objectives which continue to build shareholder value. These include:

- Ten commercial agreements with manufacturing, application and distribution partners;
- The admission of OptiBiotix's majority owned skincare subsidiary, SkinBiotherapeutics (formerly SkinBiotix), to AIM with an associated £4.5m institutional and private client fundraise
- Presentation of OptiBiotix's science at international conferences including: the European MicroBiome Summit (November 2016); ProBiota (February 2017); the MicroBiome R&D and Business Collaboration: Asia (March 2017); International Scientific Conference on Probiotics and Prebiotics in Budapest (June 2017), and MicroBiome R&D and Business Collaboration (USA).
- FDA registration for LP-LDL® and SlimBiome® product ranges allowing access to the US market

Non-financial

The board recognises the importance of KPIs in driving appropriate behaviour and enabling of Group performance. For the year to 30 November 2017 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 2017.

Future Developments

The Chairman's and Chief Executive Statement on pages 6 – 12 gives information on the future outlook of the Group.

On Behalf Of The Board

S P O'Hara
22 May 2018

The Directors present their report and the audited financial statements of the group for the year to 30 November 2017.

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
C Wood (appointed 6 March 2017)
P Rehne (appointed 6 March 2017)
R Davidson (appointed 1 January 2018)
R J T Laird (resigned 5 January 2017)

Non-executive Directors

A Reynolds (resigned 31 December 2017)
G Barker
P Wennstrom

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 at the date of this report:

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of £0.02 each	Percentage Held	Ordinary shares of £0.02 each	Warrant exercise price	Ordinary shares of £0.02 each	Option exercise price
S P O'Hara	10,103,031	12.9%	–	–	6,099,135	£0.08
P Wennström	–	–	–	–	–	–
G Barker	–	–	–	–	358,772	£0.20
C Wood	–	–	–	–	500,000	£0.695
R Rehne	–	–	–	–	500,000	£0.695

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

The share options held by G Barker were granted on 10 March 2016 and are exercisable at £0.20 at any time up 10 March 2025, subject to vesting conditions.

The share options held by C Wood and P Rehne were granted on 29 June 2017 and are exercisable at 69.5p at any time up to 29 June 2027, subject to vesting conditions.

Substantial Shareholdings

Substantial shareholdings include directors as at 22 January 2018 were as follows:

	% of shares issued
Stephen O'Hara	12.74
Finance Yorkshire Seedcorn LP	11.74

The share price per share at 30/11/2017 was £0.69 (30/11/2016: £0.65)

Financial Instruments

The group's exposure to financial risk is set out in note 24 to the financial statements.

Research And Development

The Chairman's and Chief Executive Statement on page 2-11 gives information on the Group's research and development activities.

Political And Charitable Contributions

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

Events After The Reporting Period

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

Publication Of Accounts On Group Website

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

Going Concern

The financial statements have been prepared on the assumption that the group is a going concern. When assessing the foreseeable future, the directors have looked at the budget for the next 12 months from the date of this report, the cash at bank available as at the date of approval of this report and are satisfied that the group should be able to cover its 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 6.

On Behalf Of The Board

S P O'Hara
22 May 2018

Independent Auditor's Report to the Members of Optibiotix Health Plc
For the year ended 30 November 2017

Opinion

We have audited the financial statements of Optibiotix Health Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In Our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis For Opinion

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

Conclusions Relating To Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Accounting for Business Disposals During the year SkinBiotherapeutics plc listed on the AIM market, resulting in a reduction in Optibiotix Health plc's holding from 52% to 42%. At the date of listing, SkinBiotherapeutics plc ceased to be a subsidiary, Optibiotix fair valued its remaining 42% holding by reference to the share price at that date and subsequently accounted for the associate under equity accounting.	We understood and assessed the methodology utilised to calculate the gain on disposal to ensure that it was compliant with IFRS 5. This was based on the market value at acquisition date per the admission document which we consider reasonable. The consolidation was reviewed to establish the treatment of SkinBiotherapeutics up to the date of disposal and subsequent to that date. Prior to the disposal the results were consolidated, whilst subsequently equity accounting has been applied.
Carrying Value of Investments, Intangible Assets and Goodwill At the year end the group had intangible assets of £1.93m comprised of the fair value of patents acquired on acquisition of Optibiotix Limited and investments of £4.19m made up of the investment in SkinBiotherapeutics plc. The directors have assessed whether intangible assets require impairment and have concluded that they do not. The patents are amortised in a straight line over 20 years, the period in which the directors believe the assets will generate revenue. The directors have assessed whether the investment in SkinBiotherapeutics plc requires impairment and have concluded that it does not, by reference to the company's share price.	Intangible assets in the accounts have been allocated useful lives and therefore an annual impairment test is not required. However, as Optibioitx Limited is loss making we considered if there were indicators of impairment and reviewed the discounted cash flow forecasts. We reviewed the investment in SkinBiotherapeutics plc for impairment ,with particular consideration given to the fact that the market value of Optibiotix Health Plc's holding at the year end was greater than the carrying value of the investment.

