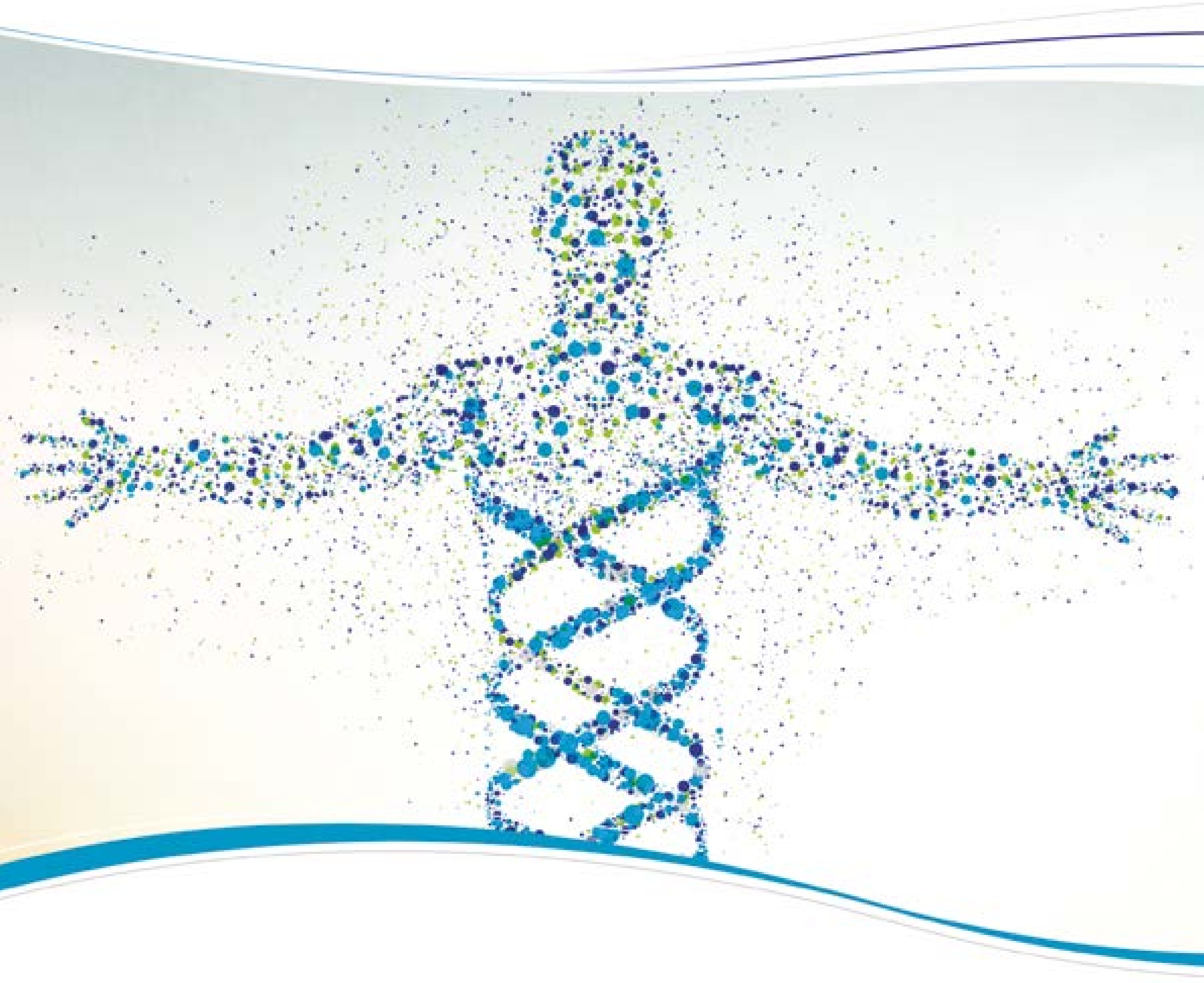

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Company Number: 13723211

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Company Information

For the period ended 31 December 2022

Directors:	M Caspani M Hvid-Hansen S P O'Hara A Reynolds S Andersen
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Registered office:	First Floor Zucchi Suite Nostell Business Estate Wakefield WF4 1AB
Auditors:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Corporate adviser and Brokers:	Peter House Capital Limited 3rd Floor 80 Cheapside London EC2V 6EE
Website Address:	www.probiotixhealth-ir.com

Chairman and Chief Executive's Report

For the period ended 31 December 2022

This annual report presents the Company's inaugural results as a separately listed public company, following its flotation on the AQSE Growth Market on 31 March 2022. The Company can demonstrate good scientific and commercial progress with strong sales growth in a difficult economic global environment. This is a testimony to the quality and uniqueness of our products as highlighted by our clinical studies, excellent customer reviews, and high customer retention rates and creates the potential for strong future growth, particularly as economic conditions improve. The Company remains financially robust with no debt with a strong balance sheet. Whilst investors may have concerns over the current market capitalisation the board are confident that this is a reflection of current public markets and comparisons with similar probiotic companies suggest the stock is undervalued with potential for a substantive uplift if stock market conditions improve.

In January 2023 Steen Andersen joined the business as CEO. He has developed a strategic plan to focus the business on becoming a solutions provider of finished probiotic products in consumer formats, both under our own brands and partner private labels, with the objective of building ProBiotix into a £10m turnover company by 2028.

Strategic overview

ProBiotix is a life sciences business developing probiotics to tackle cardiovascular disease and other lifestyle conditions.

The market opportunity

The global probiotics market is forecast to reach $94.48 billion by 2027, at a CAGR of 7.9%, of which approximately 85% is in food and beverages with a strong consumer trend towards use of dietary supplements, driven by an increasing consumer awareness towards healthy living and disease prevention e.g within the cardiovascular, and a growing trend for using clinically proven probiotics as a natural replacement for pharmaceutical solutions (Fortune Business insights, 2022).

ProBiotix's strategy is to develop next-generation microbiome solutions for a wide range of health conditions and to deliver commercially successful products supported by a strong scientific and clinical evidence base. We aim to partner with scientifically driven dietary supplement companies, pharmaceutical consumer health companies globally who have a strong strategic focus on human microbiome and the use of probiotics in disease prevention and well being.

Since its creation, ProBiotix has made considerable progress and has successfully transitioned from a research and development specialist into a commercial Structure with products already commercialised around the world.

The Company has now completed three independent clinical studies with human volunteers which consistently show that ProBiotix's principal product, *Lactobacillus plantarum* ECGC13110402 (LP_{LDL}®) can reduce key cardiovascular risk markers, such as total cholesterol, LDL (bad) cholesterol, and Apolipo protein B (biomarker of atherosclerosis), by up to 34.2 per cent, 28.4 per cent and 28.6 per cent respectively. We now have eight conference poster presentations on LP_{LDL}®' safety, efficacy, and mechanisms of action and three peer reviewed publications have shown LP_{LDL}® to be safe and well-tolerated, as well as showcasing statistically significant reductions in multiple cardiovascular disease risk biomarkers within six weeks. Independent peer review publications are critical to support regulatory approval for health claims in international markets and increasingly a prerequisite to attract the interest of large partners.

The fact that 50 percent of all deaths globally can be related to cardiovascular disease, and 80percent are believed to be preventable underlines the scale of the opportunity for LP_{LDL}®.

The CholBiome® portfolio

ProBiotix commercialises LP_{LDL}® in a unique range of patented and proprietary food supplements under the CholBiome® brand and as private label. The CholBiome® portfolio in 2022 comprised four products, which can either be sold under the CholBiome® brand or customers' private labels:

- CholBiome®

Contains LP_{LDL}® as the only active ingredient, to focus on healthy cholesterol maintenance and deliver tangible health benefits.

