Annual Report and Financial Statements
For the Year Ended 30 June 2018

SkinBioTherapeutics plc

Company Registration Number: 09632164

SkinBioTherapeutics

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Statutory and Other Information

Directors	Martin Hunt	Non-Executive Chairman
	Prof Catherine O'Neill	Chief Executive Officer
	Doug Quinn	Chief Financial Officer
	Stephen O'Hara	Non-Executive Director
	Dr Cathy Prescott	Non-Executive Director

Secretary
Doug Quinn

Registered office
15 Silk House
Park Green
Macclesfield
SK11 7QJ

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

Registrars
Share Registrars Limited
The Courtyard
17 West Street
Farnham
GU9 7DR

Nominated adviser
Cairn Financial Advisers LLP
Cheyne House, Crown Court
62-63 Cheapside
London
EC2V 6AX

Broker
Turner Pope Investments (TPI) Limited
6th Floor, Beckett House
36 Old Jewry
London
EC2R 8DD

Northland Capital Partners Limited
40 Gracechurch Street
London
EC3V 0BT

Bankers
Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Public relations
Instinctif Partners
65 Gresham Street
London
EC2V 7NQ

Chairman's Statement

During the past financial year, SkinBioTherapeutics' has focused on the development of its SkinBiotix® technology platform and the preparations for the start of the cosmetic human study.

The Company has made significant progress across all aspects of these business objectives. The manufacturing process has been driven forward, from the scale-up of the lysate material through to the development of a cosmetic formulation. Having formulated a cream and demonstrated the extended stability of the technology, the Company has also been able to begin the first phase of its human study in September 2018. This is an important milestone for the business and a key step towards the future commercialisation of the technology.

Costs have been managed carefully and the Company ended the year with a cash balance of £3.2m (2017: £3.9m), which is line with management's expectations.

Other key operational achievements which are described more fully in the CEO's report include:

- SkinBiotix® passed key cytotoxicity safety tests
- replication of the lysate manufacturing process by a third party and industrial volume scale-up
- production of a cream formulation that demonstrated the effectiveness of the SkinBiotix® technology
- granting of patents in Australia, Russia and New Zealand
- signing an MTA (Material Transfer Agreement) with a global consumer goods company
- provisional ethics approval for the cosmetic human study
- progress with the eczema and infection programmes
- an extension to the research agreement with the University of Manchester.

Interest in the microbiome as a sector continues to grow and it is noteworthy that the cosmetic industry is transitioning to products and applications with scientific validation. This latter development has been an important factor in the discussions the Company has had to date with potential commercial partners. This reaffirms SkinBioTherapeutics' strategic approach to establish itself as a 'science-led' skin healthcare business.

During the current financial year, the Company expects to complete its first human study and further commercial negotiations in partnering and licensing opportunities.

Martin Hunt
Chairman

24 October 2018

Strategic and Financial Review

Company background and strategy

SkinBioTherapeutics seeks to harness the microbiome for human health. The best understood members of the microbiome are the bacteria that live in the gut and these have led to the rise in ingesting 'probiotics' to promote health. However, an increasing area of focus is the microbiome of the skin.

SkinBioTherapeutics' proprietary technology, SkinBiotix®, is designed to promote skin health by harnessing the beneficial properties of probiotic bacteria and the active components derived from them. The approach taken is to use a 'lysate' of probiotic bacteria as a topical agent. The use of a lysate rather than live bacteria circumvents the possible safety considerations associated with applying live bacteria to the skin and the potential formulation difficulties of keeping bacteria alive in a cream.

The Company is developing SkinBiotix® to address a number of indications and has an ongoing research agreement with the University of Manchester to identify and develop new and different technologies. Proof of principle studies have shown that the molecules found in the human microbiome can be used to protect, manage and restore the skin. On the basis of this data, the Company has identified potential applications for SkinBiotix® in the areas of cosmetics, the reduction in the incidence of eczema flares and for the prevention of infection.

Commercially, the Company intends to license its technologies to large corporates once human proof-of-principle has been established and generate income through licence revenue. The Company is in early level discussions with a number of third parties and in April this year signed an MTA with a global consumer goods company.

Dialogues are continuing with each of the engaged parties and a common theme from the discussions is the focus on scientific validation which reinforces SkinBioTherapeutics' strategy to position itself as a prominent 'science led' business. To this end the directors anticipate more tangible progress on the commercial discussions on the readout of the cosmetic human study.

This route to commercialisation, in conjunction with the approach to R&D with the University of Manchester, enables the Company to operate virtually with a small employee base and a consequently low cost of operations.

Financial review

Whilst operating expenditure has increased following the Company's IPO in April 2017, this is in line with management forecasts and the Company held £3.2m of cash at the year-end (2017: £3.9m).

Research and development expenditure was £416k (2017: £157k) comprising development work with the University of Manchester and the manufacture, scale up and preparatory work for the cosmetic human study.

Ongoing operating costs were £526k (2017: £304k) covering employment, consultancy, PLC support costs and marketing.

Overall the Company made a loss before tax of £941k (2017: £688k).

Operational review

During the year the Company achieved several important milestones with its SkinBiotix® technology – manufacture of the lysate, the passing of key safety studies and the successful formulation of the technology into a cream.

Manufacture of the lysate had previously only been achieved on a small scale in the laboratory. However, the process of manufacture has now been successfully replicated with a third party and subsequently scaled up by to a level appropriate for commercialisation.

In addition, the base lysate material, which to date has been manufactured and supplied in a liquid form, has now been successfully freeze dried. The ability to freeze dry a material of this kind is an important step towards commercialisation as it enables mass production, storage and transportation.

The technology has also passed various cytotoxicity tests and demonstrated that it is safe to use on human skin. The studies were performed by Charles River Laboratories, a global contract research organisation (CRO). The CRO tested for adverse reactions to the use of the SkinBiotix® technology, firstly when applied to human cells, secondly after exposure to UV and visible light and thirdly when applied to eye cells. Successfully passing these studies was a precursor to progressing the cosmetic human study.

Strategic and Financial Review (continued)

Cosmetic programme

With the scale-up and manufacture of the SkinBiotix® technology finalised, the focus with the cosmetic programme has been to establish a formulation, containing SkinBiotix®, that can be applied to the skin and perform in the same way as the technology on its own.

Having achieved this with a cream, the formulation was then tested for its stability. Stability addresses the requirement of the technology to be effective within the formulation over an extended period of time. This stability is specific to the formulation required for the human study and the study duration. The Company is not intending to market the cream, rather the technology will be licensed to a third party who will incorporate it into a product formulation with the requisite stability.

In September 2018, the Company announced it had started its human study which comprises three sub components with data readouts occurring between November 2018 and April 2019.

Other programmes

Work in the lab this year has demonstrated that SkinBiotix® fulfils a 'physical mode of action' with regard to the pathogen *Staphylococcus aureus* (*S. aureus*), i.e. it prevents the attachment of *S. aureus* to the skin. The skin of eczema sufferers is commonly infected with *S. aureus* and there is documented evidence that this infection is the most common cause of eczema flares. On this basis, technologies that can reduce *S. aureus* load on skin have the potential to reduce the incidence of flares.

The physical mode of action of SkinBiotix® allows the Company to progress the eczema programme as a medical device rather than a pharmaceutical treatment. This regulatory pathway is potentially a faster route to market. The Company is working with its regulatory advisors to prepare the medical device dossier for submission to the notified body. Subject to acceptance of the eczema programme following the medical device pathway, the Company anticipates seeking approval in the second half of 2019 for the commencement of a clinical trial.

The Company considers the SkinBiotix® technology to have utility beyond general healthcare acquired infections and intends to broaden the scope to encompass specific skin infections, for example athlete's foot. The technology may also be effective in blocking the adhesion of other pathogens not only to skin but also in the oral cavity or on the scalp. Hence the Company envisages a development programme to test SkinBiotix® against a range of pathogens during the course of 2019.

