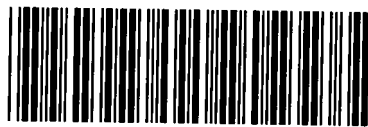


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OPTIBIOTIX LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018

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OPTIBIOTIX LIMITED

COMPANY INFORMATION

Directors

S P O'Hara
J Wennstrom
Per Rehne (resigned 22 February 2019)

Company Number

07992608 (England and Wales)

Registered Office

Innovation Centre
Innovation Way
Heslington
York
Yorkshire
YO10 5DG

Auditors

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

OPTIBIOTIX LIMITED

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OPTIBIOTIX LIMITED

DIRECTORS' REPORT

For the year ended 30 November 2018

The directors present their annual report and the audited financial statements for the period ended 30 November 2018.

Directors

The following directors have held office since 1 December 2017:

S P O'Hara
J Wennstrom
Per Rehne

Principal activity

The principal activity of the company is that of research and development into pre, pro and synbiotics.

The company was incorporated on 15 March 2012.

Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 the company chooses to report the review of the business, the future outlook and the risks and uncertainties faced by the company in the Strategic Report on pages 3-5.

Dividend

No dividend is proposed.

Going concern

The directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis of preparation for its financial statements.

Research and development

During the period under review it incurred £229,858 (30 November 2017: £264,296) of expenditure on research and development of pre, pro and synbiotics.

Events after the reporting period

There were no subsequent events.

OPTIBIOTIX LIMITED

DIRECTORS' REPORT (continued...)

For the year ended 30 November 2018

Auditors

The auditors, Jeffreys Henry LLP, have indicated their willingness to continue in office in accordance with the provisions of Section 485 of the Companies Act 2006.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 year. In preparing these financial statements, the directors are required to:

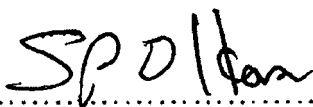
- select suitable accounting policies and then apply them consistently;
- state whether the company financial statements have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements;
- make judgments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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the Companies Act 2006.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

.....


S P O'Hara
Director

19 August 2019

OPTIBIOTIX LIMITED

STRATEGIC REPORT

For the year ended 30 November 2018

Review of business and future developments

A summary of the company's results is given on page 8 of the financial statements.

Optibiotix continues to make progress on its strategy of developing compounds which modify the human microbiome and commercializing these through partnering with food, health and wellbeing and pharmaceutical companies.

Key Achievements

During the year to 30 November 2018 the company has achieved a number of key objectives which continue to build shareholder value. These include:-

- A US manufacturing, supply and profit sharing agreement with Cereal Ingredients, Inc for SlimBiome®.
- Completion of five successful human taste studies on SweetBiotix® demonstrating high sweetness and low off flavours.
- A five year distribution agreement with Trigen Pharma International 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 drug products containing LP_{LDL}® in India.
- A non-exclusive agreement with Seed Health to produce, promote, market, and commercialise products containing LP_{LDL}® in the USA.
- A non-exclusive license with one of the world's largest providers of dairy products to explore the potential for using OptiBiotix's SweetBiotix® technology to reduce the sugar content in a range of its dairy food products.
- Exclusive agreement with a US company for the development of LP_{LDL}® as a drug product with a six figure milestone payments at signing and at two subsequent conditional milestones, amounts totalling a seven-figure sum.
- Exclusive license agreement with AlfaSigma to commercialise food supplements containing LP_{LDL}® in Italy.
- Non exclusive distribution agreement with CTC Holding to distribute SlimBiome® in the Philippines, Vietnam, Indonesia and Colombia.
- Launch of OptiBiotix online selling own brand GoFigure® and CholBiome® products direct to market providing a shop window for its LP_{LDL}® and SlimBiome® technologies.
- Award for SlimBiome® for Weight Management Ingredient of the Year at Vitafoods 2018 and 'Best Functional Ingredient for Health and Wellbeing' at Food Matters.
- Award for best scientific abstract at ProBiota 2018 co-authored with DSM for the identification and development of a prebiotic which selectively enhances the growth of *Lactobacillus rhamnosus* GG ("LGG®") in the gut.
- Independent human studies by Oxford Brookes University demonstrating that volunteers who took SlimBiome® compared to a placebo feel fuller and are less hungry, have less food cravings, and eat less sweet and fatty foods.
- The granting of medical device status and a CE mark for SlimBiome® extending its application as a food ingredient into high value medical products within consumer healthcare and pharmaceutical markets.