- CholBiome®$_{X3}$

A cholesterol-reducing formula that combines three targeted ingredients into a triple-layer tablet. It consists of LP_{LDL}®, Monacolin K from red yeast rice, and Vitamin B3 (niacin) to deliver a tri-factor approach that utilises synergistic mechanisms of action to reduce cholesterol and aid overall cardiovascular health.

- CholBiome®$_{BP}$

A blood pressure reducing formula that combines four science-backed natural ingredients - LP_{LDL}®, Thiamine (Vitamin B1), L-arginine and CoEnzyme Q10 - to provide a multi-targeted mechanism approach for aiding hypertension and improving cardiovascular health.

- CholBiome®$_{VH}$

A vascular health formula that combines three specialised ingredients in a triple layer tablet. Consisting of LP_{LDL}®, Thiamine and Vitamin K2 Vital (from Kappa Bioscience) to provide a multi-targeted mechanism to work against the build-up of lipid and calcium deposits in the blood vessels.

The CholBiome® product portfolio provides a platform allowing us to create different formulations targeting individual customer needs and open the widest possible range of international markets. This is important because regulatory conditions vary widely around the world. For example, Monacolin K is used extensively across Asia but is prohibited in food supplements in North America and subject to restrictions on dosage in Europe. Our CholBiome® product range has been developed to meet existing and anticipated regulatory requirements in all key potential markets, and has been further extended in 2023 with the launch of CholBiome®$_{CH}$, a new dual-action cholesterol-reducing bi-layer tablet containing both LP_{LDL}® and Plant Sterols / Stanols (PSS), also known as phytosterols, with health claims which will support our continued growth in both Europe and the US.

Public listing and its benefits

ProBiotix floated on the AQSE Growth Market on 31 March 2022, raising £2.5m through a placing and subscription of shares to accelerate the future development of the Group. Prior to this date it was a wholly-owned subsidiary of AIM-listed OptiBiotix Health plc ("OptiBiotix"). OptiBiotix has retained a 44% shareholding in the Company following its flotation.

We believe that the separate listing of the Company will enhance recognition of the value of the probiotics opportunity by allowing investors to perceive and evaluate ProBiotix as a standalone business in way that was not previously realised within its former parent company. The listing also improves our access to funding, enabling the Company to meet its working capital needs more effectively than it could either as an unquoted company or as a division competing for resources within a broader quoted group.

The enhanced status of the Company through the public trading of its shares offers significant benefits in raising its corporate profile and improving its ability to attract and retain key staff. The appointment of an industry-leading figure such as Steen Dannemann Andersen as CEO, announced in June 2022, is unlikely to have been possible in the absence of a public listing. The ability to attract personnel through the future grant of share options will be of great value in securing, retaining and motivating high calibre personnel.

The Company believes that the scale of the opportunities available to ProBiotix are greater than those previously being exploited within OptiBiotix, where there was competition for available resource across many parts of the business. A separate listing, and the ability to fundraise independently, will enhance the Company's ability to further explore the potential of LP_{LDL}® as discussed in the outlook. These developments have the potential for substantial future value enhancement.

Commercial and scientific overview

During 2022 we announced:

- Publication of a third human volunteer study on the medical efficacy of LP_{LDL}®, demonstrating through a placebo-controlled trial that LP_{LDL}® delivered large and statistically significant reductions in total cholesterol, LDL-C (bad) cholesterol and Apolipoprotein B (widely accepted as the most important causal agent of atherosclerotic cardiovascular disease), with no compliance, tolerance or safety issues. The results of this and other studies suggest efficacy similar to many statins and other treatments more typically associated with pharmaceuticals, suggesting considerable potential in high value pharmacy and consumer health markets for the use of LP_{LDL}® in individuals who are unwilling or unable to tolerate other treatments.
- Publication of a consumer study undertaken among customers from our e-commerce website of $CholBiome_{x3}$, our proprietary food supplement containing LP_{LDL}®, which confirmed its effectiveness in reducing cholesterol with no reports of side-effects or any tolerance issues.
- The appointment of Steen Andersen as Chief Executive Officer of ProBiotix Health, discussed in more detail below.
- The launch by our partner Granja Pocha in Uruguay of a new probiotic functional yoghurt brand, Yo-Life®, containing ProBiotix's patented cholesterol-reducing Lactobacillus plantarum strain (LP_{LDL}®). Granja Pocha is one of Uruguay's largest and most respected dairy producers. Since the launch of Yo-Life® we have seen increased use of LP_{LDL}® in other dairy products, with the launch of a spreadable cream, a drinking yogurt and Greek yogurt starter culture in the USA, and a creamy herb cheese in Canada.
- Entry into an agreement with the University of Southampton, University of Leeds and Fondazione Edmund Mach – Centro Ricerca e Innovazione ("FEM"), based in Trento, Italy to examine the role of LP_{LDL}® to improve sleep, stress, and anxiety. Sleep aids and stress management products are the fastest growing category within healthcare (Goldstein Market Intelligence, 2020) and this is another step in extending the range of applications for our products into large growing markets where there is an unmet clinical need.
- The appointment in September of Nutraconnect Pte Ltd, based in Singapore, as a new commercialisation partner to develop strategies to expand sales opportunities for both LP_{LDL}® as an ingredient and Cholbiome® finished products across the Asia Pacific region.

The pace of our entry into new geographical areas reflects the fact that ProBiotix is dependent on its partners' thorough and successful registration in each territory of our LP_{LDL}® ingredient or CholBiome® finished products as dietary supplements. Whilst such regulatory approvals are time-consuming and costly, they represent a significant barrier to entry to many companies reducing the competitive landscape and creating the potential for long term recurrent revenues for the Company.

RESULTS

The subsidiary consolidated in these Group accounts was acquired via a group re-organisation and as such merger accounting principles have been applied. The subsidiaries financial figures are included for the period from the date the company took control of it (31st March 2022).

It is not possible under accounting principles to compare with previous years as this group does not have a comparative period.

Sales for the period were £1.3m with a gross profit of £739k. After total administrative costs including listing fees are taken into account there was a loss before tax of £215k.

Following the raising of £2.5m through a placing and subscription of new shares as part of the listing, the Group ended the year in a very strong financial position with cash balances totalling £1.74m.

BOARD AND MANAGEMENT

The appointment of Steen Dannemann Andersen as Chief Executive Officer ("CEO") was announced in June 2022. Steen joined the Company in January 2023, after completion of his notice period with his previous employer. This appointment was part of a long-planned strategy to appoint an experienced industry business leader to the Company to drive sales and profitability, allowing Stephen O'Hara who led ProBiotix in 2022 to focus on finding and developing new technologies that will provide the pipeline of new products and applications to ensure future growth for both ProBiotix and OptiBiotix.

Steen has brought to ProBiotix more than 30 years' experience in building businesses in the Probiotics industry, having been President of Deerland Probiotics and Enzymes, President and CEO of Bifodan, President and CEO of Fluxome, and Vice President of Human Health at Chr. Hansen. Deerland is a market leading turnkey probiotic solution provider acquired by ADM in November 2021 to help ADM meet the $775 billion global demand in health and wellness. Prior to joining Deerland, Steen was President and CEO of Bifodan, a leading provider of ready to market probiotic dietary supplements and over the counter (OTC) pharma products. Bifodan was acquired by Deerland in November 2019. Steen was integral in building these businesses, increasing global reach, revenues, and profitability. Prior to this he worked as CEO and President at Fluxome, a young biotechnology company, and Vice President of Chr. Hansen's Health and Nutrition unit where he built an organisation and position in the market allowing the company to become a leading provider of probiotic solutions within the dietary supplement space.

