Annual Report and Financial Statements
For the Year Ended 30 June 2019

SkinBioTherapeutics plc

Company Registration Number: 09632164

SkinBioTherapeutics

Contents

Statutory and Other Information

Directors	Martin Hunt	Non-Executive Chairman
	Stuart Ashman (appointed 18 April 2019)	Chief Executive Officer
	Doug Quinn	Chief Financial Officer
	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	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
Public relations	Instinctif Partners 65 Gresham Street London EC2V 7NQ	

Chairman's Statement

2019 has been a transitional and exciting year for SkinBioTherapeutics, with the Company moving from a scientific focus – proving the SkinBiotix® technology works in humans - to commencing and, post year end, closing its first commercialisation deal. Overall, the Company has been building value through achieving its business objectives and, identifying and developing the future plans and opportunities for its technology platform.

The beginning of the year was dominated by the Company's first human study, looking at skin irritancy, moisturisation and impact on skin barrier. The positive results demonstrated SkinBiotix's safety and efficacy, and provided the data required to progress its cosmetic application.

Armed with the positive clinical data and as part of the Company's transition towards commercialisation, the Board took the decision to strengthen the management team with the appointment of Stuart Ashman as Chief Executive in April 2019. This has provided additional bandwidth for Dr Catherine O'Neil to focus on the scientific development of the Company and she transitioned into the non-Board role of Chief Scientific Officer (CSO).

The other change has been the Non-Executive Director, Stephen O'Hara. On the back of the positive progress made by the Company since its admission to AIM in 2017 and his increasing commitments at OptiBiotix Health plc, he stepped down from the Board in July 2019.

On behalf of the Board, I would like to take the opportunity to thank both Cath and Stephen for their valuable contributions to the Company to date and look forward to Cath's continuing scientific contribution in her role as CSO.

During the year, the Company also announced it had raised a total of £1.5m in gross proceeds through a placing of shares to funds managed by Seneca Partners Limited, an existing shareholder of the Company. Costs have continued to be carefully managed and the Company ended the year with a cash balance of £3.1m (2018: £3.2m), which is line with management's expectations.

Since year end, SkinBioTherapeutics has signed its first commercial deal with global specialist chemicals manufacturer Croda International plc ("Croda"). Details of the deal were announced recently and are included in the operational review section. This deal marks an important milestone for the Company and its proprietary technology, SkinBiotix®. The team is driving other commercialisation opportunities for 2020 and will update shareholders as soon as these are realised.

The Company has developed a longer term strategy which will encompass both existing and new technology. The detail is included in the strategic section below, but in summary, the Board and management team has identified five different channels in which the Company intends to develop its focus. Each channel offers the potential for multiple applications or sub-channels. This ties in with the body of science related to the microbiome and its impact on human physiology and diseases which continues to expand and is an area of increasing focus.

The 'science-led' approach will continue to underpin the Company's strategic focus and is a key element of the commercialisation strategy. We look forward to another exciting year ahead.

Martin Hunt
Chairman

25 November 2019

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 cells 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.

Following a strategic review by the Board and new management team, upon appointment of Stuart Ashman, the Company has identified five channels in which it intends to develop its focus, encompassing both existing and new technology. Each channel offers the potential for multiple applications or sub-channels.

SkinBiotix®

This is the Company's core technology and the primary focus has been on completion of a first human study to generate data and agreeing terms for its commercialisation. The agreement with Croda currently extends to the applicability of the SkinBiotix® technology for use in cosmetic applications in active skincare. Croda, along with their speciality cosmetics division – Sederma, have a portfolio of over 12,000 global cosmetic customers and supply into a market of high growth estimated at $100+bn (Source: Euromonitor passport stats 2016). Opportunities exist for the Company to explore the use of the technology in other areas, for example oral indications, toothpaste, mouthwash etc. to prevent the build-up of bacteria by reinforcing the gum barriers resistance. Work is underway to further explore this area.