Key performance indicators

The Board recognises the importance of KPIs and their appropriateness to the stage of development of the business. The Company is focused on the development of its pre-clinical programmes all of which are cash consuming. The KPIs are therefore chosen to monitor the progress of the individual programmes, the external market environment and the cash requirements of the Company.

Financial

The cash position of the Company is monitored on a continual basis with reference to both the ongoing operational costs of the business and more particularly the cash requirements to support its scientific development programmes. The Company maintains a low operating cost base such that the majority of its funding is deployed on its development programmes.

Non-financial

The Company actively monitors the progress of its development programmes. Timelines exist for each programme with key milestones detailed and these are constantly reviewed and updated accordingly.

In addition, the Company monitors the life science market for; competitive products and technologies, licensing deals within the cosmetic industry, scientific research related to the microbiome and regulatory and policy matters in the major markets.

Principal risks and uncertainties

Ultimate responsibility for the process by which risk in the business is managed rests with the Board. The principal risks and uncertainties facing the Company, as well as mitigating actions, are set out below. While the list is not exhaustive, it is derived from the Company's detailed risk register. These risks are reviewed by the Audit Committee at least biannually, which reports its findings to the Board.

The Company's internal risk identification and management process is as follows:

- The executive team prepares and reviews on a periodic basis, by function, the risk register for the Company. The risk register details specific risks to the Company, the quantification of those risks in terms of probability and impact, and mitigating actions required to manage these risks.
- The risk register assigns responsibility for each risk and mitigation plan to one or more members of the executive team.
- The risk register is circulated to the Board in advance of each board meeting and specific risk items may be discussed at board meetings or otherwise as appropriate.
- The risk register is reported to the Audit Committee at least biannually.

Stage of operations

SkinBioTherapeutics is at an early stage of development, yet to generate revenues and has a limited history to date. The ability of the business to generate revenue depends on the successful completion of the technical and commercial development of its SkinBiotix® platform. The business will incur losses for the foreseeable future and has not yet demonstrated an ability to complete human studies, obtain regulatory approval or commercialise its SkinBiotix® platform successfully.

Clinical development risk

The commercialisation of the Company's intellectual property and the potential applications of its technology platform requires pre-clinical development, formulation, process development and human consumer/clinical studies that exemplify platform claims. There is a risk that the business's SkinBiotix® platform does not perform as expected and it fails to perform in the applications identified by the Company.

Furthermore, clinical development and human studies can result in unexpected costs. Agreeing study designs, study endpoints and study recruitment timelines without unforeseen delays with regulatory agencies is key. Regulatory body guidelines leading to market authorisation may be subject to alteration and are divergent in different jurisdictions.

Product development timelines

The Company has identified a number of applications for its SkinBiotix® technology platform. Development programme delays, inconclusive results, identification of safety issues, manufacture and formulation failures or regulatory challenges may require additional follow-up studies that are not currently envisaged with a consequential impact on development timelines and cash resources.

Dependence of key personnel

The Company's operates with a small team and success is highly dependent on the expertise and experience of its board, management and employees. Retention and incentivisation of these individuals is critical to the Company.

Formulation

Whilst the Company has developed a formulation appropriate for the cosmetic human study further work is required to ensure the formulation remains effective for an extended period. There are risks associated with the means and timeline in establishing the long-term stability of the formulation. In addition, the Company will need to develop formulations appropriate for its other indications. It may require a number of iterations before suitable formulations are able to be produced.

Human studies

SkinBioTherapeutics has invested effort and resources in its SkinBiotix® technology platform and the potential applications of the technology. Success in human studies in part hinges on this continuing development activity. It is however possible that the results of these studies may not be predictive of those obtained in more advanced, later-stage, expensive, time consuming and difficult to design human studies.

Strategic and Financial Review (continued)

Intellectual property and proprietary technology

SkinBioTherapeutics is focused on maintaining and expanding its intellectual property portfolio. The portfolio includes patent applications, trademarks and know-how.

Success of the Company will depend in part on its ability to obtain and maintain effective patent rights. These rights need to be sufficiently broad to protect SkinBioTherapeutics' technology in its chosen markets. The application process is expensive and time-consuming and SkinBioTherapeutics may not be able to file all its patent applications in all jurisdictions.

Some of the Company's patent applications remain pending and have not been given notice of allowance. National patent offices may raise objections in relation to the on-going patent applications. These may result in revised applications or prevent patent applications from being granted.

Competitive risk

The directors believe the skin microbiome to be an innovative area of development and scientific focus. As such this area is subject to significant and rapid technological and consumer change. It is an area of interest to academic institutions, government agencies and private and public companies. Competition from existing companies and new entrants is beginning to emerge and maintaining an IP and technology advantage over the competition will require a sustained development focus.

The need for safe and supportive skin health and well-being products is acknowledged by consumers and healthcare providers around the globe. Large multinationals have divisions dedicated to the sector and many have established brands or approved products on the market. These brand owners have greater financial and human resources which can be deployed to build and maintain a brand position. Many also have dedicated R&D units and could therefore choose to develop technologies that compete with the Company's SkinBiotix® technology platform.

Regulatory environment

The Company operates in a regulated environment that varies dependent upon the jurisdiction. These regulations are subject to change at short notice and differ according to any proposed product claims, intended use or marketing route. While the Company will take every effort to ensure that it and its partners comply with all applicable regulations, there can be no guarantee of this. Failure to comply with applicable regulations could result in the Company being unable to successfully commercialise its technology or any products that incorporates it and/or result in legal action being taken against the Company which could have a material adverse effect.

Brexit

It is unclear how Brexit will impact the regulatory environment with the relocation of the European Medicines Agency (EMA) and whether the Company will require separate approvals for future trade in Europe. The Company may incur delays and additional costs depending on the outcome of the Brexit negotiations and the transition of regulatory approvals.

Outlook

Having established manufacturing scale-up and formulated an effective cream, the human study initiated in September defined an important phase for the Company. A positive readout from the study will be an important validation of the SkinBiotix® technology and a basis to further progress the various commercial discussions that are in hand.

Reaffirming and progressing the eczema programme as a medical device following the preliminary regulatory assessment will also be a significant workstream in 2019 together with establishing programmes to address other skin infections and assess the impact of SkinBiotix® on other pathogens.

Good progress has been made this year across the business and the Board and management team are optimistic for the outlook in 2019.

Prof Catherine O'Neill
CEO

24 October 2018

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2018.

Principal activity

The principal activity of the Company is that of research and development into the effects of lysates derived from the human microbiome on skin.

Directors

The directors who served the Company during the year and to the date of these financial statements were:

Prof Catherine O'Neill	Chief Executive Officer
Doug Quinn	Chief Financial Officer
Martin Hunt	Non-Executive Chairman
Dr Cathy Prescott	Non-Executive Director
Stephen O'Hara	Non-Executive Director

The directors of the Company held the following beneficial interests in the share and share options of SkinBioTherapeutics plc at the date of this report:

	Issued share capital		Share options	
	Ordinary shares of £0.01 each	Percentage held	Ordinary shares of £0.01 each	Options exercise price
Prof Catherine O'Neill	5,256,989	4.4%	3,892,082	£0.09
Martin Hunt*	466,667	0.4%	3,892,082	£0.09
Doug Quinn	444,444	0.4%	2,594,721	£0.09

* Martin Hunt's shareholding is held through Invictus Management Limited, a company controlled by Mr Hunt. Of the 466,667 shares held by Invictus Management Limited 11,112 are held in trust for Louise Hunt and 11,111 are held in trust for Oliver Hunt.