Steen brings experience of selling high value turnkey probiotic solutions as supplements and OTC solutions in international markets, building strategy and organisations, a wealth of industry contacts, and is well respected within the probiotic industry. He has a strong track record of rapidly growing sales and profitability and has been involved in a number of acquisitions and takeovers in support of accelerating business growth. His experience in the Probiotics industry will help build ProBiotix's business in its next phase of growth, as it moves from selling ingredients to delivering high value turnkey solutions.

The Company has also benefited from a number of board level senior appointments which bring both industry and public market expertise to the business. These include Adam Reynolds as Chairman, and Marco Caspani as Non executive Director, and Mikkel Hvid-Hansen as Commercial Director. Stephen OHara will continue in the near term as a director to support the transition.

The Company anticipates further changes to the board, management, and Commercial team as ProBiotix Health progresses its independence from OptiBiotix and focuses more on its strategy of becoming a solutions provider of finished probiotic products to capitalise on the opportunities created by our growing pipeline of final products.

OUTLOOK

ProBiotix has traded strongly since the beginning of the new financial year and has a strong order book from existing and new customers.

Our CEO Steen Dannemann Andersen is already leveraging his industry-leading contacts to introduce ProBiotix to new customers, some of which – including SymbioPharm one of the top three probiotic brands in Germany – have already placed a significant order. We are also enjoying continued strong growth in e-commerce sales direct to consumers albeit ongoing issues with our supply chain has impacted on the availability of our best-selling product CholBiome$_{X3}$. The Company identified a new manufacturer in 2022 and first orders were supplied in H1 2023

We have recently made an addition to our CholBiome® product portfolio, with the launch at Vitafoods Europe in May of CholBiome®$_{CH}$, a dual-action cholesterol reducing bi-layer tablet containing both our patented and proven cholesterol-reducing ingredient LP$_{LDL}$® and Plant Sterols / Stanols (PSS). These have different mechanisms of action which combine synergistically to support the reduction of the cholesterol the body makes with LP$_{LDL}$®, and dietary cholesterol through stanols and sterols. The introduction of CholBiome®$_{CH}$ provides us with an opportunity for growth in the US market, where the use of Monacolin K found in CholBiome$_{X3}$ in food supplements has been banned by the FDA since 1998.

In the first three months after joining the Company in January, our new CEO undertook a comprehensive initiation programme to develop a full understanding of our business and its people. He has now set out a strategy to focus the business on becoming a solutions provider of finished probiotic products in consumer formats, both under our own brands and partner private labels. Moving towards final product formats allows us to strengthen our value proposition by debottlenecking the challenges for our customers to handle sensitive probiotics in their own manufacturing thereby increasing customer loyalty which eventually will lead to higher revenue and profitability potential for ProBiotix as well as support building strong entry barriers around the business.

We will focus initially on developing turnkey consumer solutions and growing our business with existing customers by moving from sales of bulk ingredients to finished formats, and the introduction of line extensions. In the first phase of implementation of this strategy, we will concentrate on expanding our sales structure in Europe and the Middle East, and building a platform for growth in North America, before moving in the medium term to explore the potential of additional markets in the Asia Pacific region, South America and South Africa. We will also seek to prove the potential for direct-to-consumer sales, focusing initially on the UK. This is likely to be through the OptiBiotix online platform with OptiBiotix acting as an agent of ProBiotix online products.

As part of our focus on finished products, we will expand our range by developing new dosage formats such as sticks and chewable tablets, in addition to our existing capsules and tablets, and develop new and improved packaging formats to extend shelf-life. In research and development, we will develop or in-license new probiotic strains to expand our product offering and sustain the robustness of our heart health claims based on LP_{LDL}®, while diversifying into new indications within the area of metabolic health.

This strategy presents a clear five-year pathway for ProBiotix Health to build annual sales of £10 million while shifting the balance of the business from deriving 85% of turnover from bulk sales of LP_{LDL}® in 2022 to making 85% of sales from finished products.

To support this new strategic focus and ensure the delivery of the expected results we will need to make changes to the internal structure of the business and recruit additional personnel, including a sales director for Europe and the Middle East and new sales manager for North America, together with an operations manager and a development scientist to add impetus to our product development. Recruitment and additional staffing costs mean that whilst we expect sales to grow in 2023 the additional investment will impact on profitability in 2023, but will form a much stronger platform to deliver growth and shareholder value in the medium and longer term.

We will continue to work with AQUIS and explore opportunities on other markets, including AIM, to increase liquidity in ProBiotix shares.

The Company sees 2023 as a year of opportunity and continued growth with a focus on commercialising final products and building the Company sales team and supporting structure to drive future growth. This will be supported by a developing product pipeline with new probiotic strains extending the applications and use of LP_{LDL}® into new areas, all supported by strong science and human studies.

The scale of the market opportunity in probiotics, the proven efficacy of our existing products, the substantial scope for expansion of our range and geography, the significant benefits of public listing, the quality of our leadership, the clarity and distinctiveness of our future strategy and the financial strength of the Company, all allow us to look to the future with confidence and enthusiasm.

A Reynolds
Chairman
23 June 2023

S Andersen
Chief Executive
23 June 2023

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 Statements on pages 3 to 6.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Technology and products

The Group is involved in the discovery and development of microbiome modulation products. 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 marketplace 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, attends international conferences and has developed 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 21 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 £1.74m at 31 December 2022 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, such as the Windsor protocol, could add complexity and delays to operations.	The current consensus is that the new regulations will not affect the regulations that are relevant to our business.
	Currency fluctuations could increase costs and affect profitability.	Currency fluctuations will impact both sales and costs. Our initial product offering is not price-sensitive. Substantial cost increases will be passed on.
Economic uncertainty caused by war in Ukraine	Ongoing economic uncertainty, recession or an escalation of the war in Ukraine may impact market confidence, demand and prices.	The group is not directly affected by the war in Ukraine but the Board monitor the general economic environment and consider economic forecasts when taking key decisions.
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.

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. The Company is able to sell its listed investments and raise further equity and debt finance.

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

Operational Risks	Impact	Mitigation
Loss of key personnel	Material adverse impact on the Group's financial condition and prospects.	Competitive remuneration packages, 21p cost options to reduce market volatility. The remuneration committee oversees the level of remuneration to ensure it remains competitive.
Technology	The Group is commercialising its technology to launch new products in the consumer market.	The Group has identified a need and responded to consumer demand.
Commerciali-sation	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. The manufacturing is outsourced.
Cyber attacks	Cyber-attacks could delay or impair operations as which would have financial implications.	Training, anti-virus software, all users have multifactor authorisation for accounts, weekly review of attempts

KEY PERFORMANCE INDICATORS

Financial

	Period to 31 December 2022 £'000
Revenue	1,309
Operating Loss	(262)
Loss for the period	(215)
Cash as at 31 December 2022	1,740

During the period to 31 December 2022 the company has achieved a number of key objectives to build shareholder value, these are laid out in the Chairman and Chief Executive's Report on pages 3 to 6.