AxisBiotix

An emerging area of science is focussed on the gut-skin axis and its role in various diseases. One such disease that is considered to be influenced by the gut-skin axis is psoriasis. This is a chronic relapsing inflammatory condition of the skin with a prevalence of ~3% in the western world with a market value of $3.9bn with a CAGR of 3.8% (Source Reuters 2019). Current treatments include emollients for relatively mild disease, through to the biologic therapies in severe disease. For the group in the middle, mild to moderate psoriasis, mainstay therapy tends to be steroid based. Steroids cannot be used long term and have side effects. Thus, there is an unmet clinical need for new, safer ways of treating patients in the mild to moderate group. Anecdotal evidence from patients, suggests that many of them have turned to oral probiotics as an 'alternative' therapy and report success in control of their disease. However, the effects of probiotics on psoriasis has been investigated in only two studies which did not make the choice of probiotic organisms based on known disease pathways. SkinBioTherapeutics is currently in discussions with a specialist manufacturer of probiotic formulations, in order to design a probiotic blend based on known psoriasis disease pathways and the modifying properties of specific bacteria species on these pathways. Since these are existing approved formulations there will be little in the way of development work and, subject to agreeing the collaboration agreement and initiating the programme, the Company anticipates being able to commence a human study in 2020.

Strategic and Financial Review (continued)

MediBiotix

This channel is targeted as the use of technology for medical device applications and currently the Company is focussing on the application of its existing SkinBiotix technology for the indication eczema.

The skin of eczema sufferers is commonly infected with Staphylococcus aureus (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 market for eczema is reported as $3.9bn with CAGR of 3.8% (Source Pharmapoint Global Data 2014).

Initial work in the lab has demonstrated that SkinBiotix® fulfils a 'physical mode of action' with regard to S. aureus – it prevents the attachment of S. aureus to the skin. The physical mode of action of SkinBiotix® would allow 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.

In recent months the Company has conducted further lab work to demonstrate the physical mode of action and is currently reviewing this data with its regulatory adviser before seeking to engage with the regulatory notified body on the matter. Additionally, the Company is in discussions with a number of global advanced woundcare companies to further explore the potential for the use of probiotic lysates in the treatment of various categories of wounds.

CleanBiotix

Healthcare acquired infections (HAI) remains an area of critical concern for healthcare providers. The growing resistance of certain infection strains and the lack of new antibiotics is driving the need to discover and develop new methods of controlling bacterial growth, colonisation and infection. The market for HAI is reported at $17.1bn with a CAGR of 6.1% (Source BCC 2015).

Opportunities exist in this regard due to the ability of the SkinBiotix® technology preventing the adherence of the pathogen Staphylococcus aureus. The Company is working with a third party seeking to initiate exploratory discussions in regard to both HAI and Domestic Hygiene.

PharmaBiotix

As an extension to medical device and Axis applications, the Company has the potential to pursue medicinal prescription registration routes for current and future technologies. This is a time consuming and expensive pathway, but subject to positive clinical outcomes, has the potential for significantly higher financial returns. Whilst SkinBioTherapeutics is not currently targeting this channel it is a future potential pathway for both the eczema and psoriasis opportunities and a natural progression from both MediBiotix and AxisBiotix.

Financial review

Operating expenditure continued to increase during the course of the year, in line with management forecasts. In February 2019, the Company raised £1.5m in gross proceeds through a share placing at 16 pence per share. The Company held £3.1m of cash at year-end (2018: £3.2m). Research and development expenditure was £708k (2018: £416k) comprising development work with the University of Manchester, ongoing manufacture, scale-up and formulation work as well as the costs for the cosmetic human study. All such expenditure was expensed in the period.

Ongoing operating costs were £652k (2018: £526k) covering employment, consultancy, PLC support costs and marketing. Overall the Company made a loss before tax of £1,360k (2018: £941k).

