Annual Report and Financial Statements
For the Year Ended 30 June 2021

SkinBioTherapeutics plc

Company Registration Number: 09632164

SkinBio THERAPEUTICS

Contents

Statutory and Other Information

Directors	Martin Hunt	Non-Executive Chairman
	Stuart J. Ashman	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 and broker	Cenkos Securities plc 6-8 Tokenhouse Yard London EC2R 7AS	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
Public relations	Instinctif Partners Limited 65 Gresham Street London EC2V 7NQ	

Chairman's Statement

At an incredibly challenging time for everyone, 2021 was the year SkinBioTherapeutics demonstrated its resourcefulness by successfully executing a consumer study for AxisBiotix, paving the way for its commercial launch. Alongside this the Group continued to progress its core SkinBiotix technology through its partners Croda and Sederma. The placing and open offer completed in November 2020 provided the working capital to support the AxisBiotix consumer study, initiate new programmes of work with the University of Manchester and strengthen the Group's physical infrastructure.

In 2019 SkinBioTherapeutics' strategy identified five channels within which to progress its two core elements of technology – SkinBiotix and an emerging area of science focusing on the relationship between the gut and skin. To support this multi-channel approach and offer greater corporate flexibility, separate legal entities were established for each channel. With the progress made in AxisBiotix during the course of this year, SkinBioTherapeutics is presenting group results for the first time. Consolidated financial statements are presented along with Company (SkinBioTherapeutics plc) statements of financial position, cash flows and changes in equity.

AxisBiotix has been the Group's key focus as it sought to capitalise on the area of research exploring the relationship between the gut and skin. In the course of 12 months, from having identified a blend of bacterial strains aligned to the disease pathways of psoriasis, the Group designed, initiated and completed a 'self-managed' consumer study, reporting impressive results with c. 72% of participants who completed the study reporting improvements against the key indications. To have made such progress in the course of the financial year is testament to the pragmatic approach and hard work of everyone on the team.

Since year end, the Group has reached the significant milestone of becoming a commercial business, with the launch of the AxisBiotix product on 29 October 2021, World Psoriasis Day.

Development of the Group's core technology, SkinBiotix, has continued through Sederma, the specialist ingredient manufacturer within Croda Plc. Sederma has progressed the scale-up of lysate manufacture through the various stepped increases and is currently preparing to manufacture at the commercial scale of 20,000 litres, in anticipation of sales in 2022.

In November 2020 the Group completed a placing and open offer raising a total of £4.45m (before expenses). The fundraise provided headroom to execute the consumer study for AxisBiotix and prepare for its subsequent commercialisation, as well as to provide funds to initiate new scientific development programmes with the University of Manchester and to support the transition of the Group from a virtual operation to one with an in-house scientific capability. The Group ended the financial year with a cash balance of £4.6m (2020: £2.2m).

On behalf of the Board, I would like to take the opportunity to thank everyone at SkinBioTherapeutics for the considerable progress achieved by the Group over the course of the year.

Martin Hunt
Chairman

29 November 2021

Strategic and Financial Review

Company background and strategy

SkinBioTherapeutics is a life sciences business focused on harnessing the microbiome, the bacteria that live on and in our bodies, for human health.

The Group has two core areas of technology that form five strategic pillars addressing opportunities in cosmetics, food supplements, medical devices and longer term, the potential for therapeutics.

- SkinBiotix®, the Group's proprietary technology, is designed to promote skin health by harnessing the beneficial properties of probiotic bacteria and the active components derived from them. SkinBioTherapeutics' approach 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. This form also stabilises the bacteria, making it easier to handle and store.
- AxisBiotix™ technology is based on the rapidly emerging area of science that is focused on the gut-skin axis and how the constitution of the gut microbiome plays a role in various diseases, such as psoriasis. SkinBioTherapeutics has been exploring the relationship between the gut and the skin and the potential to introduce probiotic bacteria into the gut and effect a direct improvement on human skin. AxisBiotix-Ps™ is the first product developed by the Group that leverages the gut-skin relationship and is designed to alleviate the symptoms associated with psoriasis.

Operational review

SkinBiotix® Pillar (skincare/cosmetics)

In November 2019, an agreement was signed with Croda Plc, a world leader in the field of active skincare ingredients for the cosmetic industry, which sells ingredients for skin and hair care products to major cosmetic brands across the world. SkinBioTherapeutics is working directly with Sederma, part of Croda and a specialist manufacturer of bioactive ingredients for the cosmetic industry. Sederma is responsible for the development, manufacturing and commercialisation of the SkinBiotix® technology.