Non-financial

The Board recognises the importance of KPI's in driving appropriate behaviour and enabling of Group performance. For the period to 31 December 2022 the primary KPI's were the completion of the listing of Probiotix Health Plc and the recruitment of a CEO and the expansion of the Probiotix® platform. The Group intends to review the following non-financial KPI's going forward:

1. Number of Customer relationships
2. Number of IP and trademark registrations
3. Rate of staff turnover

DIVIDENDS

No dividends can be distributed for the year to 31 December 2022.

FUTURE DEVELOPMENTS

The Chairman's and Chief Executive Report on pages 3-6 gives information on the future outlook of the Group.

Corporate Governance

Executive Management:

The Group's current executive team comprises:

A Reynolds	Non-Executive Chairman
S Andersen	Executive Director and CEO; (appointed 1 January 2023)
M Hvid -Hansen	Executive Director and Commercial
S O'Hara	Executive Director
M Caspani	Non-Executive Director

Corporate Responsibility

The Board takes regular account of the significance of social, environmental and ethical matters affecting the Group wherever it operates. It has developed a specific set of policies on corporate social responsibility, which seek to protect the interests of all of its stakeholders through ethical and transparent actions and include an anti-corruption policy and code of conduct.

Corporate Governance:

The Group is committed to high standards of corporate governance and seeks to continually evaluate its policies, procedures and structures to ensure that they are fit for purpose.

In order to protect the interests of its shareholders and other stakeholders the Board has chosen to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and mid-size Quoted Companies (the "QCA Code"), and the Directors are always prepared, where practicable, to enter into dialogue with all such parties to promote a mutual understanding of objectives.

Full details of the Company's policy on Corporate Governance can be found on the website under:

https://probiotixhealth-ir.com/corporate/corporate-governance

Composition of the Board of Directors

The Board of Directors is currently comprised of the Chairman, Chief Executive Officer, Commercial Director, Executive Director and the two Non-Executive Directors.

Role of the Board:

The role of the Board is to agree the Group's long-term strategy and direction and to monitor achievement of its business objectives. The Board meets several times per annum, either by teleconference or in person. Furthermore, it holds additional meetings as are necessary to transact ongoing business.

Board Committees:

Remuneration Committee

The Remuneration Committee is made up of Adam Reynolds , as Chairman with Marco Caspani and has access to external expertise should that be required. This committee is responsible for the scale and structure of the remuneration of the Chief Executive, the Executive Directors and reports to the Chief Executive. The recommendations of the committee must be approved by the Board of Directors. No director or manager shall be involved in decisions relating to his/her own remuneration.

AQSE Rules Compliance Committee

The AQSE Rules Compliance Committee is chaired by Adam Reynolds . This committee is charged with ensuring that the Group has sufficient procedures, resources and controls in place to ensure compliance with the AQSE rules for companies. Among other things, the committee shall ensure that an Executive Director is at all times able to respond to requests for information from the Corporate Adviser and that all Directors and employees are aware of their obligations with regards to the disclosure of any trading in the Group's shares.

Audit Committee

The Audit Committee, is chaired by Marco Caspani with Adam Reynolds. This committee is required to monitor the integrity of the financial statements of the Group, including the interim and annual reports. The committee also reviews financial returns to regulators and any financial information contained in announcements of a price sensitive nature. The committee shall also consider and make recommendations to the Board regarding resolutions to be put to shareholders for approval at the Annual General Meeting, with respect to the appointment or re-appointment of the Group's external auditors. The Audit Committee, together with the external auditors, are responsible for determining the scope of the annual audit.

Nomination Committee

The Company does not currently have a nomination committee as the Board does not consider it appropriate to establish such a committee at this stage of the Company's development. Decisions which would usually be taken by the nomination committee will be taken by the Board as a whole.

Employees

The Group engages its employees in all aspects of the business and seeks to remunerate them fairly. The Group gives full and fair consideration to applications for employment regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation. The Board takes employees' interest into account when making decisions. Any suggestions from employees aimed at improving the Group's performance are welcomed.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is crucial to the success of its business, and seeks to build and maintain this goodwill through fair and transparent business practices. The Group aims to settle genuine liabilities in accordance with contractual obligations.

Health and Safety

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development and maintenance of the Group's health and safety strategy, in order to protect all of its stakeholders

Section 172 Statement

Under s172 of the Companies Act 2006 the Directors have a duty to act in good faith in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long term, the interests of the Company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

Key decisions made by the Board during 2022 were related primarily to

- the significant strengthening and professionalisation of our business development and commercial management team;
- the conclusion of major new commercial agreements with market-leading partners in new territories;
- the appointment of Steen Andersen as Chief Executive Officer;
- the publication of multiple scientific and clinical studies and industry reports affirming our position as an industry leader in reducing cholesterol in patients without side effects or tolerance issues;

As well as ensuring the Group had sufficient cash runway

Employee engagement

As a very small company in terms of staff, Board members have multiple points of contact with staff; through Board meeting feedback, participation in regular management meetings involving all staff, and ad hoc interactions in relation to specific matters. These forums provide staff with an opportunity to give their views which can then be taken into account in making decisions likely to affect their interests. Specific matters of concern to them as employees are dealt with in management meetings and by email. Corporate developments and Company performance are discussed in regular management meetings. All staff are eligible for the Group's share option scheme and this encourages involvement in the Company's performance.

Stakeholder Engagement

The Group has a small number of major suppliers and distributors that support its delivery of strategy and corporate goals. The selection of, relationships with, and execution of, contracted work by these parties is considered regularly by the Executive Directors and at each Board meeting by all Directors.

Shareholder Engagement

Face-to-face engagement with shareholders during the year was limited. However, the Directors continued to engage with shareholders via regulatory news announcements as well as interactive investor meetings in order to keep them up to date on progress.

Environmental and Community Impact

There was no adverse impact on the community or environment from the decisions made by the Board during the year.

ON BEHALF OF THE BOARD

S Andersen
23 June 2022

Directors' Report

For the period ended 31 December 2022

The Directors present their report and the audited financial statements of the group for the period to 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity is that of developing probiotics to tackle cardiovascular disease and other lifestyle conditions which are affecting growing numbers of people across the world.

The company was incorporated on 4 November 2021.

The Company acquired Probiotix Limited on 7 February 2022 in a common control transaction within the Optibiotix Health plc group ahead of the Group's IPO on AQSE Growth on 31 March 2022. The Board elected to consolidate the results and balances of Probiotix Limited with effect from 31 March 2022 to reflect the substance of the transaction which was to restructure the Group in readiness for the IPO.

DIRECTORS

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

Executive Directors

S Andersen

M Hvid-Hansen

S P O'Hara

Non-executive Directors

M Caspani

A Reynolds

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 Probiotix at the date of this report:

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of £0.0005 each	Percentage Held	Ordinary shares of £0.0005 each	Warrant exercise price	Ordinary shares of £0.0005 each	Option exercise Price (£)
S P O'Hara	6,131,450	5.04%	–	–	3,000,000	0.21
M Caspani	–	–	–	–	500,000	0.21
A Reynolds	142,857	0.12%	–	–	1,000,000	0.21
M Hvid-Hansen	490,050	0.41%	–	–	1,000,000	0.21
S Andersen	–	–	–	–	–	–

The share options held by S P O'Hara, Marco Caspani, A Reynolds and M Havid-Hansen were granted on 31 March 2022 and are exercisable at £0.21 at any time up 30 March 2032, subject to vesting conditions.