OPTIBIOTIX LIMITED

STRATEGIC REPORT

For the year ended 30 November 2018

Key Performance Indicators (KPIs)

Financial

	Year to 30 November 2018 £'000	Year to 30 November 2017 £'000
Other Operating Income	-	57
Loss for the period	1,037	1,068

During the year to 30 November 2018 the company has achieved a number of key objectives which continue to build shareholder value.

Non-financial:

The board recognizes the importance of KPIs in driving appropriate behavior and enabling of company performance. For the year to 30 November 2018 the primary KPI's were the completion of commercial agreements and the expansion of the Optibiotic® platform. The company intends to review the following non-financial KPI's going forward

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

OPTIBIOTIX LIMITED

STRATEGIC REPORT

For the year ended 30 November 2018

Strategy

OptiBiotix's strategy is to develop microbiome product with a scientific and clinical evidence base targeted at large markets (>£100m) where there are high growth opportunities (CAGR >10%), and a large unmet demand. Given the evolving nature of the microbiome OptiBiotix's approach has been designed to reduce investor risk by building multiple opportunities within the microbiome space across a number of platforms which create food ingredients, supplements and pharmaceutical products with partners. This multi partner, multi-channel approach, enables OptiBiotix to maximize the income potential of each product, whilst limiting the risk related to any individual deal. This is reflected in OptiBiotix's deal structure in which approximately 20% of deals are with companies whose annual turnover greater than one billion dollars, and the remaining 80% are with small to medium size companies who are quicker to market. Common to each partner is an existing industry reputation and an established distribution network within the target market.

This allows OptiBiotix to operate on a very asset-light infrastructure with manufacturing, regulatory approvals, and sales and marketing infrastructure funded by OptiBiotix's partners such that license and royalty fees are largely cost free and enter the bottom line. Whilst this strategy takes longer to develop than single license deals it 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.

The large number of agreements signed in 2018 across multiple application areas represents early execution of this strategy. These agreements are starting to generate recurrent revenue streams and will form the backbone of future sales growth. We anticipate further execution of this strategy in 2019 with growing revenues against a continued low-cost base creating profitable divisions across all areas of the Company.

Risk and uncertainties

The Directors continually identify, monitor and manage the risks and uncertainties of the company. Risk is inherent in all businesses. Set out below are certain risk factors which could have an impact on the company's long-term performance and mitigating factors adopted to alleviate these risks. This list does not purport to be an exhaustive summary of the risks affecting the company.

Technology and products

The company is involved in microbiome modulation products discovery and development. The development and commercialization 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 company'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 company 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

OPTIBIOTIX LIMITED

STRATEGIC REPORT

For the year ended 30 November 2018

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

Risk and uncertainties

Management regularly review and agree policies for managing risks and uncertainties arising from the company's financial instruments which are summarized as follows:

Liquidity risk

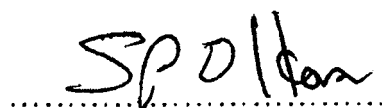
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's policy throughout the period has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital and, where necessary, further shares can be issued by OptiBiotix Health Plc, the parent company, to raise additional finance.

Capital risk management

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

The company is currently un-g geared, having net cash at 30 November 2018. It is the stated strategy of the company to grow organically and to be funded by equity funding via its parent company OptiBiotix Health Plc.

On behalf of the board



S P O'Hara
Director

19 August 2019

INDEPENDENT AUDITORS' REPORT

To The Shareholders of Optibiotix Limited

Opinion

We have audited the financial statements of Optibiotix Limited (the 'company') for the year ended 30 November 2018 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view, of the state of the Company's affairs as at 30 November 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirement 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 in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's 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 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 authorized for issue.

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.

INDEPENDENT AUDITORS' REPORT

To The Shareholders of Optibiotix Limited

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 page 19, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's Website at: <http://www.frc.org.uk/auditorsresponsibilities>. The description forms part of our auditor's 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.