Our Application Of Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£94,000 (2016: £87,000).	£52,000 (2016: £55,000).
How we determined it	3% of revenue. 10% of profit/loss before tax. 1% of gross assets.	3% of revenue. 10% of profit/loss before tax. 1% of gross assets.
Rationale for benchmark applied	We believe that profit or loss before tax is a primary measure used by shareholders in assessing the performance of the Group whilst gross asset values and revenue are a representation of the size of the group; both are generally accepted auditing benchmarks.	We believe that profit or loss before tax is a primary measure used by shareholders in assessing the performance of the Group whilst gross asset values and revenue are a representation of the size of the group; both are generally accepted auditing benchmarks.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £41,000 and £52,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4,700 for the Group (2016: £4,400) and £2,600 for the Parent as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An Overview Of The Scope Of Our Audit

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

How We Tailored The Audit Scope

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

The Group financial statements are a consolidation of 3 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Optibiotix Health plc, Optibiotix Limited and The Healthy Weight Loss Company Limited reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). The Group engagement team performed all audit procedures.

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions On Other Matters Prescribed By The Companies Act 2006

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

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

Matters On Which We Are Required To Report By Exception

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

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

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

Responsibilities Of Directors

As explained more fully in the directors' responsibilities statement set out on pages 16-17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities For The Audit Of The Financial Statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use Of This Report

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

Other Matters Which We Are Required To Address

We were appointed as auditors by the company at the Annual General Meeting on 15 June 2017 to audit the financial statements for the period ending 30 November 2017. Our total uninterrupted period of engagement is 4 years, covering the periods ending 30 November 2014 to 30 November 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

In addition to the audit, the firm provides tax compliance services to Optibiotix Health Plc and its subsidiaries.

Our audit opinion is consistent with the additional report to the audit committee.

Sanjay Parmar
(Senior Statutory Auditor)

For and on behalf of

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

22 May 2018

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2017

	Notes	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Revenue		191,073	288,119
Cost of sales		(73,706)	(38,214)
Gross Profit		117,367	249,905
Administrative expenses	6	(2,244,169)	(1,765,736)
Operating (loss)		(2,126,802)	(1,515,831)
Finance cost	5	(6,154)	–
Finance income	5	142	165
		(6,012)	165
Share of loss from associate		(294,278)	–
Profit on disposal of subsidiary	12	4,116,286	–
Profit/(loss) before Income tax		1,689,194	(1,515,666)
Income tax	7	228,447	174,544
Profit/(loss) for the period		1,917,641	(1,341,122)
Other comprehensive income		–	–
Total comprehensive income for the period		1,917,641	(1,341,122)
Total comprehensive income attributable to:			
Owners of the company		1,907,441	(1,297,871)
Non-controlling interests		10,200	(43,251)
		1,917,641	(1,341,122)
Profit/(loss) per share			
Basic profit/(loss) per share – pence	8	2.43p	(1.67)p
Diluted profit/(loss) per share – pence		2.17p	