Substantial shareholdings

As at 19 October 2018, the following interests in 3% or more of the issued share capital appear in the register:

	Percentage of issued share capital
OptiBiotix Health Plc	41.9%
Seneca Partners Limited	14.6%
University of Manchester	6.7%
Prof Catherine O'Neill	4.4%
Prof Andrew McBain	3.5%

Directors remuneration

The directors received the following remuneration during the year:

Executive	Salaries	Fees	Share based payments	Pension contributions	Total remuneration
Prof Catherine O'Neill	£39,929	–	£24,620	£214	£64,763
Doug Quinn	£12,260	£56,303	£16,414	£45	£85,022
Non-executive					
Martin Hunt	£6,015	£24,068	£24,620	–	£54,703
Dr Cathy Prescott	£4,016	£16,067	–	–	£20,083
Stephen O'Hara	£4,017	£16,067	–	–	£20,084
	£66,237	**£112,505**	**£65,654**	**£259**	**£244,655**

Directors' Report (continued)

Financial instruments

The Company's exposure to financial risk is set out in note 2m) of the financial statements.

Research and development

The Strategic and Financial Review on pages 3-6 gives information of the Company's research and development activities.

Events after the reporting date

Refer to note 18 to the financial statements for further details.

Going concern

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

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 the going concern basis in preparing the annual report and financial statements.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

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

This report was approved by the Board of Directors on 24 October 2018 and signed on its behalf by:

Prof Catherine O'Neill

Corporate Governance Report

As Chairman of SkinBioTherapeutics I have overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board my responsibilities are to ensure:

- committees are properly structured and operate with appropriate terms of reference
- the performance of individual directors, the Board and its committees are reviewed on a regular basis
- the Company has a coherent strategy and sets objectives against this
- there is effective communication between the Company and its shareholders.

All the directors of SkinBioTherapeutics believe strongly in the importance of good corporate governance for the creation of shareholder value over the medium to long-term and to engender trust and support amongst the Company's wider stakeholders.

In March 2018, changes to the AIM rules required the formal adoption by all AIM companies of a recognised corporate governance code by 28 September 2018. On its admission to AIM in April 2017 the directors undertook to take account of the requirements of the QCA guidelines to the extent they consider it appropriate having regard to the Company's size, board structure, stage of development and resources.

In light of the new requirements under AIM rule 26, the Board have decided to formally adopt and adhere to the QCA code (revised in April 2018).

The QCA code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. The directors have considered how they apply each principle to the extent the Board judges these to be appropriate in the circumstances and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA code. There were no key governance related matters that occurred during the year.

Martin Hunt, Chairman.

Principle	***Application***
Establish a strategy and business model which promotes long-term value for shareholders	SkinBioTherapeutics seeks to harness the microbiome for human health and has a particular focus on skin. The Company's proprietary technology is targeted at a number of health indications and the Company is initially focused on a cosmetic application as a route to initial value creation. The Company's programme of research and development is intended to build long-term shareholder value through a reliance on proven, rigorous science and the Company utilises its public listing as a means to source capital to support its R&D programme. The Company has an ongoing research agreement with the University of Manchester to identify and develop technologies. In doing so the Company intends to avoid a reliance on a single technology and ensure that it has an ongoing pipeline of technologies, all related to the human microbiome, at different stages of development. The Company will seek to license technologies to large corporates once human proof of principle has been established and intends to generate licence revenue through this route. It operates as a virtual organisation with a small but experienced management team and a low operating cost base.

Corporate Governance Report (continued)

Principle	*Application*
Seek to understand and meet shareholder needs and expectations	The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. Between the Chairman and the executive directors an open and regular dialogue is maintained with the Company's major shareholders which comprise;

Shareholder	Holding (19 October 2018)
OptiBiotix Health Plc	41.9%
Seneca Partners Limited	14.6%
University of Manchester	6.7%
Prof Cath O'Neill	4.4%
Prof Andrew McBain	3.5%

Both the University of Manchester and Andrew McBain sold shares in the Company in the period June 2018 – August 2018. The sales of these shares were actioned in conjunction with the Company's brokers to maintain an orderly market.

More generally the Board communicates with shareholders through the Annual Report and the Interim Statement, trading and other announcement made on RNS and at the Annual General Meeting where the Board encourages investors to participate. The Company also maintains a website, www.skinbiotherapeutics.com, which contains information on the Company's business and corporate information. Following the announcement of the Company's half year and full year results the Chief Executive & CFO, make presentations to institutional shareholders, private client brokers and investment analysts. Existing and prospective shareholders are able to separately contact the Chairman and Chief Executive via email as detailed on the Company's website. Periodic meetings are held with existing and prospective institutional and other investors and the Company presents at private investment events during the course of the year. The Company's brokers also produce periodic research notes on the Company.

Take into account wider stakeholder and social responsibilities and their implications for long-term success	As a small company engaged in the early stages of technology development the Company has a limited but important number of stakeholders. Robust science is at the core of the Company's strategy and the Company has a number of key stakeholders, including its employees, involved in the different stages from research, through manufacture, formulation and testing. The Company assesses each of the companies it works with to ensure the requisite standards and values are in place. Ultimately the Company's technology will be used by consumers and ensuring the appropriate development, manufacture and marketing of products will be key to the long-term success of the Company. Throughout the various stages from initial technology identification to eventual product sales the Company is engaged in a continual process of feedback and improvement with its stakeholders, including eventual end users. The Company's strategy is not to market its own products and therefore the eventual licencees will be important stakeholders in the interface with consumers and the longer-term success of the Company.

Principle	*Application*
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Ultimate responsibility for the process by which risk in the business is managed rests with the Board. The Company's internal risk identification and management process is as follows: • The executive team prepares and reviews on a periodic basis the risk register for the Company. The risk register details specific risks to the Company, the quantification of those risks in terms of probability and impact, mitigating actions required to manage these risks and the control mechanisms that are in place to monitor the risks. • The risk register assigns responsibility for each risk and the mitigation plan to one or more members of the executive team. • The risk register is circulated to the Board in advance of each board meeting and specific risk items may be discussed at board meetings or otherwise as appropriate. • The risk register is reported to the Audit Committee at least biannually.
Maintain the Board as a well-functioning, balanced team led by the chair	The Board's primary role is to enhance shareholders' long-term interests by: • determining the Company's overall strategy and direction • establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently • ensuring effective corporate governance • approving budgets and reviewing performance relative to those budgets • approving financial statements • approving material agreements and non-recurring projects, and • approving senior and board appointments. Martin Hunt and Dr Cathy Prescott, both non-executive directors, are considered to be independent of the management and are free to exercise independence of judgement. Stephen O'Hara, by virtue of his position as Chief Executive of OptiBiotix Health Plc, the Company's largest shareholder is not considered to be independent. The non-executive directors are required to commit sufficient time as is necessary, approximately two days per month, to fulfil their obligations. Routine commitments include preparation for and attendance at board and committee meetings. In addition, the non-executive directors engage in ad-hoc dialogues with members or the executive team, shareholders and other stakeholders as required. All directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation. The table on page 17 details the attendance record of each director at board and committee meetings during the course of the year.

Corporate Governance Report (continued)

Principle

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Application

As at 30 June 2018 the Board comprised an independent non-executive chairman, two executive directors and two non-executive directors – one of which is independent. Two directors are female and three are male.

Martin Hunt, Independent Non-Executive Chairman

Appointed as a director & Chairman in October 2016; Chair of the Remuneration Committee and member of the audit and insider committees.

Martin has had a long executive career in the medtech and life science sectors including sales and general management roles with large corporations in Europe and the US. He was previously CEO of biomaterials company Tissue Science Laboratories plc taking it from start-up through an AIM listing and eventual sale to Covidien. More recently he has held a number of non-executive roles with both private and public companies. Martin is well versed in the early and growth stages of companies in the life science sector as well as bringing experience of corporate governance and shareholder communications.

Martin is the Programme Director of the NIHR translational funding programme Invention for Innovation (i4i) and a member of the NIHR Strategy Board. Martin is currently Non-Executive Chairman of Videregen Limited and a non-executive director of Biotec Pharmacon and MDY Healthcare Limited.