Directors and Officers Insurance

The Group have a directors and Officers Insurance policy for £1m managed by CFC Underwriting Limited

SUBSTANTIAL SHAREHOLDINGS

Substantial shareholdings include directors as at ● June 2023 were as follows:

	% of shares issued
Optibiotix Health plc	43.99
Seneca Partners Limited	6.60
Stephen O'Hara	5.04

The share price per share at 31/12/2022 was £0.195

FINANCIAL INSTRUMENTS

The Group's exposure to financial risk is set out in note 21 to the financial statements.

RESEARCH AND DEVELOPMENT

The Chairman's and Chief Executive Report on pages 3-6 gives information on the Group's research and development activities.

EVENTS AFTER THE REPORTING PERIOD

Refer to Note 22 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 elected to prepare financial statements in accordance with UK adopted international accounting standards (IFRS). 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 Group and of the profit or loss of the Group 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 Group and parent company financial statements have been prepared in accordance with IFRS 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 Group'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 Group 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 Group'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 has indicated that it will not seek re-appointment as the Company's auditor at the Annual General Meeting as, following a business reorganisation, the firm will provide audit services to clients from another company in the group, Gravita Audit Limited. A resolution to appoint Gravita Audit Limited as the Company's auditor will be proposed at the Annual General Meeting.

STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 the Group chooses to report the future outlook and the risks and uncertainties faced by the Group in the Strategic Report on page 7.

ON BEHALF OF THE BOARD

S Andersen
23 June 2023

Report of the Independent Auditors

For the period ended 31 December 2022

Opinion

We have audited the financial statements of Probiotix Health Plc (the 'company') and its subsidiary (together the 'group') for the period ended 31 December 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows and 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 group and company financial statements is applicable law and UK-adopted International Accounting Standards (IFRS) as applied in accordance with the provision 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 company's affairs as at 31 December 2022 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS);
- the company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS); 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included reviews of base case and downside cash flow scenarios and assessment of the ability of the group to achieve its forecast trading result or achieve cost mitigations where required.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the 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 consolidate the results and balances of Probiotix Health plc and, from 31 March 2022, Probiotix Limited.

We performed full scope audits of the financial information of Probiotix Health plc and Probiotix Limited. In total, the scope of audit work accounted for 100% of the group's revenue and 100% of the group's loss. The group engagement team performed all audit procedures.

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
Acquisition of Probiotix Limited	
On 7 February 2022 the company acquired 100% of the issued share capital of Probiotix Limited in a share for share exchange with the company's parent at that time, Optibiotix Health plc. As the overall ultimate control of Probiotix Limited did not change as a result of the transaction, the directors determined that the acquisition represented a common control transaction and therefore was outside the scope of IFRS 3. The directors therefore determined the accounting policy they wished to adopt as there is no IFRS governing such a transaction. Given that the acquisition was an initial step in a series of linked transactions resulting in the company's admission to trading on AQSE Growth, the board decided to account for the transaction using the book value method, applying results prospectively from the date of listing on 31 March 2022. Therefore the financial statements reflect the result of Probiotix Limited with effect from 31 March 2022. On that date, the difference between the net liabilities acquired and the company's investment in Probiotix Limited was recorded within equity and no fair value adjustments were recorded.	We obtained the underlying documentation governing the transaction, including the share exchange agreement, board minutes, other statutory records and shareholder registers. We challenged management as to the rationale applied for their common control accounting and examined the wider circumstances of the share exchange including the board minutes, announcements made by Optibiotix Health plc and dialogue with management. We obtained a breakdown of the assets and liabilities acquired as at 31 March 2022 and examined their completeness and accuracy as well as examining cut off on the recognition date. We determined that this matter was a key audit matter due to the significance of the financial impact on the group financial statements and the multiple judgements applied by management in reporting the transaction.
Issue of new shares upon admission to AQSE Growth	
On 31 March 2022 the company listed on AQSE Growth and also on that date issued 9,761,904 new shares in respect of the conversion of convertible loan notes and 11,904,762 new shares through placing and subscription shares at an issue price of 21p. The convertible loan note instrument provided a formula for the conversion of loan notes in the event of a listing of the company's shares to a stock market. The instruments provided that the loan capital would convert by reference to a conversion price equal to half of the share price at which shares were issued on IPO. Therefore the loan notes were converted at a rate of 10.5p being 50% of the share price at listing of 21p. The loan note instrument also stated that accrued interest was waived on a listing event. The accrued but unpaid interest was therefore released as a credit to the consolidated income statement.	On 31 March 2022 the Company listed on the Access segment of the AQSE Growth Market. We obtained and reviewed the key documents supporting the admission, including the Admission Document, placing and subscription agreements, convertible loan note agreements and board minutes around the time of the listing. We agreed movements in share capital and share premium to bank statements, share capital reconciliations and the admission document. We reviewed all expenditure offset against share premium to ensure it related only to the issue of new shares. We reviewed the terms of the convertible loan note agreement to confirm the terms of conversion arising as a result of an IPO. We determined that this matter was a key audit matter due to the significance of the transaction to the users of the financial statements.

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	Company
Overall materiality	£33,000	£30,000
How we determined it	2.5% of revenue	1% of gross assets, capped at group materiality
Rationale for benchmark applied	Revenue is the key metric that management monitor is assessing performance of the business against its growth plans; with its key growth objective stated by reference to target revenue.	We believe that gross assets is a primary measure used by shareholders in assessing the performance of the company. Materiality was restricted to group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,000 for the group and company as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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 13, 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and company.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the group and company financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- obtaining confirmation of compliance from the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Sachin Ramaiya (Senior Statutory Auditor)

For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE

23 June 2023

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2022

	Notes	Period from 4 November 2021 to 31 December 2022 £'000
Revenue from contracts with customers	3	1,309
Cost of sales		(570)
Gross Profit		739
Depreciation and amortisation		(37)
Listing costs		(166)
Other administrative costs		(798)
Total administrative expenses	6	(1,001)
Operating loss		(262)
Finance cost	5	–
Finance income	5	59
		59
Loss before tax		(203)
Taxation	7	(12)
Loss for the period		(215)
Other comprehensive income		–
Total comprehensive loss for the period		(215)
Total comprehensive loss attributable to:		
Owners of the company		(215)
Earnings per share from continued operations		
Basic profit/(loss) per share - pence	8	0.0024
Diluted profit/(loss) per share - pence		0.0024

All activities relate to continuing operations

The notes on pages 28 to 43 form part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	As at 31 December 2022 £'000
ASSETS		
Non-current assets		
Intangibles	9	358
		358
CURRENT ASSETS		
Inventories	11	49
Trade and other receivables	12	496
Cash and cash equivalents	13	1,740
		2,285
TOTAL ASSETS		2,643
EQUITY		
Shareholders' Equity		
Called up share capital	14	61
Share premium	15	3,338
Share based payment reserve	15	8
Group reorganisation reserve	15	(945)
Retained earnings	15	(215)
Total Equity		2,247
LIABILITIES		
Current liabilities		
Trade and other payables	16	307
		307
Non - current liabilities		
Deferred tax liability	17	89
		89
TOTAL LIABILITIES		396
TOTAL EQUITY AND LIABILITIES		2,643

These financial statements were approved and authorised for issue by the Board of Directors on 23 June 2023 and were signed on its behalf by:

S Andersen
Director
Company Registration no. 13723211

The notes on pages 28 to 43 form part of these financial statement

Consolidated Statement of Changes in Equity

For the period ended 31 December 2022

	Called up Share capital £'000	Share Premium £'000	Share-based Payment Reserve £,000	Group Reorganisation Reserve £'000	Retained Earnings £'000	Total equity £'000
At 4 November 2021	–	–	–	–	–	–
Group reorganisation	–	–	–	(945)	–	(945)
Loss for the period	–	–	–	–	(215)	(215)
Share issue	61	3,514	–	–	–	3,575
Share issue costs	–	(176)	–	–	–	(176)
Share based payments	–	–	8	–	–	8
Balance at 31 December 2022	**61**	**3,338**	**8**	**(945)**	**(215)**	**2,247**