During the course of the year Sederma updated SkinBioTherapeutics that it had made significant progress against the key collaboration milestones. Lysate production had been optimised and analytical sample screening and formulation work had been completed. Manufacturing scale-up from 1 litre to 600 litres had been completed successfully and with the formal handover of the project from Sederma in Paris to Croda's manufacturing facility at Ditton, near Widnes, the final scale-up to 20,000 litres is now being progressed. This is the capacity required to mass produce the SkinBiotix® product at industrial levels to market to Sederma's portfolio of 12,000+ global cosmetic customers.

Throughout this collaboration, Sederma has identified additional potential scientific and marketing claims for the end ingredient. The eventual claims will be an important component of the launch and long-term commercial success of the ingredient. To this end, Sederma is continuing its lab work to further substantiate these additional potential claims. This work is not impacting the manufacturing scale-up. The Group continues to anticipate 2022 as the period for initial royalty revenues.

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

AxisBiotix™ Pillar (gut/skin axis)

In February 2020 SkinBioTherapeutics signed an agreement with Winclove Probiotics B.V. for the development of a probiotic blend of 'good' bacterial strains based on the modifying properties of specific bacterial species in known psoriasis pathways.

Psoriasis is a chronic relapsing inflammatory condition of the skin with a prevalence of c.2-3% in the western world. The worldwide market for psoriasis treatments was valued at approximately $20bn in 2019 and is expected to grow to $41bn in 2027 with a CAGR of 9.2%. Current treatments include moisturising treatments or emollients to soothe and hydrate the skin for relatively mild disease, through to biologic therapies in severe cases.

Strategic and Financial Review (continued)

For the group with mild-to-moderate psoriasis, the mainstay therapies tend to be steroid-based, which cannot be used long term and have side effects. In the management's opinion, there is a clear unmet clinical need for new, safer ways of treating patients with mild to moderate psoriasis. In addition, anecdotal evidence from sufferers suggests that many have turned to oral probiotics as an 'alternative' therapy as a result of preferring more 'natural' treatments and have reported success in control of their disease.

Having successfully formulated a bacterial blend as a probiotic food supplement, branded as AxisBiotix-Ps™, the Group intended to initiate a study in a clinical environment. Prevented from doing so by the COVID-19 pandemic, the Group redesigned the study as a 'self-managed' consumer study that could be managed remotely, without the need for participants to attend clinics.

Of the 265 participants that enrolled onto the study, 177 identified themselves as suffering from mild to moderate psoriasis. The participants that self-identified as suffering from psoriasis and completed the study reported the following results:

- 76% reported that their skin felt less itchy;
- 75% reported that their skin appeared less red;
- 73% reported that their skin felt less irritable; and
- 65% reported that they had fewer 'flaky patches' of skin.

Participants who responded positively about their skin health, also reported positive changes to their lifestyle. On average, at day 56:

- 62% reported having more energy;
- 64% reported better sleep; and
- 66% reported positive changes to their general mood.

In addition, participants in the study who self-identified as suffering from psoriasis and at least one other condition – 80% reported a reduction in itchiness and 85% reported their skin felt less irritable. Benefits were also experienced by participants who self-identified as having either eczema, acne or rosacea.

The Group is pursuing a 'direct to consumer' commercialisation model for AxisBiotix-Ps™, selling the product through the website AxisBiotix.com. The psoriatic community is highly communicative regarding the condition and its treatment, therefore, management considers that engagement with sufferers both directly through social media and via the national psoriasis associations in the target country markets is an efficient and cost-effective way of penetrating the market.

Post year end, SkinBioTherapeutics launched AxisBiotix-Ps™ on 29 October 2021 - World Psoriasis Day. AxisBiotix-Ps™ is targeted to be sold on a subscription basis with sufferers subscribing on a four or eight-week cycle. The product is sold in boxes containing 28 daily sachets and is priced per sachet at £1.50 in the UK and $2.00 in the US and in due course in Europe at €1.80 (prices include sales tax and exclude duty and shipping costs). As demonstrated in the consumer study, it can take three to four weeks for the benefits of AxisBiotix-Ps to be achieved and consequently new customers receive their second month's supply of the product free. Management therefore expects it to be 3-4 months post launch for an indication of customer retention levels and will update the market on initial product sales in March 2022 when the Company releases its half year financial results.

