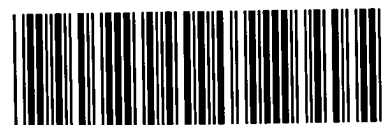


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OPTIBIOTIX LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2017

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OPTIBIOTIX LIMITED

COMPANY INFORMATION

Directors S P O'Hara
J P F Wennstrom

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 2017

The directors present their annual report and the audited financial statements for the year ended 30 November 2017.

Directors

The following directors have held office since 1 December 2016:

S P O'Hara
J P F Wennstrom

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 £264,296 (30 November 2016: £196,257) 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 2017

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

22 May 2018

OPTIBIOTIX LIMITED

STRATEGIC REPORT

For the year ended 30 November 2017

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

- A substantive increase in our IP portfolio which now covers 48 patents across 15 families, 8 strain registrations, and 16 trademarks
- Key commercial agreements signed with KSF Acquisition UK (Slimfast) and Royal DSM (leading supplier of nutritional ingredients)
- Successful launch and sales of Slimbiome® in GoFigure® shakes and bars; Creation of majority owned by Group of joint venture agreement with The Healthy Weight Loss Company

Key Performance Indicators (KPIs)

Financial

	Year to 30 November 2017 £'000	Year to 30 November 2016 £'000
Other Operating Income	57	218
Loss for the period	1,068	584

During the year to 30 November 2017 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 2017 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 (continued)

For the year ended 30 November 2017

Future developments

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

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

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

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

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

The board anticipates a future where microbiome products will make a significant contribution to the prevention, management, and treatment of disease. As the promise of the microbiome materialises into products across an increasing number of OptiBiotix's technology platforms there is potential for significant enhancement in the value of the company. That future is unfolding with microbiome treatments using faecal microbial transplants (FMT's) now common place in over 500 US and 10 UK hospitals. Further evidence for the growing role of microbiome in healthcare came when US researchers and clinicians presenting at the 2016 Medical Innovation Summit identified the microbiome as the top innovation that they believe has the power to transform healthcare in 2017.

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

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.

OPTIBIOTIX LIMITED

STRATEGIC REPORT (continued)

For the year ended 30 November 2017

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

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 summarised as follows:

Liquidity risk

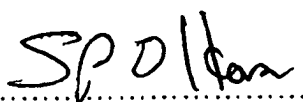
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's policy throughout the period has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital and, where necessary, 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-gearred, having net cash at 30 November 2017. 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

22 May 2018

INDEPENDENT AUDITOR'S 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 2017 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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, 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 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 authorised 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 our audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 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>. This 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.



Sanjay Parmar (Senior Statutory Auditor)

for and on behalf of

JEFFREYS HENRY LLP

Chartered Accountants and Statutory Auditors

Finsgate

5-7 Cranwood Street

London

EC1V 9EE

Date: 22 May 2018

OPTIBIOTIX LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 November 2017

	Notes	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Revenue		23,200	-
Administrative expenses	4	(1,355,427)	(954,476)
		<hr/>	<hr/>
		(1,332,227)	(954,476)
Finance Income		77	65
Other operating income	3	57,400	218,052
		<hr/>	<hr/>
Loss from operations and before tax		(1,274,750)	(736,359)
Taxation	6	205,854	151,950
Loss for the period		<hr/> (1,068,896) <hr/>	<hr/> (584,409) <hr/>
Basic & Diluted Loss per share	7	<hr/> 366 <hr/>	<hr/> 200 <hr/>

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

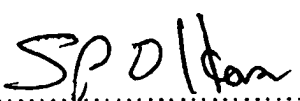
There are no recognised gains and losses other than those passing through profit and loss account and the losses stated above are also the comprehensive losses.

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

OPTIBIOTIX LIMITED**STATEMENT OF FINANCIAL POSITION****As at 30 November 2017**

	Note	As at 30 November 2017	As at 30 November 2016 £
Assets			
Non-Current Assets			
Property, plant and equipment	8	2,149	1,844
		<u>2,149</u>	<u>1,844</u>
Current Assets			
Trade and other receivables	9	77,516	105,423
Current tax asset	6	183,952	120,000
Cash and cash equivalents	10	235,634	398,601
		<u>497,102</u>	<u>624,024</u>
Total Assets		<u>499,251</u>	<u>625,868</u>
Equity			
Issued capital	11	29	29
Share premium		539,983	539,983
Accumulated deficit		(2,822,585)	(1,753,689)
Total Equity		<u>(2,282,573)</u>	<u>(1,213,677)</u>
Liabilities			
Current Liabilities			
Trade and other payables	12	2,781,824	1,839,545
Total Equity and Liabilities		<u>499,251</u>	<u>625,868</u>

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. 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 2017**

	Share Capital £	Share premium £	Accumulated deficit £	Total £
As at 30 November 2015	29	539,983	(1,169,280)	(629,268)
Loss for the year	-	-	(584,409)	(584,409)
Shares issued during the year	-	-	-	-
As at 30 November 2016	29	539,983	(1,753,689)	(1,213,677)
Loss for the year	-	-	(1,068,896)	(1,068,896)
As at 30 November 2017	29	539,983	(2,822,585)	(2,282,573)

Share capital	Amount subscribed for shares at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Accumulated deficit	Cumulative deficit 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 2017**

	Year ended 30 November 2017		Year ended 30 November 2016	
	£	£	£	£
Cash flows from operating activities				
Loss before taxation	(1,274,750)		(736,359)	
Adjustments for:				
Depreciation	1,499		808	
Finance income	(77)		-	
(increase)/decrease in receivables	27,907		(61,951)	
Increase in payables	942,278		952,552	
Cash generated / (consumed) from operations	(303,143)		155,050	
Taxation	141,902		151,950	
Interest received	77		-	
Net cash outflow from operating activities		(161,164)		307,000
Cash flows from investing activities				
Addition of property, plant and equipment	(1,803)		(640)	
Net cash outflow from investing activities		(1,803)		(640)
Net increase in cash and cash equivalents		(162,967)		306,360
Cash and cash equivalents at the beginning of the period		398,601		92,241
Cash and cash equivalents at the period end		235,634		398,601

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 2017

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.