The notes on pages 28 to 43 form part of these financial statements

Consolidated Statement of Cash Flows

For the period ended 31 December 2022

	Notes	Period ended 31 December 2022 £
Cash flows from operating activities		
Cash utilised by operations	1	(720)
Net cash outflow from operating activities		(720)
Cash flows from investing activities		
Purchase of intangible assets		(52)
Cash acquired on acquisition of subsidiary		188
Net cash outflow from investing activities		136
Cash flows from financing activities		
Share issues net of issue costs		2,324
Net cash inflow from financing activities		2,324
Increase/(decrease) in cash and equivalents		1,740
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period	2	1,740

The notes on pages 28 to 43 form part of these financial statements

Notes to the Consolidated Statements of Cash Flows

For the period ended 31 December 2022

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

	Period ended 31 December 2022 £'000
Operating loss	(262)
Decrease/(Increase) in inventories	(49)
(Increase) in trade and other receivables	(497)
Increase/(Decrease) in trade and other payables	307
Amortisation of patents and development costs	37
Adjustment for net working capital required on common control transaction	(256)
Net cash outflow from operations	(720)

2. Cash and Cash Equivalents

	Period ended 31 December 2022 £
Cash and cash equivalents	1,740

The notes on pages 28 to 43 form part of these financial statements

Company Statement of Financial Position

As at 31 December 2022

	Notes	As at 31 December 2022 £'000
ASSETS		
Non-current assets		
Investments	10	50
Other receivables	12	–
		50
CURRENT ASSETS		
Trade and other receivables	12	79
Cash and cash equivalents	13	1,449
		1,528
TOTAL ASSETS		1,578
EQUITY		
Shareholders' Equity		
Called up share capital	14	61
Share premium	15	3,338
Share based payment reserve	15	8
Retained earnings	15	(1,871)
Total Equity		1,536
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	16	42
TOTAL LIABILITIES		42
TOTAL EQUITY AND LIABILITIES		1,578

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 loss for the parent Company for the period was £1.87m.

These financial statements were approved and authorised for issue by the Board of Directors on 23 June 2023 and were signed on its behalf by:

S Andersen
CEO
Company Registration no. 13723211

The notes on pages 28 to 43 form part of these financial statements

Company Statement of Changes in Equity

For the period ended 31 December 2022

	Called up Share capital £'000	Retained Earnings £'000	Share Premium £'000	Share-based Payment reserve £'000	Total equity £'000
As at incorporation 4 November 2021	–	–	–	–	–
Loss for the year	–	(1,871)	–	–	(1,871)
Issues of shares during the year	61	–	3,514	–	3,575
Share issue costs	–	–	(176)	–	(176)
Share based payments	–	–	–	8	8
Balance at 31 December 2022	**61**	**(1,871)**	**3,338**	**8**	**1,536**

The notes on pages 28 to 43 form part of these financial statements

Company Statement of Cash Flows

For the period ended 31 December 2022

	Notes	Period ended 31 December 2022 £'000
Cash flows from operating activities		
Cash utilised by operations	1	(492)
Net cash outflow from operating activities		(492)
Cash flows from financing activities		
Share issues net of issue costs		2,324
Net cash inflow from financing activities		2,324
Cash flows from investing activities		
Net amounts advanced to subsidiary		(383)
Net cash inflow from investing activities		(383)
Increase/(decrease) in cash and equivalents		1,449
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period	2	1,449

The notes on pages 28 to 43 form part of these financial statements

Notes to the Company Statements of Cash Flows

For the period ended 31 December 2022

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

	Period ended 31 December 2022 £'000
Operating (loss)/Profit	(1,871)
(Decrease) in trade and other receivables	(79)
Loan to subsidiary written off	1,416
(Decrease)/Increase in trade and other payables	42
Net cash outflow from operations	(492)

2. Cash and Cash Equivalents

	As at 31 December 2022 £'000
Cash and cash equivalents	1,449

The notes on pages 28 to 43 form part of these financial statements

1. General Information

ProBiotix Health Plc is a Public Limited Company limited by shares incorporated and domiciled in England and Wales. Details of the registered office, the officers and advisers to the Company are presented on the company information page at the start of this report. The Company's offices are at First Floor Zucchi Suite, Nostell Business Estate, Wakefield, England, WF4 1AB. The Company is listed on the AQSE Growth Market.

The principal activity is that of developing probiotics to tackle cardiovascular disease and other lifestyle conditions which are affecting growing numbers of people across the world.

The Company was incorporated on 4 November 2021 and these financial statements cover the period from 4 November 2021 to 31 December 2022. Being the first period since incorporation, no comparatives are presented.

2. Accounting Policies

Statement of compliance

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

Basis of preparation

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

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

On 7 February 2022 the Company acquired 100% of the share capital of Probiotix Limited. At that time, the Company was a subsidiary of Optibiotix Health plc and so the acquisition represented a common control transaction outside the scope of IFRS 3.

Therefore the Board have determined that the most appropriate accounting policy is to apply merger accounting prospectively from 31 March 2022 being the date of the Group's IPO on AQSE Growth. The Group has consolidated Probiotix Limited's assets and liabilities at book value at 31 March 2022, with the difference between the nominal value of shares issued and net liabilities acquired recorded in a reserve within equity.

Going concern

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

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

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements Standards, amendments and interpretations effective and adopted in 2022

These are the group's first financial statements since incorporation and therefore the first set of accounts prepared in compliance with UK-adopted IFRS. The group therefore adopted all existing IFRS standards as of 4 November 2021.

Basis of consolidation

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

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

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

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

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

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

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

2.1 Business combinations

Subsidiaries are all entities which the Group has control. The subsidiary consolidated in these Group accounts was acquired via group re-organisation and as such merger accounting principles have been applied. The subsidiary's results are consolidated for the period from the date the company took control of it.

This is a business combination involving entities under common control Therefore, the assets and liabilities of Probiotix Limited have been recognised and measured in these consolidated financial statements at their pre combination carrying values.

The retained earnings and other equity balances recognised in these consolidated financial statements are the retained earnings and other equity balances of the Company and subsidiary. The equity structure appearing in these consolidated financial statements (the number and the type of equity instruments issued) reflect the equity structure of the Company including equity instruments issued by the Company to affect the consolidation.

The difference between consideration given and net assets of PL at the date of acquisition is included in a Group reorganisation reserve. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated during the consolidation process.

2.2 Revenue recognition

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

2.2.1 Sale of products

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

2.2.2 License arrangements

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

2.3 Taxation

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

(i) Current tax

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

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

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will

be available against which the deductible temporary differenced and the carrying forward or unused tax assets and unused tax losses can be utilised.

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

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

2.4 Financial instruments

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

Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost, plus accrued interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

Trade receivables are initially measured at fair value and are subsequently measured at amortised cost less appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

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

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

2.5 Equity instruments

Are recorded at fair value, being the proceeds received, net of direct issue costs.

2.6 Share Capital

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

2.7 Inventory

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

2.8 Impairment of non-financial assets

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

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

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

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

2.9 Capital management

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

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the Company may choose to issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the period ended 31 December 2022.

2.10 Share-based compensation

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

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

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

2.11 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.

2.12 Research and Development

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

2.13 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 period.