The notes on pages 32 to 51 form part of these financial statements

Consolidated Statement of Financial Position

As at 30 November 2017

	Notes	Year ended 30 November 2017 £	Year ended 30 November 2016 £
ASSETS			
Non-current assets			
Intangibles	10	1,927,226	2,195,646
Property, plant & equipment	11	6,561	11,755
Investments	12	4,189,022	–
		6,122,809	2,207,401
CURRENT ASSETS			
Inventories	13	8,890	26,625
Trade and other receivables	14	106,122	194,230
Current tax asset	7	183,951	120,000
Cash and cash equivalents	15	1,247,431	3,115,366
		1,546,394	3,456,221
TOTAL ASSETS		7,669,203	5,663,622
EQUITY			
Shareholders' Equity			
Called up share capital	16	1,586,628	7,196,010
Share premium		6,279,718	6,144,357
Share based payment reserve		474,517	417,585
Merger relief reserve		1,500,000	1,500,000
Accumulated deficit		(2,795,147)	(10,345,513)
Non-controlling interest		–	90,692
Total Equity		7,045,716	5,003,131
LIABILITIES			
Current liabilities			
Trade and other payables	18	239,395	253,805
		239,395	253,805
Non-current liabilities			
Deferred tax liability	19	384,092	406,686
		384,092	406,686
TOTAL LIABILITIES		623,487	660,491
TOTAL EQUITY AND LIABILITIES		7,669,203	5,663,622

These financial statements were approved and authorised for issue by the Board of Directors on 22 May 2018 and were signed on its behalf by:

S P O'Hara
Director
Company Registration no. 05880755
The notes on pages 32 to 51 form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 November 2017

	Called up Share capital £	Retained Earnings £	Share Premium £	Non Controlling interest £	Merger Relief Reserve £	Share-based Payment reserve £	Total equity £
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
Profit for the year	–	1,917,641	–	–	–	–	1,917,641
Issues of shares during the year	23,343	–	135,361	–	–	–	158,704
Share options and warrants	–	–	–	–	–	56,932	56,932
Non controlling Interest	–	–	–	(90,692)	–	–	(90,692)
Cancellation of shares during the year	(5,632,725)	5,632,725	–	–	–	–	–
Balance at 30 November 2017	**1,586,628**	**(2,795,147)**	**6,279,718**	**–**	**1,500,000**	**474,517**	**7,045,716**

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

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

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

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

The notes on pages 32 to 51 form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 November 2017

	Notes	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Cash flows from operating activities			
Cash utilised by operations	1	(1,895,285)	(1,398,181)
Interest received		142	165
Taxation		141,902	151,950
Net cash outflow from operating activities		(1,753,241)	(1,246,066)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,804)	(10,551)
Purchase of intangible assets		(43,381)	(162,213)
Investment in subsidiaries		–	133,943
Disposal of subsidiary net of cash balances		(228,212)	–
Net cash outflow from investing activities		(273,397)	(38,821)
Cash flows from financing activities			
Share issues		158,703	2,359,365
Net cash inflow from financing activities		158,703	2,359,365
Increase/(decrease) in cash and equivalents		(1,867,935)	1,074,478
Cash and cash equivalents at beginning of year		3,115,366	2,040,888
Cash and cash equivalents at end of year	2	1,247,431	3,115,366

The notes on pages 32 to 51 form part of these financial statements

Notes to the Consolidated Statement of Cash Flows

For the year ended 30 November 2017

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

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Operating profit/(loss)	(2,126,802)	(1,515,831)
Decrease in inventories	17,735	(26,625)
Decrease in trade and other receivables	(172,336)	(131,633)
(Decrease) in trade and other payables	209,220	127,982
Depreciation charge	6,998	808
Share Option expense	56,932	34,150
Amortisation of patents	112,968	112,968
Net cash outflow from operations	(1,895,285)	(1,398,181)

2. Cash and Cash Equivalents

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Cash and cash equivalents	1,247,431	3,115,366

3. Disposal of subsidiary

The subsidiary (SkinBiotherapeutics) was disposed of by way of a share dilution on the admission of the company's shares to AIM.The cash flows associate with SkinBiotherapeutics are

	Year ended 30 November 2017 £
Cash held by SkinBiotherapeutics on disposal	(228,212)
Cash outflows from investing activities	43,381
Net cash outflow from operations	(398,286)