Operational review

Clinical update

The human study for the cosmetic application incorporating the SkinBiotix® technology was the primary focus of the Company for 2019, the results of which were detailed in the RNS of 8 April 2019. The study, which commenced in September 2018, was primarily undertaken to show the effects of SkinBiotix® on the barrier of healthy skin. The secondary endpoint was to demonstrate that the technology is safe and well tolerated in a large group of people (129) using it twice a day for an extended period of time (29 days). The SkinBiotix® technology was incorporated within a cream formulation for application by the study subjects.

The study design involved three groups:

- Group 1 applied the active (cream containing SkinBiotix®) to one leg and nothing to the other
- Group 2 applied the vehicle (cream containing no SkinBiotix®) to one leg and nothing to the other
- Group 3 applied the vehicle to one leg and active to the other.

Measures of the barrier were then performed in all groups at 15 days and 29 days. The primary measures were Corneometry – a measure of how hydrated the skin is, and Transepidermal water loss ("TEWL") – a measure of water loss from the skin. A change to the barrier might be expected to be reflected in an increase in skin hydration or a reduction in TEWL. Some additional measurements of skin elasticity were also taken.

The data showed:

1) None of the 129 volunteers experienced any adverse skin reactions to the active.
2) A statistically significant increase in skin hydration at day 15 with the active, which was better than that produced by the vehicle. This effect was seen in the group under 50 years old. At day 29 there was no difference in skin hydration between any of the groups.
3) A small but statistically significant decrease in TEWL with the active at day 29 in the group over 60 years old.
4) In other age groups and, also, in measures of skin elasticity there was no difference between the vehicle and the active.

The results of this independent study demonstrated that SkinBiotix® is safe, well tolerated and has efficacy in certain age groups and time points. The change in skin hydration and water loss are in line with expectations from laboratory studies which have shown that SkinBiotix® increases the levels of proteins within the skin that are crucial for a healthy barrier. The increase in skin hydration in the younger group at day 15 may reflect the ability of younger skin to respond to the SkinBiotix® faster than older skin.

First commercialisation agreement signed

Having completed the study and generated positive data, the Company progressed discussions with third parties interested in licencing the technology, culminating in an agreement earlier this month with Croda International Plc. With turnover of c.£1.38bn and a market cap of £6.1bn, Croda is a FTSE 100 company using Smart Science to Improve Lives™. Croda delivers innovative, sustainable ingredients across a range of industries: Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals. A world leader in the field of skincare actives for the cosmetic industry, Croda offers a wide range of ingredients for skin and hair care products that are sold to major cosmetic brands across the world.

Under the terms of the agreement, SkinBioTherapeutics' proprietary SkinBiotix® platform will be paired with Croda's expertise in the development and commercialisation of unique, sustainable, cosmetic ingredients, focusing specifically on the growing skincare actives market. Sederma, part of Croda International, is a specialist manufacturer of bioactive ingredients for the cosmetic industry, and will be responsible for the development and commercialisation of the SkinBiotix® technology.

Croda will be establishing a separate manufacturing line for the technology and as design and manufacture of the active ingredient is carried out there will be concurrent testing in focussed ingredient application areas which will be detailed in further, additional agreements.

Any licensed products resulting from this agreement will be sold to Croda's global portfolio of Personal Care customers. SkinBioTherapeutics will be paid tiered royalties based on global sales revenues on any licensed products derived from the partnership which will be covered in individual ingredient application agreements. Recognising the development activity required by Croda, the Company anticipates revenue generation to commence from these additional agreements from 2021.

Sales and distribution rights are for the cosmetic sector alone, leaving SkinBioTherapeutics to focus on further applications of its technology in other sectors. A key component of this agreement is access to a reliable supply of material and Croda will supply SkinBiotix™ for the Company to be able to use in sectors outside of those covered by this agreement.

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 technology 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 regularly 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.

Strategic and Financial Review (continued)

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 immediate future and has not yet demonstrated an ability to 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 ongoing 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.