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. Research and developments that have been capitalised in line with the recognition criteria of IAS38 have been estimated to have a useful economic life of 10 years. These estimates will be reviewed annually and revised if the useful life is deemed to be lower based on the trading business or any changes to patent law.

- **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, in three geographical areas being that of identifying and developing microbial strains, compounds and formulations for use in the nutraceutical industry. The Group sells into three highly interconnected markets, all costs assets and liabilities are derived from the UK location.

Revenue analysed by geographical market

	Period ended 31 December 2022 £'000
UK	43
US	934
Rest of world	332
	1,309

During the reporting period one customer represented £0.921m (70%) of Group revenues.

4. Employees and Directors

	Period ended 31 December 2022 £'000
Wages and salaries	106
Directors' remuneration	125
Directors' fees	187
Social security costs	25
Pension costs	14
	457

Wages and salaries represent a recharge of salaries from Optibiotix Health for employees who are under employment contracts with Optibiotix and recharged under a share services agreement.

	Period ended 31 December 2022 No.
The average monthly number of employees during the period was as follows:	
Group	
Directors	3
Research and development	2
	5
Company	
Directors	3
	3

	Period ended 31 December 2022 £
Directors' remuneration	243
Directors' share based payments	–
Bonus	70
Pension	9
Total emoluments	322
Emoluments paid to the highest paid director	132

There are no key management personnel other than the directors of the company.

The number of directors to whom defined contribution pension benefits accrue is 2. No directors exercised share options in the period. Of the £70k bonus £60k bonus relates to shares issues in respect of the IPO with further details given in Note 18.

Directors' remuneration

Details of emoluments received by Directors of the Group for the period ended 31 December 2022 are as follows:

	Remuneration and fees £'000	Bonuses £'000	Share based payments £'000	Pension Costs £'000	Total £'000
A Reynolds*	22	30	–	–	52
S P O'Hara*	90	30	–	3	123
M Caspani*	15	–	–	–	15
M Hvid-Hansen*	106	10	–	6	122
Total	233	70	–	9	312

*For disclosure in relation to directors' fees please refer to Note 18.

5. Net Finance Income / (Costs)

	Period ended 31 December 2022 £'000
Finance Income:	
Interest on convertible loan notes waived on conversion	59
Finance Cost:	
	–
Net Finance Income / (Costs)	59

6. Expenses – analysis by nature

	Period ended 31 December 2022 £'000
Research and development	4
Directors' fees & remuneration (Note 4)*	312
Salaries	106
Auditor remuneration – audit fees (Consolidated Group and Company accounts	7
Auditor remuneration – audit fees (Subsidiary accounts)	14
Auditor remuneration – non audit fees (reporting accountant on AQSE listing)	12
Auditor remuneration – non audit fees (tax compliance and IPO advisory)	2
Brokers & Advisors	106
Listing costs	166
Advertising & marketing	68
Share based payments charge	8
Amortisation	37
Legal and professional fees	32
Travel costs	6
Other expenses	96
Total administrative expenses	976

7. Corporation Tax

	Period ended 31 December 2022 £'000
Deferred tax movement	(12)
Total taxation	(12)

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the period ended 31 December 2022.

	Period ended 31 December 2022 £'000
Profit (Loss) on ordinary activities before income tax	(203)
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19%	(39)
Effects of:	
Disallowables	303
Income not taxable	(265)
Amortisation	9
Losses utilised	(66)
Unused tax losses carried forward	58
Tax credit	–

The Group has estimated losses of £0.28m which can be carried forward to be utilised against future profits.

The tax losses have resulted in a deferred tax asset at 25% of approximately £0.07m which has not been recognized as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

Current tax asset - Group	2022 £
Balance brought forward	
Received during the year	–
Prior year adjustment	–
Research & development tax credit claimed	–
	–

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 £'000	2022 Weighted average Number of shares No.	Profit per-share Pence
Basic EPS	(215)	90,398,559	(0.0024)
Diluted EPS	(215)	90,398,559	(0.0024)

As at 31 December 2022 there were 6,500,000 outstanding share options. These are non-dilutive due to the losses incurred in the year.

9. Intangible assets

Group	Development Costs and Patents £'000
Cost	
At 4 November 2021	
Acquired in Probiotix Ltd acquisition	475
Additions	53
Disposals	–
At 31 December 2022	528
Amortisation	
At 4 November 2021	–
Acquired in Probiotix Ltd acquisition	133
Amortisation charge for the year	37
At 31 December 2022	170
Carrying amount	
At 31 December 2022	358

All intangible assets relate to the group's principal activities.

The company had no intangible assets

10. Investments

	2022 £'000
Investments	
At the beginning of the period	–
Additions	50
At 31 December	50

As at 31 December 2022 the Company directly held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest
Probiotix Limited	Health Foods	United Kingdom	100% of ordinary shares

The registered office of Probiotix Limited is the same as the company.

The Company acquired its 100% interest in Probiotix Limited in the period by way of a share for share exchange.

11. Inventories

	Group 2022 £'000	Company 2022 £
Finished goods	11	–
Work in progress	38	–
Finished goods	49	–

During the period £0.570m has been expensed to the income statement.

12. Trade and other Receivables

Current	Group 2022 £'000	Company 2022 £'000
Accounts receivable	397	–
Other receivables	90	70
Prepayments	9	9
	496	79

See note 21 in respect of the group's credit risk assessment.

13. Cash and Cash Equivalents

	Group 2022 £'000	Company 2022 £'000
Cash and bank balances	1,740	1,449

14. Called Up Share Capital

	2022 £
Issued share capital comprises:	
Ordinary shares of 0.0005p each – 121,666,666	60,833
	60,833

On 4 November 2021 the Company was incorporated with 1 share of £1.

On 7 February 2022 the £1 share capital was converted into 2,000 Ordinary shares of £0.0005 each.

On 4 March 2022 99,998,000 Ordinary shares of £0.0005 were issued to acquire the whole share capital of Probiotix Limited.

On 31 March 2022 9,761,904 Ordinary shares of £0.0005 were issued in settlement of convertible loan notes which automatically converted to shares on IPO at a conversion rate based on 50% of the IPO price.

On 31 March 2022 11,904,762 Ordinary shares of £0.0005 were used at 21p a share in respect of a placing and subscription.

15. Reserves

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

Group reorganisation reserve arises from the 100% acquisition of ProBiotix Limited on 31 March 2022 whereby the excess of the nominal value of the issued ordinary share capital issued over the net liabilities acquired is transferred to this reserve.

At 31 March 2022 Probiotix Health Plc investment in Probiotix Limited was £50k and the net liabilities acquired were £995K, resulting in the recognition of a group reorganisation reserve of £945k.

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 options issued.

No dividends are proposed in respect of the period

16. Trade and other payables

	Group 2022 £'000	Company 2022 £'000
Current:		
Accounts Payable	179	4
Accrued expenses	75	15
Other payables	53	23
Total trade and other payables	307	42

All payables are due within 12 months

17. Deferred Tax

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

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

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

	2022 £'000
At 4 November 2021	–
Acquired in common control transaction	78
Movement in the period	11
At 31 December 2022	89

The deferred tax liability relates to timing differences in respect of tax treatment of intangible assets.

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.

18. Related Party Disclosures

Group

On 31 March 2022, Stephen O Hara and Adam Reynolds each received 142,857 shares in settlement of a bonus of £30,000 each relating to the group's IPO.