The notes on pages 32 to 51 form part of these financial statements

Company Statement of Financial Position

As at 30 November 2017

	Notes	As at 30 November 2017 £	As at 30 November 2016 £
ASSETS			
Non-current assets			
Investments	12	6,633,299	2,735,205
		6,633,299	2,735,205
CURRENT ASSETS			
Trade and other receivables	14	2,726,860	1,888,076
Cash and cash equivalents	15	1,007,769	2,187,451
		3,734,629	4,075,527
TOTAL ASSETS		10,367,928	6,810,732
EQUITY			
Shareholders' Equity			
Called up share capital	16	1,586,628	7,196,010
Share premium		6,279,718	6,144,357
Merger relief reserve		1,500,000	1,500,00
Share based payment reserve		474,517	417,585
Accumulated profit/(deficit)		470,658	(8,522,570)
Total Equity		10,311,521	6,735,382
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	56,407	75,350
TOTAL LIABILITIES		56,407	75,350
TOTAL EQUITY AND LIABILITIES		10,367,928	6,810,732

These financial statements were approved and authorised for issue by the Board of Directors on 22 May 2018 and were signed on its behalf by:

S P O'Hara

Director

Company Registration no. 05880755

The notes on pages 32 to 51 form part of these financial statements

Company Statement of Changes in Equity

For the year ended 30 November 2017

	Called up Share capital £	Retained Earnings £	Share Premium £	Merger Relief Reserve £	Share-based Payment reserve £	Total equity £
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)
Issue of shares during the year	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
Profit for the period	–	3,360,503	–	–	–	3,360,503
Issues of shares during the year	23,343	–	135,361	–	–	158,704
Share options and warrants	–	–	–	–	56,932	56,932
Cancellation of shares during the period	(5,632,725)	5,632,725	–	–	–	–
Balance at 30 November 2017	**1,586,628**	**470,658**	**6,279,718**	**1,500,000**	**474,517**	**10,311,521**

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

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

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

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

The notes on pages 32 to 51 form part of these financial statements

Company Statement of Cash Flows

For the year ended 30 November 2017

	Notes	30 November 2017 Year ended £	30 November 2016 Year ended £
Cash flows from operating activities			
Cash utilised by operations	1	(1,263,554)	(1,385,556)
Interest received		64	100
Net cash outflow from operating activities		(1,263,490)	(1,385,456)
Cash flows from investing activities			
Investment in subsidiaries		(74,895)	(735,105)
Net cash outflow from investing activities		(74,895)	(735,105)
Cash flows from financing activities			
Share issues		158,703	2,359,365
Net cash inflow from financing activities		158,703	2,359,365
Increase/(decrease) in cash and equivalents		(1,179,682)	238,804
Cash and cash equivalents at beginning of year		2,187,451	1,948,647
Cash and cash equivalents at end of year	14	1,007,769	2,187,451

The notes on pages 32 to 51 form part of these financial statements

Notes to the Company Statement of Cash Flows

For the year ended 30 November 2017

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

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Operating loss	(462,696)	(387,076)
(Increase)/decrease in trade and other receivables	(838,784)	(1,046,046)
(Decrease)/increase in trade and other payables	(18,943)	13,516
Share Option expense	56,932	34,150
Interest received	64	100
Net cash outflow from operations	(1,263,554)	(1,385,556)

2. Cash and Cash Equivalents

	As at 30 November 2017 £	As at 30 November 2016 £
Cash and cash equivalents	1,007,769	2,187,451

The notes on pages 32 to 51 form part of these financial statements

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.

The following new standards, amendments to standards, and interpretations have been issued, but are not effective for the financial period beginning 1 December 2016 and have not been early adopted:

New Standards, amendments and interpretations issued but not effective

Reference	Title	Summary	Application date of standard	Application date of Company
IFRS 2	Share based payments	Amendments to classification and measurement of share-based payment transactions	Periods commencing on or after 1 January 2018	1 December 2018
IFRS 4	Insurance contracts	Amendments regarding implementation of IFRS 9	Periods commencing on or after 1 January 2018	1 December 2018
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2018	1 December 2018

2. Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Application date of Company
IFRS 10	Consolidated financial statement	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2017	1 December 2017
IFRS 11	Joint Arrangements	Amended by Accounting for Acquisitions of Interests in Joint Operations	Periods commencing on or after 1 January 2017	1 December 2017
IFRS 12	Disclosure of Interests in Other Entities	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2017	1 December 2017
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 2017	1 December 2017
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 7	Statement of Cash flows	Amendment regarding the disclosure initiative	Periods commencing on or after 1 January 2017	1 December 2017
IAS 12	Income Taxes	Amendment regarding recognition of deferred tax assets for unrealised losses	Periods commencing on or after 1 January 2017	1 December 2017
IAS 16	Property, Plant and Equipment	Amended standard for accounting treatment for property, plant and equipment	Periods commencing on or after 1 January 2017	1 December 2017
IAS 27	Separate financial statement	Amended by Equity Method in Separate Financial Statements (Amendments to IAS 27)	Periods commencing on or after 1 January 2017	1 December 2017
IAS 28	Investments in Associates and Joint Ventures	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2017	1 December 2017
IAS 40	Investment property	Amendment regarding the transfer of property	Periods commencing on or after 1 January 2018	1 December 2018

New Standards, amendments and interpretations issued but not effective

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.