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 has emerged 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 successfully completed the human safety study and subsequently executed a commercial ingredient and manufacturing agreement with Croda, the Company will focus on its identified five core areas over the course of 2020 as well as seeking further commercialisation opportunities.

The successful completion of the human safety study for the SkinBiotix® technology was an important milestone this year. The quality of the scientific data and the readout from the study have proved to be prerequisites to reaching agreement with Croda. The project will commence in early 2020 and supporting its progress will be an important ongoing activity for SkinBioTherapeutics.

Next in development will be the progression of the eczema programme as a medical device, following the preliminary regulatory assessment. This will continue to be a significant workstream in 2020 as will the commencement of the psoriasis programme, something the Company expects to be able to announce further progress on early in the new year. The Company will also explore additional application areas in fields that include woundcare, skincare, healthcare acquired infections (HAI) and surface cleaning.

Strong progress has been made this year across the business and the Board and management team are optimistic for the outlook in 2020.

Stuart J. Ashman
Chief Executive Officer

25 November 2019

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2019.

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 were:

Stuart Ashman	(Appointed 18 April 2019)
Dr Catherine O'Neill	(Resigned 4 July 2019)
Doug Quinn	
Martin Hunt	
Dr Cathy Prescott	
Stephen O'Hara	(Resigned 4 July 2019)

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
Dr Catherine O'Neill	5,256,989	4.1%	3,892,082	£0.09
Martin Hunt	466,667	0.4%	3,892,082	£0.09
Stuart Ashman	–	–	3,892,083	£0.18
Doug Quinn	444,444	0.3%	2,594,721	£0.09
Dr Cathy Prescott	56,112	0.04%		

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 20 November 2019, the following interests in 3% or more of the issued share capital appear in the register:

	Percentage of issued share capital
OptiBiotix Health Plc	35.8%
Seneca Partners Limited	20.9%
University of Manchester	6.2%
Dr Catherine O'Neill	4.1%
Prof Andrew McBain	3.3%

Directors remuneration

The Directors received the following remuneration during the year:

Executive	Salaries	Fees	Share based payments	Pension contributions	Total remuneration
Dr Catherine O'Neill (resigned 4 July 2019)	£41,000	–	£24,620	£795	£66,415
Doug Quinn	£12,079	£75,140	£16,414	£142	£103,775
Stuart Ashman (appointed 18 April 2019)	£52,067	–	£7,758	£329	£60,154
Non-executive					
Martin Hunt	£6,180	£24,820	£24,620	–	£55,620
Dr Cathy Prescott	£4,200	£16,800	–	–	£21,000
Stephen O'Hara (resigned 4 July 2019)	£4,200	£16,800	–	–	£21,000
	£119,726	**£133,560**	**£73,412**	**£1,266**	**£327,964**

Financial instruments

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

Research and development

The Strategic and Financial Review on pages 3-7 gives information of the Company's research and development activities.

Events after the reporting date

Refer to note 17 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

Directors' Report (continued)

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; and
- 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 has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board of Directors on 25 November 2019 and signed on its behalf by:

Stuart J. Ashman
Chief Executive Officer

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. The Board adopted the QCA code in September 2018 and considers that it does not depart from any of the principles of the QCA code.

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. 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 licence 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 20 November 2019)
OptiBiotix Health Plc	35.8%
Seneca Partners Limited	20.9%
University of Manchester	6.2%
Prof Cath O'Neill	4.1%
Prof Andrew McBain	3.3%

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. OptiBiotix Health Plc sold 1.7m shares in August 2019.

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. 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 19 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

Stephen O'Hara and Dr Cath O'Neill both resigned from the Board 4 July 2019. Dr O'Neill continues to serve the Company through her engagement as Chief Scientific Officer.

As at 4 July 2019 the Board comprised an independent non-executive chairman, two executive directors and one independent non-executive director. One director is 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.

Time commitment of at least two days per month.

Stuart Ashman, CEO

Appointed as a director in April 2019 and CEO in July 2019.