Sudhir Rawal (Senior Statutory Auditor)



For and on behalf of
Jeffreys Henry LLP,
Chartered Accountants and statutory auditor
Finsgate
5-7 Cranwood Street
London
EC1V 9EE
United Kingdom

Date: 19 August 2019

OPTIBIOTIX LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 November 2018

	Notes	Year ended 30 November 2018 £	Year ended 30 November 2017 £
Revenue		465,443	23,200
Administrative expenses	4	(1,336,573)	(1,355,427)
		<u>(871,130)</u>	<u>(1,332,227)</u>
Finance income		84	77
Finance costs		(197,640)	-
Other operating income	3	-	57,400
		<u>(1,068,686)</u>	<u>(1,274,750)</u>
Loss from operations and before tax			
Taxation	6	31,777	205,854
Loss for the period		<u>(1,036,909)</u>	<u>(1,068,896)</u>
Basic & Diluted Loss per share	7	355	366

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through profit and loss account and the losses stated above are also the comprehensive losses.

The notes on pages 12 to 21 are an integral part of these financial statements.

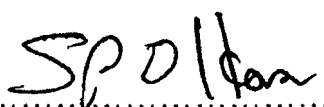
OPTIBIOTIX LIMITED

STATEMENT OF FINANCIAL POSITION

For the year ended 30 November 2018

	Note	As at 30 November 2018	As at 30 November 2017 £
Assets			
Non-Current Assets			
Intangible assets	8	445,595	
Property, plant and equipment	9	3,143	2,149
		<u>448,738</u>	<u>2,149</u>
Current Assets			
Inventories	10	30,433	
Trade and other receivables	11	364,562	77,516
Current tax asset		303,952	183,952
Cash and cash equivalents	12	152,771	235,634
		<u>851,718</u>	<u>497,102</u>
Total Assets		<u>1,300,456</u>	<u>499,251</u>
Equity			
Issued capital	13	29	29
Share premium		539,983	539,983
Accumulated deficit		(3,859,494)	(2,822,585)
Total Equity		<u>(3,319,482)</u>	<u>(2,282,573)</u>
Liabilities			
Current Liabilities			
Trade and other payables	14	292,989	2,781,824
Non - current liabilities			
Borrowings	15	4,242,286	-
Deferred tax liability	16	84,663	-
		<u>4,326,949</u>	<u>-</u>
Total Liabilities		<u>4,619,938</u>	
Total Equity and Liabilities		<u>1,300,456</u>	<u>499,251</u>

These financial statements were approved and authorised for issue by the Board of Directors on 19 August 2019 and were signed on its behalf by:



S P O'Hara
Director
Company Registration No. 07992608

The notes on pages 12 to 21 are an integral part of these financial statements.

OPTIBIOTIX LIMITED**STATEMENT OF CHANGES IN EQUITY****For the year ended 30 November 2018**

	Share Capital £	Share premium £	Accumulated deficit £	Total £
As at 31 November 2016	29	539,983	(1,753,689)	(1,213,677)
Loss for the year	-	-	(1,068,896)	(1,068,896)
Shares issued during the period	-	-	-	-
As at 30 November 2017	29	539,983	(2,822,585)	(2,282,573)
Loss for the year	-	-	(1,036,909)	(1,036,909)
As at 30 November 2018	29	539,983	(3,859,494)	(3,319,482)

Share capital Amount subscribed for shares at nominal value.

Share premium Amount subscribed for share capital in excess of nominal value.

Accumulated deficit Cumulative surplus of the company attributable to equity shareholders.

The notes on pages 12 to 21 are an integral part of these financial statements.

OPTIBIOTIX LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 November 2018

	Year ended 30 November 2018 £	Year ended 30 November 2017 £
Cash flows from operating activities		
Loss before taxation	(1,068,686)	(1,274,750)
Adjustments for:		
Depreciation	1,959	1,499
Amortisation	22,044	(77)
Finance income	(84)	
(increase)/decrease in inventories	(30,433)	
(increase)/decrease in receivables	(287,046)	27,907
Increase in payables	(2,488,835)	942,278
Cash generated / (consumed) from operations	(3,653,441)	(303,143)
Taxation	(3,560)	141,902
Interest received	84	77
Net cash outflow from operating activities	(3,656,917)	(161,164)
Cash flows from investing activities		
Addition of property, plant and equipment	(2,953)	(1,803)
Addition of intangible assets	(467,639)	
Net cash outflow from investing activities	(470,592)	(1,803)
Cash flows from financing activities		
Increased borrowings from parent company	4,044,646	-
Net cash inflow from financing activities	4,044,646	-
Net increase in cash and cash equivalents	(82,863)	(162,967)
Cash and cash equivalents at the beginning of the period	235,634	398,601
Cash and cash equivalents at the period end	152,771	235,634

The notes on pages 12 to 21 are an integral part of these financial statements.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2018

1. Accounting Convention and general information

The company incorporated in England and Wales on 15 March 2012 under the Companies Act 2006. 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 principal activity of the company is that of research and development into microbiome modulators. On 5 August 2014 the company was acquired by Optibiotix Health Plc.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied throughout the year, unless otherwise stated.