2. Accounting Policies (continued)

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 30th 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.

2. Accounting Policies (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.

Investments in associates

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

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

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

Taxation

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

(i) Current tax

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

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

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

2. Accounting Policies (continued)

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.

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.

2. Accounting Policies (continued)

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

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

Capital management

Capital is made up of stated capital, premium 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 2017.

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.

2. Accounting Policies (continued)

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.

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.

2. Accounting Policies (continued)

Critical accounting judgments and key sources of estimation uncertainty (Continued)

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

- Share based payments

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

- 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.

- Impairment Reviews

  IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

3. Segmental Reporting

In the opinion of the directors, the group has one class of business, being that of 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.

4. Employees and Directors

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Wages and salaries	141,185	144,736
Directors remuneration	463,965	283,333
Directors Fees	70,500	136,863
Social security costs	58,456	52,473
	734,106	617,405

4. Employees and Directors (continued)

	Year ended 30 November 2017 No.	Year ended 30 November 2016 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 2017 No.	Year ended 30 November 2016 No.
Directors' remuneration	475,350	253,333
Directors' share based payments	46,173	23,389
Bonus	38,000	30,000
Total emoluments	559,523	306,722
Emoluments paid to the highest paid director	212,800	200,000

Directors' remuneration

Details of emoluments received by Directors of the Group for the year ended 30 November 2017 are as follows:

	Remuneration and fees £	Share based payments £	Total £
A Reynolds	35,500	–	35,500
S P O'Hara	212,800	–	212,800
G Barker	17,500	10,761	28,261
J Laird	43,000	2,000	45,000
P Wenstromm	17,500	–	17,500
P Rehne	95,250	16,706	111,956
C Wood	91,800	16,706	108,506
Total	513,350	46,173	559,253

5. Net Finance Income/(Costs)

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Finance Income:		
Bank Interest	142	165
Finance Costs:		
Loan interest	(6,154)	–
Net Finance Income / (Costs)	(6,012)	165

6. Expenses – analysis by nature

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Research and development	302,392	308,083
Directors' fees & remuneration (Note 4)	513,350	420,196
Wages and Salaries	141,185	144,736
Staff training and recruitment	57,678	10,295
Auditor remuneration – audit fees (Company only £16,000 (2016: £8,000))	34,000	20,000
Auditor remuneration – non audit fees	2,300	2,000
Brokers & Advisors	71,360	70,267
Advertising & marketing	73,728	61,394
Share based payments charge	56,932	34,150
Depreciation on property, plant and equipment	6,998	808
Amortisation of patents	112,969	112,968
Patent and IP costs	129,043	101,427
Consultancy fees	202,838	212,390
Legal and professional fees	130,729	23,664
Public Relations costs	43,860	38,265
Travel costs	79,400	66,960
Other expenses	294,371	138,083
Total administrative expenses	2,244,169	1,765,736

7. Income Tax

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Corporation tax credit	(183,951)	(120,000)
Corporation tax credit prior year	(21,902)	(31,950)
Deferred tax movement	(22,594)	(22,594)
Total taxation	(228,447)	(174,544)

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 30 November 2017 nor for the year ended 30 November 2016.

	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Profit (Loss) on ordinary activities before income tax	1,689,194	(1,515,666)
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19.33% (2016 – 20%)	326,521	(303,133)
Effects of:		
Disallowables	124,946	13,435
Income not taxable	(793,300)	–
R&D enhanced deductions	(138,607)	(93,553)
Effect of research & development tax credit	(205,854)	(131,950)
Capital allowances	–	738
Amortisation	843	–
Revenue items capitalised	(991)	–
Other timing differences	(22,594)	(22,594)
Unused tax losses carried forward	480,589	382,513
Tax credit	(228,447)	(174,544)

The group has estimated losses of £1,760,341 (2016: £946,187) and estimated excess management expenses of £2,091,815 (2016: £1,692,401).