Stuart is an experienced commercial chief executive with considerable experience in the medtech and life science sectors.

Prior to joining the Company, Stuart served as CEO of Onbone Oy ("Onbone"), a Finnish private equity-backed medical device company. In this role, he successfully established a global sales force and distribution network and led the growth of a multi-million pound business.

Prior to Onbone, Stuart was President/CEO of Andover Healthcare Inc., a US-based wound management manufacturer, and before then, was President/CEO of TI Group, a UK-based medical/engineering company. Stuart also served as Senior VP, Global Sales & Strategic Marketing, BSN Medical (Biersdorf, Smith and Nephew) and was Director of Sales & Marketing at Smith & Nephew Plc, in its Woundcare, Casting & Bandaging division. In these roles, Stuart gained extensive experience of both direct sales management across multiple geographies, and of business to business selling. He has also been involved in M&A transactions and has achieved considerable commercial success in both small and large companies.

Stuart is a full-time employee of the Company.

Principle	Application

Application

Doug Quinn, CFO

Appointed as a director and CFO in December 2016 and Company Secretary in January 2017; Member of the Audit Committee and Chair of the Insider Committee.

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.

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

Time commitment of between 2-3 days per week.

Dr Catherine Prescott, Independent Non-Executive Director

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

Cathy is a 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 with the recent changes to the Board and 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.

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	With the changes to the Board during the latter months of the financial year the Board deferred its evaluation process until this current financial year. The performance review will be an internal review managed by the Chairman and 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 two full-time employees. 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 three times 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 comprised Martin Hunt (Chair) and up to 4 July 2019, Stephen O'Hara and met three times during the course of the year. Dr Cathy Prescott will replace Mr O'Hara on the Committee. 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, including for the incoming CEO, the Committee took into consideration the compensation packages of comparable AIM listed companies. Share options were granted to Stuart Ashman following his appointment as CEO.

The Insiders Committee, comprised of Doug Quinn (Chair) and Martin Hunt, met seven 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	14	14	3	3	3	3	7	7
Stephen O'Hara (resigned 4 July 2019)	14	12	–	–	3	3	–	–
Dr Catherine O'Neill (resigned 4 July 2019)	14	14	–	–	–	–	–	–
Dr Cathy Prescott	14	12	3	3	–	–	–	–
Doug Quinn	14	14	3	3	–	–	7	7
Stuart Ashman (appointed 18 April 2019)	2	2	–	–	–	–	–	–

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 2019 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 2019 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 capitalised intellectual property costs amounting to £287,672 at 01 July 2018. During the year the Company capitalised a further £59,198 (2018: £72,260) 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	£57,000 (2018: £70,000).
How we determined it	Based on an average of 5% of loss before tax and 1.5% of gross assets.
Rationale for benchmark applied	We believe that loss before tax and gross assets are 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. They are generally accepted auditing benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,850 (2018: £3,500) 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 9, 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
25 November 2019

Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Notes	2019 £	2018 £
Continuing operations			
Research and development		**(708,081)**	(415,902)
Operating expenses		**(652,400)**	(525,549)
Loss from operations	3	**(1,360,481)**	(941,451)
Finance costs		**–**	–
Loss before taxation		**(1,360,481)**	(941,451)
Taxation	5	**212,388**	97,033
Loss for the year		**(1,148,093)**	(844,418)
Other comprehensive income		**–**	–
Total comprehensive loss for the year		**(1,148,093)**	(844,418)
Basic and diluted loss per share (pence)	14	**(0.94)**	(0.71)

The notes on pages 27 to 39 form part of these financial statements.