2.1 Basis of preparation

The financial statements are prepared in accordance with applicable International Financial Reporting Standards ("IFRS") including standards and interpretations issued by the International Accounting Board, as adopted by the European Union.

The company has adopted IFRS since incorporation for the basis of preparing these financial statements.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.13.

2.2 Going Concern

These financial statements have been prepared on the assumption that the company is a going concern.

The parent company have confirmed that they will continue to support the Company whilst in its development stage. This will enable the Company to trade in the foreseeable future.

The financial statements do not include any adjustments that would result if the above support was withdrawn.

2.3 International Financial Reporting Standards

New and amended standards adopted by the company

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

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

2.3 International Financial Reporting Standards (continued...)

Reference	Title	Summary	Application date of standard	Application date of Company
IFRS 2	Share based payment	Amendments to classification and measurement of share-based payment Transaction	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
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 40	Investment property	Amendment regarding the transfer of property	Periods commencing on or after 1 January 2018	1 December 2018

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

2.4 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.

2.5 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 amortized over the period during which the company is expected to benefit.

2.6 Leasing

Rentals payable under operating leases are charged against the statement of comprehensive income on a straight line basis over the lease term.

2.7 Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid based on UK taxes rates and UK laws enacted at the year end.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

2.7 Taxes (continued...)

Deferred tax is provided, using the liability method, on material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized. Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

2.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of comprehensive income.

2.9 Financial Instruments

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

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 are measured at amortized 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 comprised of cash at bank and in hand.

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.

Capital management

Capital is made up of stated capital, premium and retained earnings. The objective of the company'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 maximized.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

2.9 Financial Instruments (continued...)

Capital management (continued...)

The company 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 2018.

2.10 Equity instruments

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

2.11 Property, plant and equipment

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

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

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

Computer equipment	30%
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Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period.

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

2.12 Segmental Reporting

In the opinion of the directors, the company has one class of business, being that of research and development. The company'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.

2.13 Accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The nature of estimation means that actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are stated below.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

2.13 Accounting estimates and judgments (continued...)

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits.

Research and development

Management judgement is required to determine whether any of the company's individual research and development projects reached the development stage during the year in accordance with IAS 38 and whether any amounts should be capitalized as intangible assets based on management's assessment of the technical, commercial and financial viability of the individual projects.

3.	Other income	Year ended 30 November 2018 £	Year ended 30 November 2017 £
	Other income	-	57,400
		<u>-</u>	<u>57,400</u>
4.	Operating loss	Year ended 30 November 2018 £	Year ended 30 November 2017 £
	Operating loss is stated after charging / (crediting):		
	Research and development	229,858	264,296
	Operating lease rentals	1,913	4,868
	Auditors' remuneration – audit fees	1,790	18,800
	Finance income: Bank interest	(84)	(77)
		<u></u>	<u></u>
5.	Employees (including directors)	Year ended 30 November 2018 £	Year ended 30 November 2017 £
	Salaries	19,124	73,333
	Directors remuneration ¹	580,377	410,500
	Social security costs	79,319	55,082
	Pension costs	54,385	36,360
		<u>733,205</u>	<u>575,275</u>
	The average number of employees during the year was as follows:	Number	Number
	Directors ¹	5	3
	Administrative and management	1	1
		<u>6</u>	<u>4</u>

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

5. Employees (including directors) (continued...)

Key management personnel received £580,377 (November 2017: £410,500) in short term employee benefits in the year.

¹Included in director's wages is £247,441 paid to employees who are directors of the parent company Optibiotix Health Plc.