The tax losses have resulted in a deferred tax asset at 19% of approximately £732,676 (2016: £543,000) which has not been recognized as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

Current tax asset – Group	2017 £	2016 £
Research & development tax credit claimed	183,952	120,000

8. Earnings per Share

Basic earnings per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the period.

Reconciliations are set out below:

Basic and diluted EPS	Earnings £	2017 Weighted average Number of shares No.	Profit per-share Pence
Basic EPS	1,907,641	78,586,791	2.43
Diluted EPS	1,907,641	87,831,953	2.17

	Earnings £	2016 Weighted average Number of shares No.	Loss per-share Pence
Basic and diluted EPS			
Earnings attributable to ordinary shareholders	(1,297,871)	77,683,891	1.67

As at 30 November 2017 there were 7,845,237 (2016: 10,345,237) outstanding share options and 1,399,925 (2016: 1,983,709) 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 profit for the parent Company for the year was £3,360,503 (2016 loss: £387,076).

10. Intangible assets

Group	Development Costs and Patents £
Cost	
At 1 December 2015	2,259,369
Additions	162,213
At 30 November 2016	2,421,582
Additions	43,382
Disposals	(198,834)
	2,266,130
Amortisation	
At 1 December 2015	112,968
Amortisation charge for the year	112,968
At 30 November 2016	225,936
Amortisation charge for the year	112,968
At 30 November 2017	**338,904**
Carrying amount	
At 30 November 2017	**1,927,226**
At 30 November 2016	2,195,646

11. Property, plant and equipment

Group	£
Cost	
At 30 November 2015	3,064
Additions	10,551
At 30 November 2016	13,615
Additions	1,804
At 30 November 2017	**15,419**
Depreciation	
At 30 November 2015	1,052
Charge for the year	808
At 30 November 2016	1,860
Charge for the year	6,998
At 30 November 2017	8,858
Carrying amount	
At 30 November 2017	**6,561**
At 30 November 2016	11,755

The additions are in respect of additional 16% of the share capital of The Healthy Weight Loss Company Limited.

12. Investments

Set out below is the associate of the group as at 30 November 2017 which is material to the group. The entity listed below have share capital consisting solely of ordinary shares, which are held by the group. The country of incorporation is also the principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held.

Group: Investments in associate undertakings

	£
Cost	
At 30 November 2015 and 2016	–
Additions	4,189,022
At 30 November 2017	**4,189,022**
Carrying amount	
At 30 November 2017	**4,189,022**
At 30 November 2016	–

On 4 April 2017 the group reduced its shareholding in its subsidiary, SkinBioTherapeutics Plc, from 52% to 41.9% as a result of their listing on the AIM stock exchange and is now accounted for as an associate under the equity accounting method.

12. Investments (continued)

As at 30 November 2017, the group directly held the following associates:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest 2017
SkinBioTherapeutics Plc	Research & Development	United Kingdom	41.9% of ordinary shares

The effect of the acquisition is set out in the table below:

Disposal of subsidiary Investment to become an Associate	2017 £
Market value of shareholding at date of listing	4,483,300
Existing investment	(660,100)
Profit on disposal of subsidiary	3,823,200

Company: Investments in subsidiary undertakings

	£
Cost	
At 30 November 2015	2,000,100
Additions	735,105
At 30 November 2016	2,735,205
Additions	74,999
Disposals	660,100
Carrying amount	
At 30 November 2017	2,150,104
At 30 November 2016	2,735,205

As at 30 November 2017, the company directly held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest 2017
OptiBiotix Limited	Research & Development	United Kingdom	100% of ordinary shares
The Healthy Weight Loss Company Limited	Health foods	United Kingdom	68% of ordinary shares

13. Inventories

	Group		Company	
	2017	2016	2017 £	2016 £
Finished goods	8,890	26,625	–	–

14. Trade and other Receivables

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Current				
Accounts receivable	20,249	79,238	–	–
Amounts owed by group undertakings	–	–	2,645,210	1,856,003
Other receivables	77,275	105,121	73,992	23,142
Prepayments and accrued income	8,598	9,871	7,658	8,931
	106,122	194,230	2,726,860	1,888,076