Statement of Financial Position

As at 30 June 2019

	Notes	2019 £	2018 £
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,800	–
Intangible assets	7	346,870	287,672
Total non-current assets		353,670	287,672
Current assets			
Other receivables	8	242,580	93,421
Corporation tax receivable	5, 8	210,351	86,272
Cash and cash equivalents		3,124,864	3,182,898
Total current assets		3,577,795	3,362,591
Total assets		3,931,465	3,650,263
EQUITY AND LIABILITIES			
Equity			
Capital and reserves			
Called up share capital	11	1,280,835	1,187,085
Share premium	11	4,923,890	3,577,640
Other reserves	13	247,672	170,418
Accumulated deficit	13	(2,642,266)	(1,494,173)
Total equity		3,810,131	3,440,970
Liabilities			
Current liabilities			
Trade and other payables	9	121,334	209,293
Total current liabilities		121,334	209,293
Total liabilities		121,334	209,293
Total equity and liabilities		3,931,465	3,650,263

These financial statements were approved and authorised for issue by the Board of Directors on 25 November 2019 and were signed on its behalf by:

Doug Quinn
Director

Company Registration No. 09632164

The notes on pages 27 to 39 form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss before tax for the period	(1,360,481)	(941,451)
Depreciation of property, plant and equipment	3,400	–
Share option expenses	77,254	71,859
	(1,279,827)	(869,592)
Changes in working capital		
(Increase)/decrease in trade and other receivables	(146,159)	57,768
Increase/(decrease) in trade and other payables	(90,959)	90,633
Cash generated by/(used in) operations	(237,118)	148,401
Taxation received	88,309	53,446
Net cash used in operating activities	(1,428,636)	(667,745)
Cash flows from investing activities		
Payments for property, plant and equipment	(10,200)	–
Payments for intangible assets	(59,198)	(72,260)
Net cash used in investing activities	(69,398)	(72,260)
Cash flows from financing activities		
Net proceeds from issue of shares	1,440,000	–
Net cash generated by financing activities	1,440,000	–
Net (decrease) in cash and cash equivalents	(58,034)	(740,005)
Cash and cash equivalents at the beginning of the period	3,182,898	3,922,903
Cash and cash equivalents at the end of the period	3,124,864	3,182,898

The notes on pages 27 to 39 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
As at 1 July 2017	1,187,085	3,577,640	98,559	(649,755)	4,213,529
Loss for the period	–	–	–	(844,418)	(844,418)
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
Loss for the period	–	–	–	(1,148,093)	(1,148,093)
Issue of shares	93,750	1,406,250	–	–	1,500,000
Costs of share issue	–	(60,000)	–	–	(60,000)
Share-based payments	–	–	77,254	–	77,254
As at 30 June 2019	**1,280,835**	**4,923,890**	**247,672**	**(2,642,266)**	**3,810,131**

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 and 18 April 2019.

Retained earnings represents accumulated profit or losses to date.

The notes on pages 27 to 39 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

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 the development of technology to protect, manage and restore skin utilising proteins found in the human microbiota.

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 2019

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)
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 contracts	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) Property, plant and equipment

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

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

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

Plant & machinery 50%

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

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

2 Significant accounting policies and basis of preparation continued

i) 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.

j) 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.

k) 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.

l) 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). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

m) Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2019

2 Significant accounting policies and basis of preparation continued

m) Financial instruments continued

Financial assets

The Group's accounting policies for financial assets are set out below.

Management determine the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, revaluate this designation at every reporting date.

All financial assets are recognised on a trade date when, and only when, the Group becomes a party to the contractual provisions of an instrument. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except for those finance assets classified as at fair value through profit or loss ('FVPL'), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at FVPL, 'amortised cost' or 'fair value through other comprehensive income' ('FVOCI'). The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually, the Group recognises lifetime expected credit losses ('ECL') when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Trade receivables

Trade receivables are recognised initially at the lower of their original invoiced value and recoverable amount. A provision is made when it is likely that the balance will not be recovered in full. 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.

Financial liabilities and equity

Financial liabilities and equity are recognised on the Group's statement of financial position when the Group becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of transaction costs.

The Group's financial liabilities include trade payables and accrued liabilities.