Time commitment of at least two days per month.

Professor Cath O'Neill, CEO

Appointed as a director in March 2016 and CEO in March 2017.

Cath is an accomplished scientist and Professor of Translational Dermatology at the School of Biological Services, University of Manchester. Cath has previously founded a specialist dermatology university spinout and as a subject matter expert has advised a number of global corporations. Cath is experienced in taking technology from the bench and through the stages to manufacture a product.

Through her interactions with global companies Cath is familiar with both the scientific and commercial demands to take a technology to market.

Cath's services are provided under a secondment agreement with the University of Manchester whereby she spends 75% of her time fulfilling the duties of the Company.

Doug Quinn, CFO

Appointed as director and CFO in December 2016 and Company Secretary in January 2017; Member of the audit and insider committees.

Doug has been involved in early stage companies through a combination of investor, executive and non-executive director and CFO roles for over 18 years. He was CFO of Arthro Kinetics Limited, an early stage tissue engineering company and part of the team that floated the Company on AIM in 2006. A chartered management accountant, with a number of years of experience in the life science sector, he brings financial expertise gained through executive roles and corporate finance transactions.

Time commitment of between 2-3 days per week.

Doug is a director and part-time CFO with the life science company Videregen Limited.

Principle	Application

Application

Stephen O'Hara, Non-Executive Director

Appointed as a director in March 2015; Member of the Remuneration Committee.

Stephen is CEO of OptiBiotix Health Plc, an AIM listed company he founded in 2012 to exploit the opportunities emerging in the field of the microbiome. He has spent over 30 years working in microbiology and healthcare and has managed the growth of OptiBiotix from a start-up to an AIM listed company with a market capitalisation of £80m. Stephen brings sector and technology expertise as well as considerable experience as CEO of a public company encompassing corporate governance, fundraising and shareholder management.

Time commitment of two days per month.

Dr Catherine Prescott, Independent Non-Executive Director

Appointed as a director in March 2017; Chair of the Audit Committee.

Cathy has over two decades of experience in research and management in the biotech, pharmaceutical and venture capital sectors. Cathy is a visiting professor at Kings College London, teaching on the MSc programme 'Cellular Therapies from bench to market'. Cathy brings a broad range of scientific and strategic sector expertise and experience.

She is non-executive director of Videregen Limited and the International Medical Education Trust. Time commitment of two days per month.

The Board has not, at this stage in its development, established a nominations committee. The Board as a whole continues to review its structure in order to provide what it considers to be an appropriate balance of executive and non-executive experience and skills. The Board believes that its blend of relevant experience, skills, personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. The Board is additionally cognisant that as the Company seeks to commercialise its technology, this may require additions to the executive team and wider Board.

Directors attend seminars and other trade events to ensure that their knowledge remains current.

On the formation of the Board the directors considered the composition of the Audit Committee. Doug Quinn is an executive director and CFO but a member of the Committee due to his experience in this area. Both independent directors have direct access to the auditors with the exclusion of Doug and vice versa and he is excused from any discussions where there is a potential conflict of interest. In September 2017 the Audit Committee met with the Company's accountants, Jeffrey's Henry, for a briefing session on the role and contribution of the Audit Committee. The Company Secretary also prepared a briefing note on the role and responsibilities of the Audit Committee which was reviewed and discussed.

From time to time the Board may require third party advice on various matters pertaining to its business, for example in relation to the competitive landscape. Appropriate relationships to source such advice have been established.

Corporate Governance Report (continued)

Principle	*Application*
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The current Board was established as part of the Company's preparation for admission to AIM in April 2017, bringing together the requisite skills and experience to target the Company's objectives, with a focus on the initial growth stage. Whilst Board effectiveness has been subject to informal discussions amongst the directors the Board has yet to formally review its performance but will do so through the course of the current financial year. This will be an internal review managed by the Chairman. The review is expected to be repeated on an annual basis. It is anticipated that the process will involve each director completing a questionnaire as to the effectiveness of the Board and a self-assessment of their own contributions. These will be returned to the Chairman and will form the basis of individual discussions with each of the directors and a subsequent discussion with the Board as a whole. The Board's approach to succession planning is based upon identifying the medium to long term objectives of the Company and matching these against the competence of directors and senior managers. The Board will seek to identify potential gaps and recruit to fill these allowing a sufficient lead time.
Promote a corporate culture that is based on ethical values and behaviours	The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The Board considers this particularly relevant to the Company in light of the partners with which it works, for example the University of Manchester, and recognising the intended end use of its technology in products to be marketed to and purchased by consumers. The Company operates virtually and aside from its board has only one full-time employee. The executive team engenders open and positive interactions with a key focus on; scientific rigour, innovation, creative solutions and collective responsibility. As the Company expands its human capability it will look to formalise its culture through an agreed set of values and standards. The Company's policies set out its zero-tolerance approach towards any form of modern slavery, discrimination or unethical behaviour relating to bribery, corruption or business conduct.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Alongside setting the vision and strategy for the Company the Board is responsible to ensure that the business is managed for the long-term benefit of all shareholders whilst having regard for internal and external stakeholders, including employees, customers and suppliers. The Board defines a series of matters reserved for its decision and has approved terms of reference for its audit, remuneration and insiders committees to which certain responsibilities are delegated. The chair of each committee reports to the Board on the activities of that committee.

Principle

Application

The Audit Committee is responsible for:

- reviewing the annual financial statements and interim reports prior to approval
- reviewing and considering reports on internal financial controls, including reports from the auditors
- considering the appointment of and reviewing the relationship with the auditors, including reviewing and monitoring of independence and objectivity
- reviewing the consistency of accounting policies
- considering any proposed related party transaction.

The Audit Committee can call for information from the executive team and consults with the external auditors directly when appropriate or when they are required to do so.

The Remuneration Committee reviews and determines on behalf of the Board the pay, benefits and other terms of service of the executive directors of the Company. In addition, the committee oversees the creation and implementation of all employee share plans.

The Insider Committee is responsible for:

- monitoring and ensuring compliance with the Company's MAR dealing policy
- reviewing the classification of employees, directors and key consultants as regards clearance requirements
- reviewing and approving or rejecting as appropriate all requests for dealings in shares in the Company.

Matters reserved for the Board are:

- determining the Company's overall strategy and direction
- establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently
- ensuring effective corporate governance
- approving budgets and reviewing performance relative to those budgets
- approving financial statements
- approving material agreements and non-recurring projects, and
- approving senior and Board appointments.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board, the Chairman's responsibilities are to ensure:

- committees are properly structured and operate with appropriate terms of reference
- the performance of individual directors, the Board and its committees are reviewed on a regular basis

Corporate Governance Report (continued)

Principle	*Application*
	• the Company has a coherent strategy and sets objectives against this • there is effective communication between the Company and its shareholders. The CEO provides coherent leadership and management of the Company, leads the development of objectives, strategies and performance standards as agreed by the Board, ensures that the assets of the Company are maintained and safeguarded, leads on investor relations activities to ensure communications and the Company's standing with shareholders and financial institutions is maintained. The non-executive directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the executive directors and ensure that the Company is operating within the governance and risk framework approved by the Board. The Company Secretary is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk. This role is currently filled by the Company's CFO. The Board acknowledges the QCA guidelines on this matter and consider the joint roles appropriate for the Company's size. The Company Secretary has direct access to the Chairman on matters of corporate governance.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	In addition to the investor relations activities described above the following committee reports are provided; The Audit Committee, which comprises Dr Cathy Prescott (Chair), Martin Hunt and Doug Quinn, met twice during the course of the year. The Committee met with the external auditors prior to the approval of the annual accounts. Consideration was given to the auditors' pre and post audit reports and these provided opportunities to review the accounting policies, internal controls and the financial information contained within both the annual and interim reports. The Committee engaged the external auditors for a review of the interim statement prior to its release. The Remuneration Committee is comprised of Martin Hunt (Chair) and Stephen O'Hara and met once during the course of the year. Remuneration packages for the executive directors comprise a basic salary and performance related bonus. There is a compulsory government pension contribution scheme in place for all directors and employees. In addition, executive directors and senior employees participate in a share option long term incentive plan.