6. Taxation	Year ended 30 November 2018 £	Year ended 30 November 2017 £
Domestic current year tax		
U.K. corporation tax credit	120,000	183,952
Adjustment to prior year tax credit	-	21,902
Deferred tax movement	(84,663)	
Overseas tax suffered	(3,560)	
Total current tax credit for the year	<u>31,777</u>	<u>205,854</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(871,047)	(1,274,750)
Loss on ordinary activities before taxation multiplied by standard UK corporation of tax of 19.33/20.00%	<u>(168,373)</u>	<u>(246,027)</u>
Effects of:		
Non-deductible expenses for tax purposes	8,046	573
Effect of research & development tax credit	(120,000)	(183,952)
Tax losses created	251,277	245,855
Tax losses surrendered	16	(54)
Net capital allowances	(571)	(348)
Adjustment to prior year tax credit	-	(21,901)
Overseas tax suffered	3,560	-
Timing differences	84,663	-
Current tax charge for the year	<u>(31,777)</u>	<u>(205,854)</u>

The company has estimated losses of £2,428,102 (2017: £2,076,901) available for carry forward against future trading profits:

The tax losses have resulted in a deferred tax asset at future tax rate of 19% (2017 – 19%) of approximately £461,339 (2017: £400,835) which has not been recognised as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

	30 November 2018 £	30 November 2017 £
Current tax asset		
Research & development tax credit claimed	<u>120,000</u>	<u>183,952</u>

OPTIBIOTIX LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued...)****For the year ended 30 November 2018**

7. Loss per share	Year ended 30 November 2018	Year ended 30 November 2017
Loss for the purposes of basic and diluted loss per share	£839,270	£1,068,854
Weighted average number of ordinary shares	2,918	2,918
Loss per share	<u>£288</u>	<u>£366</u>

Basic earnings per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the period. Basic and diluted earnings per share are the same, since there were no potentially dilutive equity instruments outstanding as at 30 November 2017 and 2018.

8. Intangible assets

	£
Cost	
At 31 November 2016 and 2017	-
Additions	467,639
As at 30 November 2018	<u>467,639</u>
Accumulated Depreciation	
At 30 November 2016 and 2017	-
Charge for the period	22,044
As at 30 November 2018	<u>22,044</u>
Carrying amount	
As at 30 November 2018	445,595
As at 30 November 2017	<u>-</u>

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

9. Property, plant and equipment

	Computer Equipment £
Cost	
At 31 November 2016	3,704
Additions	1,803
	<hr/>
As at 30 November 2017	5,507
Additions	2,954
	<hr/>
As at 30 November 2018	8,461
Accumulated Depreciation	
At 30 November 2016	1,860
Charge for the period	1,499
	<hr/>
As at 30 November 2017	3,359
Charge for the period	1,959
	<hr/>
As at 30 November 2018	5,318
Carrying amount	
As at 30 November 2018	3,143
As at 30 November 2017	2,149
	<hr/> <hr/>

10. Inventories

	30 November 2018 £	30 November 2017 £
Finished goods	30,433	-
	<hr/>	<hr/>
	30,433	-
	<hr/> <hr/>	<hr/> <hr/>

11. Trade and other receivables

	30 November 2018 £	30 November 2017 £
Trade receivables	228,826	17,402
Other receivables	51,231	59,174
Prepayments	84,505	940
	<hr/>	<hr/>
	364,562	77,516

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

12. Cash and cash equivalents	30 November 2018 £	30 November 2017 £
Cash and cash equivalents	152,771	235,634
	<u>152,771</u>	<u>235,634</u>
13. Called up share capital	30 November 2018 £	30 November 2017 £
Issued share capital fully paid		
2,918 ordinary shares of £0.01 each	29	29
	<u>29</u>	<u>29</u>
Ordinary shares, which have a par value of £0.01, carry one vote per share and carry a right to dividends.		
14. Trade and other payables	30 November 2018 £	30 November 2017 £
Trade payables	115,697	48,875
Accruals	177,103	154,563
Other creditors	-	7,987
Amount due to parent company	-	2,570,210
Amount due to Director	189	189
	<u>292,989</u>	<u>2,781,824</u>
15. Borrowings	30 November 2018 £	30 November 2017 £
Loan from parent company	4,242,286	-
	<u>4,242,286</u>	<u>-</u>

16. Deferred Tax

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2017: 20%).

17. Financial commitments

The company had no unrecognised financial commitments as at the year end.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued...)

For the year ended 30 November 2018

18. Control

The company is a wholly owned subsidiary of OptiBiotix Health plc, which is the ultimate parent company and prepares consolidated accounts. Copies of the group financial statements may be obtained from the company's registered office as detailed on the company information page.

There is no one ultimate controlling party.

19. Related Party Transactions

At the year end the company owed £4,242,286 (30 November 2017: £2,570,210) to its parent company, OptiBiotix Health Plc in respect of an interest free current account balance.

20. Subsequent events

There were no subsequent events.