2 Significant accounting policies and basis of preparation continued

m) Financial instruments continued

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Terms on accounts payable range from 10 to 90 days.

n) 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.

o) 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 2019

3 Operating loss

	2019 £	2018 £
An analysis of the Company's operating loss has been arrived at after charging/(crediting):		
Other income	(42)	(84)
Research and development	708,081	415,902
Directors remuneration (including share-based compensation)	294,412	212,541
Auditors remuneration		
– audit fees	9,500	10,995
– other services	1,750	1,750
Foreign exchange differences	1,745	345
Other operating costs	345,035	300,002
Total operating expenses	1,360,481	941,451

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:

	2019 Number	2018 Number
Executive directors	2	2
Non-executive directors	3	3
Employees	2	1
Average total persons employed	7	6

As at 30 June 2019 the Company had 8 employees (2018 : 6).

Staff costs in respect of these employees were:

	2019 £	2018 £
Wages and salaries	190,613	85,347
Social security costs	15,022	1,799
Defined contribution pensions	2,286	427
Share-based payments (see note 12)	77,254	71,859
Total remuneration	285,175	159,432

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 2019 are £1,359 (2018: £841).

Directors remuneration:	2019 £	2018 £
Dr Catherine O'Neill	66,415	64,763
Doug Quinn	103,775	85,022
Stuart Ashman	60,154	–
Dr Cathy Prescott	21,000	20,083
Martin Hunt	55,620	54,703
Stephen O'Hara	21,000	20,084
Total remuneration	327,964	244,655

The highest paid director received total emoluments of £103,775 during the year.

5 Taxation

Income taxes recognised in profit or loss

	2019 £	2018 £
Current tax		
Current period – UK corporation tax	–	–
R&D tax credit	210,350	86,272
R&D tax credit - prior year	2,038	10,761
Tax credit for the year	212,388	97,033

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	(1,360,481)	(941,451)
Normal applicable rate of tax	19.00%	19.00%
Loss on ordinary activities multiplied by normal rate of tax	(258,491)	(178,876)
Effects of:		
Disallowables	14,846	17,180
Capital allowances	(1,938)	–
R&D enhanced deductions	(155,793)	(63,895)
R&D tax credit	(212,388)	(97,033)
Losses surrendered	275,633	113,046
Unused tax losses carried forward	125,743	112,545
UK tax charge/(credit)	(212,388)	(97,033)

The Company has an unrecognised deferred tax asset of £297,935 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 £1,568,077 available to be carried forward against future profits.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2019

6 Property, plant and equipment

	Plant & Machinery £	Total £
Cost		
At 1 July 2017	–	–
Additions	–	–
At 30 June 2018	–	–
Additions	10,200	10,200
At 30 June 2019	**10,200**	**10,200**
Accumulated amortisation		
At 1 July 2017	–	–
Charge for the period	–	–
At 30 June 2018	–	–
Charge for the period	3,400	3,400
At 30 June 2019	**3,400**	**3,400**
Net book value		
At 1 July 2017	–	–
At 30 June 2018	–	–
At 30 June 2019	**6,800**	**6,800**

7 Intangible assets

	Intellectual property £	Total £
Cost		
At 1 July 2017	215,412	215,412
Additions	72,260	72,260
At 30 June 2018	287,672	287,672
Additions	59,198	59,198
At 30 June 2019	**346,870**	**346,870**
Accumulated amortisation		
At 1 July 2017	–	–
Charge for the period	–	–
At 30 June 2018	–	–
Charge for the period	–	–
At 30 June 2019	**–**	**–**
Net book value		
At 1 July 2017	215,412	215,412
At 30 June 2018	287,672	287,672
At 30 June 2019	**346,870**	**346,870**

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

8 Trade and other receivables

	2019 £	2018 £
Corporation tax	**210,351**	86,272
VAT recoverable	**72,359**	66,086
Other receivables	**3,149**	150
Prepayments	**167,072**	27,185
	452,931	179,693