Standards, interpretations and amendments to published standards that are not yet effective.

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

OPTIBIOTIX LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 November 2017****2.3 International Financial Reporting Standards (continued)**

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
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

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.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

2. Summary of significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

2 Summary of significant accounting policies (Continued...)

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.

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 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

2 Summary of significant accounting policies (Continued...)

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.

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.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

3. Other income	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Other income	57,400	218,052
	<u>57,400</u>	<u>218,052</u>
4. Operating loss	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Operating loss is stated after charging / (crediting):		
Research and development	264,296	196,556
Operating lease rentals	4,868	13,899
Auditors' remuneration – audit fees	18,800	2,825
Finance income: Bank interest	(77)	(65)
	<u></u>	<u></u>
5. Employees (including directors)	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Salaries	73,333	204,678
Directors remuneration	410,500	165,000
Social security costs	55,082	45,799
Pension costs	36,360	8,870
	<u>575,275</u>	<u>424,347</u>
	<u></u>	<u></u>
The average number of employees during the year was as follows:	Number	Number
Directors	3	2
Administrative and management	1	2
	<u>4</u>	<u>4</u>
	<u></u>	<u></u>

Key management personnel received £410,500 (November 2016: £165,000) in short term employee benefits in the year.

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

6. Taxation	Year ended 30 November 2017 £	Year ended 30 November 2016 £
Domestic current year tax		
U.K. corporation tax credit	183,952	120,000
Adjustment to prior year tax credit	21,902	31,950
Total current tax credit for the year	<u>205,854</u>	<u>151,950</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(1,274,750)</u>	<u>(736,359)</u>
Loss on ordinary activities before taxation multiplied by standard UK corporation of tax of 19.3/20.0%	<u>(246,027)</u>	<u>(147,272)</u>
Effects of:		
Non-deductible expenses for tax purposes	573	788
Effect of research & development tax credit	(183,952)	(141,901)
Tax losses created	245,855	61,514
Tax losses surrendered	(54)	
Net capital allowances	(348)	(128)
Adjustment to prior year tax credit	(21,901)	(31,950)
R&D enhanced deductions	-	(110,628)
Other adjustments	-	217,627
Current tax credit for the year	<u>(205,854)</u>	<u>(151,950)</u>

The company has estimated losses of £2,076,901 (2016: £806,415) available for carry forward against future trading profits.

The tax losses have resulted in a deferred tax asset at a future tax rate of 19% (2016 - 20%) of approximately £400,835 (2016: £160,657) which has not been recognised as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

	30 November 2017 £	30 November 2016 £
Current tax asset		
Research & development tax credit claimed	<u>183,952</u>	<u>120,000</u>

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

7. Loss per share	Year ended 30 November 2017	Period ended 30 November 2016
Loss for the purposes of basic and diluted loss per share	£1,068,854	£584,409
Weighted average number of ordinary shares	2,918	2,918
Loss per share	<u>£366</u>	<u>£200</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 2016 and 2017.

8. Property, plant and equipment	Computer Equipment £
Cost	
At 31 November 2015	3,064
Additions	640
As at 30 November 2016	<u>3,704</u>
Additions	1,803
As at 30 November 2017	<u>5,508</u>
Accumulated Depreciation	
At 31 November 2015	1,052
Charge for the period	808
As at 30 November 2016	<u>1,860</u>
Charge for the period	1,499
As at 30 November 2017	<u>3,359</u>
Carrying amount	
As at 30 November 2017	2,149
As at 30 November 2016	<u>1,844</u>

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

9. Trade and other receivables	30 November 2017 £	30 November 2016 £
Trade receivables	17,402	92,462
Other receivables	59,174	12,021
Prepayments	940	940
	<u>77,516</u>	<u>105,423</u>

10. Cash and cash equivalents	30 November 2017 £	30 November 2016 £
Cash and cash equivalents	235,634	398,601
	<u>235,634</u>	<u>398,601</u>

11. Called up share capital	30 November 2017 £	30 November 2016 £
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.

12. Trade and other payables	30 November 2017 £	30 November 2016 £
Trade payables	48,875	-
Accruals	154,563	58,248
Other creditors	7,987	-
Amount due to parent company	2,570,210	1,781,108
Amount due to Director	189	189
	<u>2,781,824</u>	<u>1,839,545</u>

OPTIBIOTIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2017

13. Financial commitments

The company has unrecognised contractual commitments as follows: -

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

14. 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.

15. Related Party Transactions

At the year end the company owed £2,570,210 (30 November 2016: £1,781,108) to its parent company, OptiBiotix Health Plc in respect of an interest free current account balance.

16. Subsequent events

There were no subsequent events.