Principle

Application

The structure of the remuneration packages was established ahead of the Company's IPO in April 2017 and agreed as remaining appropriate. In setting remuneration, the committee took into consideration the compensation packages of comparable AIM listed companies. No new share option awards were made. The committee extended the vesting period of options granted to a consultant to the Company in April 2017.

The Insiders Committee, comprised of Doug Quinn (Chair) and Martin Hunt, met three times during the course of the year to review the Company's insider lists and review and approve requests for dealing in shares in the Company.

For information regarding the voting of shareholders at general meetings of the Company please see the Shareholder Information section of the website.

Director meeting attendance

	PLC board meetings		Committee meetings					
			Audit		Remuneration		Insider	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Martin Hunt	9	9	2	2	1	1	3	3
Stephen O'Hara	9	8	–	–	1	1	–	–
Prof Catherine O'Neill	9	9	–	–	–	–	–	–
Dr Cathy Prescott	9	9	2	2	–	–	–	–
Doug Quinn	9	9	2	2	–	–	3	3

Independent Auditors' Report To The Members of SkinBioTherapeutics plc

Opinion

We have audited the financial statements of SkinBioTherapeutics Plc for the year ended 30 June 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Intangible assets The Company had IP amounting to £215,412 at 01 July 2017. During the year the Company capitalised a further £72,260 (2017: £79,198) relating to intellectual property. These capitalised costs are not yet being amortised as the product is in the development stage. The Directors have assessed whether the costs meet the criteria for capitalisation and whether there are any indicators of impairment. We focused on whether the costs capitalised met the criteria for capitalisation.	We considered whether the nature of the costs met the criteria for the costs to be capitalised. We vouched a sample of the costs capitalised to invoices to confirm that they relate to intellectual property. We considered whether the Directors' policy for the treatment of such costs was reasonable and assessed whether the costs included in the reconciliation were in line with the Directors' policy.

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:

	Financial statements
Overall materiality	£70,000 (30 June 2017: £59,000).
How we determined it	Based on an average of 10% of loss before tax and 1.5% of gross assets.
Rationale for benchmark applied	We believe that loss before tax is the primary measure used by the shareholders in assessing the performance of the Company, whilst gross assets values are a representation of the size of the Company. Both are generally accepted auditing benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,500 (30 June 2017: £2,950) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

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

How we tailored the audit scope

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditors' Report To The Members of SkinBioTherapeutics plc (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters 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
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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.

Sanjay Parmar

(Senior Statutory Auditor)

For and on behalf of
Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London
EC1V 9EE

24 October 2018

Statement of Comprehensive Income

For the Year Ended 30 June 2018

	Note	For the year ended 30 June 2018 £	For the year ended 30 June 2017 £
Continuing operations			
Research and development		(415,902)	(156,726)
Initial public offering costs		–	(211,477)
Operating expenses		(525,549)	(304,496)
Loss from operations	3	(941,451)	(672,699)
Finance costs	5	–	(15,540)
Loss before taxation		(941,451)	(688,239)
Taxation	6	97,033	42,685
Loss for the year		(844,418)	(645,554)
Other comprehensive income		–	–
Total comprehensive loss for the year		(844,418)	(645,554)
Basic and diluted loss per share (pence)	14	(0.71)	(1.11)

The notes on pages 25 to 38 form part of these financial statements.

Statement of Financial Position

As at 30 June 2018

	Note	As at 30 June 2018 £	As at 30 June 2017 £
ASSETS			
Non-current assets			
Intangible assets	7	287,672	215,412
Total non-current assets		287,672	215,412
Current assets			
Other receivables	8	93,421	151,189
Corporation tax receivable	6, 8	86,272	42,685
Cash and cash equivalents		3,182,898	3,922,903
Total current assets		3,362,591	4,116,777
Total assets		3,650,263	4,332,189
EQUITY AND LIABILITIES			
Equity			
Capital and reserves			
Called up share capital	11	1,187,085	1,187,085
Share premium	11	3,577,640	3,577,640
Other reserves	13	170,418	98,559
Accumulated deficit	13	(1,494,173)	(649,755)
Total equity		3,440,970	4,213,529
Liabilities			
Current liabilities			
Trade and other payables	9	209,293	118,660
Total current liabilities		209,293	118,660
Total liabilities		209,293	118,660
Total equity and liabilities		3,650,263	4,332,189

These financial statements were approved and authorised for issue by the Board of Directors on 24 October 2018 and were signed on its behalf by:

Doug Quinn
Director

Company Registration No. 09632164

The notes on pages 25 to 38 form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2018

	For the year ended 30 June 2018 £	For the year ended 30 June 2017 £
Cash flows from operating activities		
Loss before tax for the period	(941,451)	(688,239)
Convertible loan interest paid as equity	–	15,540
Share option expenses	71,859	98,559
	(869,592)	(574,140)
Changes in working capital		
(Increase)/decrease in trade and other receivables	57,768	(120,582)
Increase in trade and other payables	90,633	85,019
Cash generated by/(used in) operations	148,401	(35,563)
Taxation received	53,446	–
Net cash used in operating activities	(667,745)	(609,703)
Cash flows from investing activities		
Payments for intangible assets	(72,260)	(79,198)
Net cash used in investing activities	(72,260)	(79,198)
Cash flows from financing activities		
Net proceeds from issue of equity instruments of the Company	–	3,955,137
Net proceeds from issue of convertible loan notes	–	400,000
Net cash generated by financing activities	–	4,355,137
Net (decrease)/increase in cash and cash equivalents	(740,005)	3,666,236
Cash and cash equivalents at the beginning of the period	3,922,903	256,667
Cash and cash equivalents at the end of the period	3,182,898	3,922,903

The notes on pages 25 to 38 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
As at 1 July 2016	1,000	393,048	–	(4,201)	389,847
Loss for the period	–	–	–	(645,554)	(645,554)
Issue of shares	893,048	3,606,952	–	–	4,500,000
Costs of share issue	–	(544,863)	–	–	(544,863)
Issue of convertible loan notes	–	–	93,151		93,151
Conversion of convertible loan notes	293,037	122,503	(93,151)	–	322,389
Share-based payments	–	–	98,559	–	98,559
As at 30 June 2017	1,187,085	3,577,640	98,559	(649,755)	4,213,529
Loss for the period				(844,418)	(844,418)
Issue of shares	–	–	–	–	–
Costs of share issue	–	–	–	–	–
Issue of convertible loan notes	–	–	–	–	–
Conversion of convertible loan notes	–	–	–	–	–
Share-based payments	–	–	71,859	–	71,859
As at 30 June 2018	**1,187,085**	**3,577,640**	**170,418**	**(1,494,173)**	**3,440,970**

Share capital is the amount subscribed for shares at nominal value.

Share premium is the amount subscribed for share capital in excess of nominal value.

Other reserves arise from the equity element of a convertible loan issued and converted in the period to 30 June 2017, and from share options granted on 5 April 2017.

Retained earnings represents accumulated profit or losses to date.

The notes on pages 25 to 38 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 General information

SkinBioTherapeutics plc is a public limited company incorporated in England under the Companies Act and quoted on the AIM market of the London Stock Exchange (AIM: SBTX). The address of its registered office is given on page 1.

The principal activity of the Company is that of research and development into the effects of lysates derived from the human microbiome on skin.

2 Significant accounting policies and basis of preparation

a) Statement of compliance

The Financial statements of SkinBioTherapeutics plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRS Interpretations Committee (IFRIC) and the Companies Act 2006 applicable to companies reporting under IFRS.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments. The accounting policies have been applied consistently in all material respects.