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

	2019 £	2018 £
Current		
Trade creditors	**59,279**	130,534
Accruals	**45,217**	72,842
Other taxes	**15,479**	1,835
Other payables	**1,359**	4,082
	121,334	209,293

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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2019

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 2019 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	3,124,864	3,124,864	–	–	–
Trade and other receivables	452,931	452,931	–	–	–
	3,577,795	3,577,795	–	–	–
Liabilities					
Trade and other payables	121,334	121,334	–	–	–
Borrowings	–	–	–	–	–
	121,334	121,334	–	–	–

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	–	–	–

11 Share capital

Issued and fully paid	Number	Share capital £	Share premium £
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
Ordinary shares issued at 16p per share	9,375,000	93,750	1,406,250
Costs related to shares issued	–	–	(60,000)
As at 30 June 2019	**128,083,494**	**1,280,835**	**4,923,890**

On 21st February 2019 the Company issued a further 9,375,000 ordinary shares at 16 pence each by way of a further placing of ordinary shares to raise finance.

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:

	2019		2018	
	Number of options	**Weighted average exercise price £**	Number of options	Weighted average exercise price £
Outstanding at 1 July	**11,027,565**	**0.09**	11,027,565	0.09
Granted during the year	**3,892,083**	**0.18**	–	–
Forfeited/cancelled during the year	**–**	**–**	–	–
Outstanding at 30 June	**14,919,648**	**0.11**	11,027,565	0.09

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.

On 18 April 2019, 3,892,083 options were granted at an exercise price of £0.18 per share and are exercisable based upon achieving three performance conditions, with a third of the options being granted for each condition. The performance conditions are based on the achievement of an 40p share price for more than a 30-day continuous period, the achievement of an 80p share price for more than a 30-day continuous period, and 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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2019

12 Share-based payments continued

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 2019 for share options is £77,254 (2018: £71,859). 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

Deed pool	4	5	6
Grant date	18/04/19	18/04/19	18/04/19
Exercise price	18p	18p	18p
Share price at grant date	18p	18p	18p
Risk-free rate	0.75%	0.75%	0.75%
Volatility	60%	60%	60%
Expected life	3.5 years	3.5 years	3.5 years
Fair value	2.85p	3.99p	3.48p

The closing share price per share at 30 June 2019 was 20.00p (2018: 14.50p)

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.

13 Reserves

	Other reserves £	Retained earnings £	Total £
As at 1 July 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)
Issue of share options	77,254	–	77,254
Loss for the period	–	(1,148,093)	(1,148,093)
As at 30 June 2019	**247,672**	**(2,642,266)**	**(2,394,594)**

Other reserves arise from the equity element of a convertible loan that was both issued and converted in the year ended 30 June 2016, and share-based payments (see note 12).

Retained earnings represents accumulated profit or losses to date.

14 Loss per share

	2019 £	2018 £
Basic and diluted loss per share		
Loss after tax (£)	**(1,148,093)**	(844,418)
Weighted average number of shares	**122,047,535**	118,708,494
Basic and diluted loss per share (pence)	**(0.94)**	(0.71)

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 Related party transactions

During the period ended 30 June 2019, the Company was charged fees of £76,940 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 2019 £26,764 was outstanding.

During the period ended 30 June 2019, the Company was charged fees of £24,820 and travel expenses of £457 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 2019 £2,703 was outstanding.

During the period ended 30 June 2019, the Company was charged fees of £16,800 and travel expenses of £626 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 2019 nil was outstanding.

During the period ended 30 June 2019, the Company was charged fees of £16,800 and travel expenses of £107 by Intelligent Biotech Ltd, a company in which Stephen O'Hara, who was a director of the Company at the year end, is also a director. These fees relate to Stephen O'Hara's consultancy services to the Company. As at 30 June 2019 nil was outstanding.

16 Ultimate controlling party

No one shareholder has control of the Company.

17 Events after the reporting date

The Company has evaluated all events and transactions that occurred after 30 June 2019 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.

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