15. Cash and Cash Equivalents

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Cash and bank balances	1,247,431	3,115,366	1,007,769	2,187,451

16. Called Up Share Capital

Issued share capital comprises:

	2017 £	2016 £
Ordinary shares of 2p each – 79,331,477 (2016: 78,150,534)	1,586,628	1,563,286
Deferred shares of 19p each – Nil (2016: 26,001,739)	–	4,940,330
Deferred shares of 0.9p – Nil (2016: 63,373,961)	–	570,366
Deferred shares of 0.09p – Nil (2016: 135,587,295)	–	122,028
	1,586,628	7,196,010

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
	04/01/2017	29,375
	16/02/2017	16,250
	17/11/2017	538,159
Total warrants exercised in the year		583,784

16. Called Up Share Capital (continued)

During the year the company issued the ordinary shares of £0.02 each listed below, exercised at the following prices per share in the capital of the company following the exercise of share options:

	Date issued	Number	Price Per Share
	13/01/2017	333,333	£0.276
	31/08/2017	2,500,000	£0.08
Total options exercised in the year		2,833,333	

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.

During the year the Company reduced its share capital from £7,203,591 to £1,570,866 by way of a special resolution confirmed by an order of the High Court of Justice.

17 Reserves

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

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

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

18. Trade and other payables

Current:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Accounts Payable	10,136	–	–	–
Accrued expenses	210,965	253,764	56,407	75,250
Amount due to director	189	41	–	–
Other payables	18,105	–	–	100
Total trade and other payables	239,395	253,805	56,407	75,350

19. Deferred Tax

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2016: 20%)

19. Deferred Tax (continued)

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

	2017 £	2016 £
At 30 November	406,686	429,280
Movement in the year	(22,594)	(22,594)
At 30 November	384,092	406,686

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

20. Related Party Disclosures

During the year to 30 November 2017 the group was charged £35,500 (2016 – £59,583) for services provided by Reyco Limited, a company controlled by A Reynolds.

During the year 30 November 2017 the group was charged £35,000 (2016 – £31,666) for services provided by Morrison Kingsley Consultants Limited, a company controlled by Mark Collingbourne, Chief Financial Officer.

21. Ultimate Controlling Party

No one shareholder has control of the company.

22. Share Based payment Transactions

(i) Share options

The company had introduced a share option programme to grant share options as an incentive for employees of the 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	
	2017 No.	2016 No.	2017 £	2016 £
Outstanding at the beginning of the period	10,345,237	10,345,237	0.11	0.11
Granted during the year	1,000,000	–	0.70	–
Forfeited/cancelled during the year	(666,667)	–	0.27	–
Exchanged for shares	(2,833,333)	–	0.10	–
Outstanding at the end of the period	7,845,237	10,345,237	0.17	0.11

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.

22. Share Based payment Transactions (continued)

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

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

The share options outstanding at the period end had a weighted average remaining contractual life of 2,511 days (2016 – 2,876 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	29/06/2017
Exercise price	69.50p
Share price at grant date	68.00p
Risk-free rate	0.25%
Volatility	35%
Expected life	10 years
Fair value	24.00p

The share price per share at 30/11/2017 was £0.69 (30/11/2016: £0.65)

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

(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 2017 at £0.0004 per shares.

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

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

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

	Number of warrants		Average exercise price	
	2017 No.	2016 No.	2017 £	2016 £
Outstanding at the beginning of the period	1,983,709	2,631,125	0.08	0.08
Exchanged for shares	(583,784)	(647,416)	0.08	0.08
Outstanding at the end of the period	1,399,925	1,983,709	0.08	0.08

A charge of £56,932 (2016: £34,150) has been recognised during the year for the share based payments over the vesting period.

23. Financial Risk Management Objectives and Policies

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

The main risks the group faces 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.

24. Post Balance Sheet Events

On 20 December 2017 the company issued and allotted 73 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 5 February 2018 the company issued and allotted 354,162 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 9 February 2018 the company issued and allotted 800,000 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 27 February 2018 the High Court of Justice confirm the Capital reduction of the share premium account.

25. Financial Commitments

The company has unrecognised contractual commitments as follows: -

- University of Reading £63,804
- CSIC – €48,264

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