The financial statements have been presented in Pounds Sterling ('Sterling') as this is the currency of the primary economic environment in which the Company operates.

c) Going concern

These financial statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board has considered the Company's projections for the twelve months from the date of approval of this financial information, including cash flow forecasts. The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis of accounting in preparing these financial statements.

d) Estimates and judgements

The preparation of financial statements requires the Board to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities as at each balance sheet date and the reported amounts of revenues and expenses during each reporting period. Any estimates and assumptions are based on experience and any other factors that are believed to be relevant under the circumstances and which the Board considers to be reasonable. Actual outcomes may differ from these estimates. Any revisions to accounting estimates will be recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change will be recognised over those periods.

Certain accounting policies which have a significant bearing on the reported financial condition and results of the Company require subjective or complex judgements. An example of such areas of judgement is the estimation of the lifetime of intangible assets, the capitalisation of development costs and share based payments.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2018

2 Significant accounting policies and basis of preparation continued

e) Application of new and revised International Financial Reporting Standards (IFRSs)

No new standards or interpretations issued by the International Accounting Standards Board ('IASB') or the IFRS Interpretations Committee ('IFRIC') have led to any material changes in the Company's accounting policies or disclosures during each reporting period.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Reference	**Title**	**Summary**	**Application date of standard (Periods commencing on or after)**
IFRS 2	Share-based payments	Amendments to classification and measurement of share-based payment transactions	1 January 2018
IFRS 9	Financial instruments	Revised standard for accounting for financial instruments	1 January 2018
IFRS15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more information and relevant disclosures	1 January 2018
IFRS16	Leases	Principles for the recognition, measurement, presentation and disclosure of leases	1 January 2019
IFRS17	Insurance contracts	Principles for the recognition, measurement, presentation and disclosure of insurance	1 January 2021

The adoption of these Standards and Interpretations is not expected to have a material impact on the financial information of the Company in the period of initial application when they come into effect.

f) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

g) Research and development

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

h) Impairment testing of intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets 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 to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the assets may be impaired.

2 Significant accounting policies and basis of preparation continued

i) Tax

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company's current tax is calculated using rates that have been enacted during the reporting period.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

j) Payroll expense and related contributions

Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered.

k) Share-based compensation

The Company issues share based payments to certain directors and others providing similar services. 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). Nonmarket 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.

l) Financial assets and liabilities

Financial assets and liabilities are recognised when the Company unconditionally becomes a party to the contractual terms of the instrument. Unless otherwise indicated, the carrying amounts of financial assets and liabilities are considered by the directors to be a reasonable estimate of their fair values at each balance sheet date.

Financial assets include trade and other receivable; these are classified as loans and receivables. Financial liabilities include trade and other payables, convertible loan notes and borrowings; these are classified as other financial liabilities carried at amortised cost.

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2018

2 Significant accounting policies and basis of preparation continued

l) Financial assets and liabilities continued

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred directly to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method

Derecognition

Financial assets are derecognised when rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the terms of a financial liability are renegotiated and result in the Company issuing equity instruments to a creditor of the Company to extinguish all or part of the financial liability, the Company recognises the issue of equity instruments at their fair values. Any difference between the fair value of the equity instruments and the carrying amount of the financial liability to be extinguished is recognised in the income statement.

Trade and other receivables

Trade and other receivables are recognised initially at their fair value and subsequently at their amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the recoverability of the asset is at risk, appropriate allowances for any estimated irrecoverably amounts are recognised in the income statement.

Trade and other payables

Trade and other payables are recognised initially at their fair value, net of transaction costs, and subsequently at their amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand.

Borrowing and finance charges

Bank borrowings are initially recognised at their fair value, net of any transaction cost directly attributable to their issue. Subsequently bank borrowings are carried at their amortised carrying value using the effective interest method.

2 Significant accounting policies and basis of preparation continued

m) Financial risk management

Risk management objectives

Management identify and evaluate financial risks on an on-going basis. The principal risks to which the Company is exposed are market risk (including interest rate risk, and cash flow risk), credit risk, and liquidity risk.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks arise from open positions in (a) interest-bearing assets and liabilities, and (b) foreign currencies; to the extent that these are exposed to general and specific market movements (see details below).

Interest rate risk

The Company's interest-bearing assets comprise of only cash and cash equivalents. As the Company's interest-bearing assets do not generate significant amounts of interest; changes in market interest rates do not have any significant direct effect on the Company's income.

Currency risk

The Company is exposed to movement in foreign currency exchange rates arising from normal trading transactions that are denominated in currencies other than the respective functional currencies of the Company. The Company does not have a policy to hedge its exposure to foreign currency exchange risk as currently overseas transactions are only a small percentage of total transactions and fluctuations in foreign currencies are not expected to significantly affect the Company's total transactions. In future the Company may consider hedging its exposure to foreign currency exchange risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash balances (including bank deposits, cash and cash equivalents) and credit exposures to trade receivables. The Company's maximum exposure to credit risk is represented by the carrying value of cash and cash equivalents and trade receivables.

Credit risk is managed by monitoring clients and performing credit checks before accepting any customers.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Company seeks to manage its liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs.

n) Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Company's overall strategy remained unchanged during the period.

The capital structure of the Company consists of cash and cash equivalents, issued capital, the share premium account, the share-based compensation reserve resulting from the grant of equity-settled share options to selected directors and others providing similar services, and retained earnings.

The Company is not subject to any externally imposed capital requirements.

As part of the Company's management of capital structure, consideration is given to the cost of capital.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2018

3 Operating loss

	30 June 2018 £	30 June 2017 £
An analysis of the Company's operating loss has been arrived at after charging/(crediting):		
Other income	(84)	(5)
Research and development	415,902	156,726
Directors remuneration (including share-based compensation)*	212,541	38,881
Auditors remuneration		
– audit fees	10,995	14,000
– other services	1,750	11,049
Foreign exchange differences	345	69
Other operating costs	300,002	240,502
Initial public offering costs	–	211,477
Total operating expenses	941,451	672,699

* Excludes directors remuneration included within research and development.

The Company has one reportable segment, namely the research and development of the SkinBiotix® technology, all within the United Kingdom.

4 Employees and directors

The average monthly number of employees and senior management was:

	30 June 2018 Number	30 June 2017 Number
Executive directors	2	2
Non-executive directors	3	2
Employees	1	-
Average total persons employed	6	4

As at 30 June 2018 the Company had 6 employees (30 June 2017:5).

Staff costs in respect of these employees were:

	30 June 2018 £	30 June 2017 £
Wages and salaries	85,347	37,784
Social security costs	1,799	1,986
Defined contribution pensions	427	-
Share-based payments (see note 12)	71,859	15,469
Total remuneration	159,432	55,239

Some of these staff costs are included within research and development.

All the directors above can be considered to be key management and have the responsibility for planning, directing and controlling, directly or indirectly, the activities of the Company.

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

4 Employees and directors continued

The Company operates a defined contribution pension scheme for employees and directors. The assets of the scheme are held separately from those of the Company in independently administered funds. The amounts outstanding at 30 June 2018 are £841 (2017: nil).

Directors remuneration:	30 June 2018 £	30 June 2017 £
Prof Catherine O'Neill	64,763	38,782
Doug Quinn	85,022	7,156
Dr Cathy Prescott	20,083	7,301
Martin Hunt	54,703	1,000
Stephen O'Hara	20,084	1,000
Total remuneration	244,655	55,239

The highest paid director received total emoluments of £85,022 during the year.