During the period to 31 December 2022 £52,500 was paid to Reyco Limited for the services of Adam Reynolds as Director of ProBiotix Health Plc. The year end balance was NIL

During the period to 31 December 2022 £15,000 was paid to Marco Caspani for his the services of Marco Caspani as Director of ProBiotix Health plc. The year end balance was NIL

During the period to 31 December 2022 £90,000 was paid to Optibiotix Health plc for the services of Stephen O'Hara as Director of ProBiotix Health Plc. The year end balance was NIL

During the period 1 January 2022 to 31 March 2022 Optibiotix Health PLC loaned Probiotix Limited £150,000, to finance working capital costs in the period up to the listing of Probiotix Health Group plc. During the year £203,835 was repaid. The balance due to Probiotix Limited at 31 December 2022 of £10,137 (2021 owing: £53,835) was repaid post year end. There was no interest charged during the year.

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

- £440,663 for salaries and administration costs;
- £60,676 income received on behalf of Probiotix limited; and
- £544,177 repayments received.

There was no interest charged during the year. The remaining balance of £30,146 was received after the year end.

During the period 31 March to 31 December 2022 the Group purchased LPLDL stock to the value of £490,001 from Centro Sperimentale del Latte srl, a company in which Marco Capsani is a director. At 31 December 2022 there was balance owing to Centro Sperimentale del Latte srl of £146,135.12, which was paid after the year end.

During the year Optibiotix Limited recharged Probiotix Health Plc £23,139 for directors' fees. Optibiotix Limited received a recharge from Probiotix Health Plc for admin costs of £148. The balance at the year end of £22,991 owing to Optibiotix Limited was paid after the year end. There was no interest charged during the year.

Company

During the year to 31 December 2022 £126,065 was paid to Balin S.a.g.l for the services of Mikkel Hvid-Hansen as Director of ProBiotix Health Plc.

During the year Probiotix Health Plc loaned Probiotix limited £1,543,948 of which £147,837 was repaid. The balance at the 31 December 2022 of £1,396,111 was cancelled. This does not impact on the consolidated Group accounts.

19. Ultimate Controlling Party

The Board consider that there is no overall controlling party.

20. Share Based payment Transactions

(i) Share options

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

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.

The remaining life of all options is 9.25 years.

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

	Number of options 2022 No.	Average exercise price £
Outstanding at the beginning of the period	–	–
Granted during the period	6,500,000	0.21
Forfeited/cancelled during the year	–	–
Exercised during the period	–	–
Outstanding at the end of the period	6,500,000	0.21

In respect of options which include market based vesting conditions in respect of revenue and share price targets, the Board have determined that the value of this proportion of shares have immaterial value in light of the Group's results for the 2022 accounting period in which they were granted.

No share options were exercisable at 31 December 2022.

(i) Warrants

On 31 March 2022, the Company executed a warrant instrument to create and issue warrants to Peterhouse to subscribe for, an aggregate, of 112,857 Ordinary Shares. The warrants will be exercisable at any time from Admission for a period of ten years from Admission at the Fundraising Price.

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

	Number of warrants 2022 No.	Average exercise price 2022 £
Outstanding at the beginning of the period	–	–
Granted during the period	112,857	0.21
Outstanding at the end of the period	112,857	0.21

A charge of £7,900 has been recognised during the year for the share based payments over the vesting period.

The warrants were issued to the company's broker in respect of shares issues on IPO and so the fair value has been deducted from share premium.

21. 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

Management have regard to credit exposures when entering into new contracts and seek to agree settlement terms on all contracts. Credit exposure is regularly monitored by management and any overdue debts are followed up as part of the group's credit control procedures.

Where a debt becomes significantly overdue, management have regard to credit loss provisions to reflect the existence of expected credit losses, taking account of forward looking information as well as the pattern of cash collections for that category of customer.

On 31 March 2022 as part of the common control transaction the group acquired £345k of credit-impaired receivables against which full provision had been made prior to that date.

Whilst the group has continued efforts to collect these receivables, none of these amounts were collected at 31 December 2022. No additional credit loss provision has raised after having regard to cash collections on other receivables.

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.

22. Post Balance Sheet Events

Steen Andersen joined the Group as CEO on 1 January 2023.

Notice of Annual General Meeting

PROBIOTIX HEALTH PLC

Notice is hereby given that the Annual General Meeting of OptiBiotix Health PLC (the "Company") will be held at the offices of Walbrook PR Ltd, 75 King William Street, London, EC3V 9HD on 26 July 2023 at 12:00 noon for the following purposes:

1. To receive the Company's Report and Accounts for the year ended 31 December 2022.
2. To re-elect Stephen O'Hara , who retires by rotation, as a Director.
3. To re-elect Adam Reynolds , who retires by rotation, as a Director.
4. To re-elect Marco Caspani , who retires by rotation, as a Director.
5. To re-elect Mikkel Hvid-Hansen , who retires by rotation, as a Director.
6. To re-elect Steen Andersen , who retires by rotation, as a Director.
7. To appoint Gravita Audit Limited as auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions as to the resolution numbered 8 as an Ordinary Resolution and as to the resolutions numbered 9 as Special Resolutions:

8. **THAT** the Directors be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (such shares and/or rights being "Relevant Securities") up to an aggregate nominal amount of £20,277.78 being one third of the current issued share capital, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2024, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

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

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

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

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £18,250 being 30% of the current issued share capital;

and shall expire on the date being the earlier of the date 15 months after the passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2024, provided that the Company may before such expiry make an offer or agreement which would require equity securities to be allotted in pursuance of such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier power given to directors.

By Order of the Board

Registered Office:
First Floor
Zucchi Suite
Nostell Business Estate
Wakefield
England
WF4 1AB

Steen Andersen
23 June 2023

Explanatory Notes to the Notice of Annual General Meeting

Notes:

1. A member of the Company is entitled to appoint a proxy or proxies to attend, speak and vote at the meeting in his stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy does not need to be a member of the Company.
2. To be effective Forms of Proxy can be registered as follows:
   - by logging on to www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions;
   - by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX using the proxy form accompanying this notice;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note [5] below.

   In order for a proxy appointment to be valid the proxy must be received by Share Registrars Limited by 12:00 noon on 24 July 2023.
3. To change your proxy instructions simply submit a new proxy appointment using the methods set out above and in the notes to the Form of Proxy. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
4. To be entitled to vote at the meeting (and for the purpose of the determination by Company of the number of votes they may cast), members must be entered in the Register of members at 12:00noon on 24 July 2023 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCO Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent 7RA36 by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Resolution 1

The Directors are required by law to present to the meeting the Audited Accounts and Directors' Report for the period ended 31 December 2022.

Resolutions 2-6

Each of the Company's Directors listed in this resolution offer themselves up for re-appointment under the terms of the Company's articles of association which state that each director must offer himself or herself up for re-appointment at the first AGM of the company.

Resolution 7

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

Resolution 8

Under the Act, the Directors may only allot shares if authorised to do so. Whilst the current authority has not yet expired, it is customary to grant a new authority at each Annual General Meeting. Accordingly, this resolution will be proposed as an ordinary resolution to grant a new authority to allot or grant rights over up to £20,277.78 in nominal value of the Company's unissued share capital. If given, this authority will expire at the Company's next annual general meeting following the date of the resolution. Although the Directors currently have no present intention of exercising this authority, passing this resolution will allow the Directors flexibility to act in the best interests of the Company's shareholders when opportunities arise.

Resolution 9

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

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

(ii) with a nominal value of up to £18,250. This resolution will be proposed as a special resolution.

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To find out more please contact ProBiotix on:

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