5 Finance cost

	30 June 2018 £	30 June 2017 £
Interest payable on loan notes	–	15,540
Total finance cost	–	15,540

6 Taxation

Income taxes recognised in profit or loss

	30 June 2018 £	30 June 2017 £
Current tax		
Current period – UK corporation tax	–	–
R&D tax credit	86,272	42,685
R&D tax credit - prior year	10,761	-
Tax credit for the year	97,033	42,685

The tax charge for each period can be reconciled to the loss per the statement of comprehensive income as follows:

Loss on ordinary activities before tax	(941,451)	(688,239)
Normal applicable rate of tax	19.00%	19.75%
Loss on ordinary activities multiplied by normal rate of tax	(178,876)	(135,927)
Effects of:		
Disallowables	17,180	42,404
R&D enhanced deductions	(63,895)	(32,861)
R&D tax credit	(97,033)	(42,685)
Losses surrendered	113,046	58,140
Unused tax losses carried forward	112,545	68,245
UK tax charge/(credit)	(97,033)	(42,685)

The Company has an unrecognised deferred tax asset of £173,344 at the period end, which has not been recognised in the financial statements due to uncertainty of future profits. The Company has an estimated tax loss of £912,336 available to be carried forward against future profits.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2018

7 Intangible assets

	Intellectual property £	Total £
Cost		
At 1 July 2016	136,214	136,214
Additions	79,198	79,198
At 30 June 2017	215,412	215,412
Additions	72,260	72,260
At 30 June 2018	**287,672**	**287,672**
Accumulated amortisation		
At 1 July 2016	–	–
Charge for the period	–	–
At 30 June 2017	–	–
Charge for the period	–	–
At 30 June 2018	**–**	**–**
Net book value		
At 1 July 2016	136,214	136,214
At 30 June 2017	215,412	215,412
At 30 June 2018	**287,672**	**287,672**

Intellectual property is to be amortised over the expected period that the asset generates income.

8 Trade and other receivables

	30 June 2018 £	30 June 2017 £
Prepayments	**27,185**	39,726
Corporation tax	**86,272**	42,685
VAT recoverable	**66,086**	111,463
Other receivables	**150**	–
	179,693	193,874

The fair values of the Company's trade and other receivables are considered to equate to their carrying amounts. The maximum exposure to credit risk for trade receivables is represented by their carrying amount. There are no financial assets which are past due but not impaired. No financial assets are impaired.

9 Trade and other payables

	30 June 2018 £	30 June 2017 £
Current		
Trade creditors	**130,534**	85,412
Accruals	**72,842**	29,996
Other taxes	**1,835**	1,733
Other payables	**4,082**	1,519
	209,293	118,660

Trade and other payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30-day terms. The directors consider that the carrying value of trade and other payables approximates to their fair value. All trade and other payables are denominated in Sterling. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

The fair value of trade and other payables approximates their current book values.

10 Financial instruments

Maturity analysis

A summary table with maturity of financial assets and liabilities presented below is used by management to manage liquidity risks. The amounts disclosed in the following tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not material.

The maturity analysis of financial instruments at 30 June 2018 is as follows:

	Carrying amount £	On demand and less than 3 months £	3 to 12 months £	1 to 2 years £	2 to 5 years £
Assets					
Cash and cash equivalents	3,182,898	3,182,898	–	–	–
Trade and other receivables	179,693	179,693	–	–	–
	3,362,591	3,362,591	–	–	–
Liabilities					
Trade and other payables	209,293	209,293	–	–	–
Borrowings	–	–	–	–	–
	209,293	209,293	–	–	–

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2018

10 Financial instruments continued

Maturity analysis continued

The maturity analysis of financial instruments at 30 June 2017 is as follows:

	Carrying amount £	On demand and less than 3 months £	3 to 12 months £	1 to 2 years £	2 to 5 years £
Assets					
Cash and cash equivalents	3,922,903	3,922,903	–	–	–
Trade and other receivables	193,874	193,874	–	–	–
	4,116,777	4,116,777	–	–	–
Liabilities					
Trade and other payables	118,660	118,660	–	–	–
Borrowings	–	–	–	–	–
	118,660	118,660	–	–	–

11 Share capital

Issued and fully paid	Number	Share capital £	Share premium £
As at 30 June 2016	100,000	1,000	393,048
Bonus issue of £0.01 ordinary shares	39,304,800	393,048	(393,048)
Issued on loan note conversion	29,303,694	293,037	122,503
Issued under placing agreement	50,000,000	500,000	4,000,000
Costs related to shares issued under placing agreement	–	–	(544,863)
As at 30 June 2017	118,708,494	1,187,085	3,577,640
As at 30 June 2018	**118,708,494**	**1,187,085**	**3,577,640**

Share capital is the amount subscribed for shares at nominal value, issued and fully paid.

Share premium is the amount subscribed for share capital in excess of nominal value.

The issued ordinary shares carry one voting right per share and do not carry any rights to fixed income.

12 Share-based payments

Share options

The Company operates share-based payment arrangements to remunerate directors and others providing similar services in the form of a share option scheme. The exercise price of the option is normally equal to the market price of an ordinary share in the Company at the date of grant. 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. The options carry neither rights to dividends nor voting rights.

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

	30 June 2018		30 June 2017	
	Number of options	**Weighted average exercise price £**	Number of options	Weighted average exercise price £
Outstanding at 1 July	**11,027,565**	**0.09**	–	–
Granted during the year	**–**	**–**	11,027,565	0.09
Forfeited/cancelled during the year	**–**	**–**	–	–
Outstanding at 30 June	**11,027,565**	**0.09**	11,027,565	0.09

On 5 April 2017, 5,189,442 options were granted at an exercise price of £0.09 per share and are exercisable based upon achieving any one of three performance conditions. The performance conditions are based on the commercial viability of developed products, or the entering into of joint ventures, partnerships, collaborations or agreements for the sale or licensing of products.

On 5 April 2017, 5,189,443 options were granted at an exercise price of £0.09 per share and are exercisable based upon achieving either of two market conditions. These market conditions are based on the achievement of an 18p share price for more than a 30-day continuous period, or a qualifying exit with a share price of not less than 18p.

On 5 April 2017, 648,680 options were granted at an exercise price of £0.09 per share and are exercisable based upon achieving three performance conditions by 30 September 2017. Vesting conditions dictate that some of the options will vest for each of the performance conditions achieved. Performance conditions include achieving targets involving proofs of principles, proof of concepts and prototype formulations. The conditions are not dependent on each other and will vest separately.

On 30 June 2018 the exercise date of the 648,680 options in pool 3 was extended to 31 December 2019. The fair value was recalculated based on the original valuation with the new exercise date, and then the additional fair value added due to the extension charged to the statement of comprehensive income over the extended period.

The fair values of the share options issued in the year were derived using the Black Scholes model. The total charge recognised for the year ended 30 June 2018 for share options is £71,859 (2017: £18,431). The following assumptions were used in the calculations:

Deed pool	1	2	3a	3b	3c
Grant date	05/04/17	05/04/17	05/04/17	05/04/17	05/04/17
Exercise price	9p	9p	9p	9p	9p
Share price at grant date	9p	9p	9p	9p	9p
Risk-free rate	0.24%	0.24%	0.05%	0.05%	0.05%
Volatility	60%	60%	60%	60%	60%
Expected life	3.5 years	3.5 years	2.75 years	2.75 years	2.75 years
Fair value	2.58p	1.85p	2.30p	2.30p	2.30p

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2018

12 Share-based payments continued

The closing share price per share at 30 June 2018 was 14.50p (30 June 2017: 10.13p)

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

Warrants

On 29 March 2017 the Company executed a warrant agreement to create and issue warrants to the Company's nominated adviser Cairn Financial Advisers LLP to subscribe for 890,314 ordinary shares of £0.01 for a cost of £0.09 per ordinary share. The warrants are exercisable for a period of 5 years through until 5 April 2022. No warrants have yet been subscribed to.

The Company has accounted for the charge arising from the issue of warrants as below:

The total charge recognised for the year ended 30 June 2018 for warrants is nil, as the entire fair value of £80,128 had been released in 2017. The fair values of the warrants granted have been estimated at cost as the warrants are available immediately and are unconditional.

13 Reserves

	Other reserves £	Retained earnings £	Total £
As at 10 June 2015	–	(4,201)	(4,201)
Issue of convertible loan notes	93,151	–	93,151
Conversion of convertible loan notes	(93,151)	–	(93,151)
Issue of share options	98,559	–	98,559
Loss for the period	-	(645,554)	(645,554)
As at 30 June 2017	98,559	(649,755)	(551,196)
Issue of share options	71,859	-	71,859
Loss for the period	-	(844,418)	(844,418)
As at 30 June 2018	**170,418**	**(1,494,173)**	**(1,323,755)**

Other reserves arise from the equity element of the convertible loan (see note 15) and share-based payments (see note 12).

Retained earnings represents accumulated profit or losses to date.

14 Loss per share

	30 June 2018 £	30 June 2017 £
Basic and diluted loss per share		
Loss after tax (£)	**(844,418)**	(645,554)
Weighted average number of shares	**118,708,494**	58,307,324
Basic and diluted loss per share (pence)	**(0.71)**	(1.11)

As the Company is reporting a loss from continuing operations for the year then, in accordance with IAS 33, the share options are not considered dilutive because the exercise of the share options would have an anti-dilutive effect. The basic and diluted earnings per share as presented on the face of the income statement are therefore identical.

15 Convertible loans

On 31 October 2016, the Company drew down a loan of £400,000 ("Loan") under a term loan facility agreed on 13 October 2016 with its parent company to fund its ongoing working capital requirements. The Loan was unsecured, bearing interest at a rate of 5% per annum, and repayable in full on 30 September 2020. The Loan was converted into 1 ordinary share in the Company for every £0.01365 of the Loan prior to admission to AIM on 5 April 2017.

Value of liability component and equity conversion component

The values of liability component and equity conversion component were determined at issuance of the convertible loan. The liability component of the Loan was calculated using a market interest rate for an equivalent non-convertible loan with effective interest rates of 12% at initial recognition. The residual amount, representing the value of the equity conversion component, was included and presented in equity under the heading of "other reserves".

	£
Proceeds of issue	400,000
Liability component at the date of issue	(306,849)
Equity component	93,151

Conversion

The effective interest was calculated immediately prior to conversion and recognised in the Statement of Comprehensive Income, and the remaining liability component of the Loan converted to equity.

	£
Liability component at the date of issue	306,849
Interest charged up to conversion date at an effective interest rate of 12%	15,540
Interest paid	–
Liability component immediately before conversion on 5 April 2017	322,389

	£
Liability component immediately before conversion on 5 April 2017	322,389
Equity component	93,151
Total converted to equity	415,540

	Number £	Share Capital £	Share Premium £
Equity converted into:	29,303,694	293,037	122,503

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2018

16 Related party transactions

During the period ended 30 June 2018, the Company was charged fees of £48,803 and travel expenses of £70 by Quinn Corporate Services Ltd, a company in which Doug Quinn, a director of the Company, is also a director. These fees relate to Doug Quinn's consultancy services to the Company. As at 30 June 2018 £4,000 was outstanding.

During the period ended 30 June 2018, the Company was charged fees of £24,068 and travel expenses of £812 by Invictus Management Ltd, a company in which Martin Hunt, a director of the Company, is also a director. These fees relate to Martin Hunt's consultancy services to the Company. As at 30 June 2018 £2,068 was outstanding.

During the period ended 30 June 2018, the Company was charged fees of £12,000 by Biolatris Ltd, a company in which Dr Cathy Prescott, a director of the Company, is also a director. These fees relate to Dr Cathy Prescott's consultancy services to the Company. As at 30 June 2018 nil was outstanding.

During the period ended 30 June 2018, the Company was charged fees of £20,000 by Intelligent Biotech Ltd, a company in which Stephen O'Hara, a director of the Company, is also a director. These fees relate to Stephen O'Hara's consultancy services to the Company. As at 30 June 2018 nil was outstanding.

17 Ultimate controlling party

No one shareholder has control of the Company.

18 Events after the reporting date

The Company has evaluated all events and transactions that occurred after 30 June 2018 up to the date of signing of the financial statements.

No material subsequent events have occurred that would require adjustment to or disclosure in the financial statements.

Notice of 2018 Annual General Meeting

SKINBIOTHERAPEUTICS PLC (the "Company")

(Registered in England and Wales with company number 09632164)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the above-named company will be held at 111 PICCADILLY, MANCHESTER, M1 2HY on 19 November 2018 at 11:00 AM for the transaction of the following business:

Ordinary Business

To consider, and if thought fit, to pass the following resolutions 1 to 4 as ordinary resolutions:

1. **THAT** the directors' and auditors' reports and the financial statements for the financial year ended 30 June 2018 be received and adopted.
2. **THAT** Jeffreys Henry be re-appointed as the auditors of the Company until the next Annual General Meeting and the directors be authorised to fix their remuneration.
3. **THAT** Douglas Quinn, who retires in accordance with the Articles of Association of the Company, be re-elected as a director of the Company.
4. **THAT** Catherine Prescott, who retires in accordance with the Articles of Association of the Company, be re-elected as a director of the Company.

Special Business

To consider and, if thought fit, to pass the resolutions set out below, of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as special resolutions:

5. **THAT** the directors be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to allot relevant securities (within the meaning of that section) up to one third of the existing share capital of the Company being an aggregate nominal amount of £395,694.98. The authority referred to in this resolution shall be in substitution for all other existing authorities, and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company. The Company may, at any time prior to the expiry of the authority, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the authority and the directors are hereby authorised to allot relevant securities in pursuance of such offer or agreement as if the authority had not expired.
6. **THAT** the directors, pursuant to Section 570 of the Act, be empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 5 as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
   - (a) the allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to the holders of ordinary shares in the capital of the Company in proportion (as nearly as maybe) to their holdings of such ordinary shares but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with equity securities representing fractional entitlements and with legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in, any territory; and
   - (b) the allotment, other than pursuant to (a) above, of equity securities:
     - (i) arising from the exercise of options and warrants outstanding at the date of this resolution; and
     - (ii) including any issue pursuant to (i) above, up to one third of the existing share capital of the Company up to an aggregate nominal value of £395,694.98,

   and this power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company. The Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

By order of the Board

Douglas Quinn
Company Secretary

Dated 25 October 2018

Registered Office
15 Silk House
Park Green
Macclesfield
England
SK11 7QJ

Notes to Notice of 2018 Annual General Meeting

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and by paragraph 18(c) of The Companies Act (Consequential Amendments) (Uncertificated Securities) Order 2009, only those members entered on the Company's register of members not later than 11:00 am on 16 November 2018, or if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 2 days before the time fixed for the adjourned meeting (excluding non-business days) shall be entitled to attend and vote at the meeting.
2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy (or proxies) to attend, speak and vote in his place. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.
3. To be effective, the Form of Proxy must be deposited at the office of the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, GU9 7DR so as to be received not later than 11:00 am on 16 November 2018, or if the meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting.
4. 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.

   Where you have appointed a proxy, and would like to change the instructions, please contact the Share Registrars Limited, The Courtyard, 17 West Street, Farnham, GU9 7DR.
5. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, GU9 7DR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   In either case, the revocation notice must be received by the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, GU9 7DR 11:00 am on 16 November 2018. If you attempt to revoke your proxy appointment but the revocation is received after the time specified above, then your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising 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 made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland 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 our agent Share Registrars Limited (ID 7RA36) no later than 11:00 am on 16 November 2018 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (excluding any part of a day that is not a working day). 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, Share Registrars Limited, 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. 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.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland 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 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 the CREST system 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.

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SkinBioTherapeutics
15 Silk House, Park Green, Macclesfield, SK11 7QJ