The product has initially been launched in the UK and US with Europe expected to follow in the first half of 2022. There are country specific requirements for food supplements in Europe, including labelling instructions and languages. The product is manufactured in the Netherlands by Winclove, and finished goods are held at a third party logistics company, also in the Netherlands, from where they are onward shipped directly to consumers. Longer term and subject to demand, SkinBioTherapeutics will consider bulk shipping finished goods to the US and UK and then onward shipping locally to consumers. Outside of these markets, for example, Asia, the Group is considering partnering opportunities for distribution and, having begun engagement with potential partners, will look to make progress in this regard in 2022.

Having initially targeted psoriasis as the first opportunity to leverage the gut-skin axis, the Group is now assessing other skin conditions that may benefit from a food supplement. As demonstrated in the consumer study, suffers of eczema, rosacea and acne benefited from taking AxisBiotix-Ps™. The Group believes that a number of the bacterial strains within AxisBiotix-Ps™ could form the basis of a core blend to target symptoms of other skin conditions beyond psoriasis.

SkinBioTherapeutics is now targeting acne as the next opportunity and anticipates being able to develop a bacterial blend and initiate a consumer study during the course of 2022.

MediBiotix™ Pillar (medtech applications e.g. woundcare)

The MediBiotix channel is focused on medical device applications incorporating the SkinBiotix® technology. To date, the initial target has been eczema and generating a data pack to support the mode of action claims for a medical device application. Work is continuing in this regard and in parallel, recognising the progress made with AxisBiotix, management is considering developing a food supplement that addresses the symptoms of eczema through the gut-skin axis.

Management also believes there is significant utility for the technology in the treatment of various classes of skin wounds and is in discussion with a number of global advanced woundcare companies in this regard. The Group is targeting a commercial agreement to develop and test the SkinBiotix® technology in these advanced indications.

CleanBiotix™ Pillar (anti-infection)

The area of healthcare acquired infections (HAI) and bacterial resistance remains an area of critical concern for healthcare providers and has been brought into sharp focus through the pandemic. The growing resistance of certain infection strains, the lack of new antibiotics, and the rise of the "superbug" is driving the need to discover and develop new methods of controlling bacterial growth and infection.

Staphylococcus aureus (SA) is the most common and one of the most aggressive skin pathogens and is one of the major causes of HAI. The Group's SkinBiotix® technology has been shown to have significant capabilities in preventing SA from adhering to and growing on the skin and thus offers a potential route of protection from SA-induced healthcare acquired infections. The Group has been in discussions with leading companies in the domestic and commercial hygiene sectors as to the utility of the SkinBiotix® technology within these environments.

This is a challenging area both from a technology and regulatory perspective but equally offers significant opportunities. SkinBioTherapeutics will continue discussions targeted at identifying a partner to work with to develop all aspects of this market channel.

Other Research Programmes

In April 2021 SkinBioTherapeutics extended its collaboration with the University of Manchester for two new research programmes. The first programme, which will run for two years, will focus on how the microbiome can influence and rebalance the body's response to inflammation in skin health and skin disease. The aim is for SkinBioTherapeutics to develop immune-supporting microbiome formulations to market through everyday products such as skin lotions and creams where there is an increasing consumer preference for natural ingredients.

The second programme addresses oral health and will explore the use of different bacteria, including SkinBioTherapeutics' proprietary lysate SkinBiotix, for oral health and wellbeing. The 12-month programme will develop, and test formulations designed to support the health of skin surfaces in the oral cavity targeting disease prevention, oral care and hygiene. These formulations could be positioned as standalone products or work alongside traditional oral health and wellbeing products.

Financial review

In support of its strategy to develop its technology in a number of channels, SkinBioTherapeutics established separate legal entities for each channel. Activity commenced in AxisBiotix Limited during the course of the year and consequently SkinBioTherapeutics is presenting group results for the financial year. Separately presented are Company (SkinBioTherapeutics plc) statements of financial position, cash flows and changes in equity.

Expenditure for the financial year was lower than management's expectations as a consequence of pivoting to a self-managed consumer study for AxisBiotix-Ps and reduced activity at the University of Manchester due to COVID-19. Research and development expenditure was £506k (2020: £635k) and other operating expenses were £991k (2020: £985k). Overall, the Group made a loss before tax of £1,498k (2020: £1,620k).

In November 2020, SkinBioTherapeutics completed a placing and open offer raising a total of £4.45m gross proceeds. The funding enabled the Group to expand its technology pipeline with two additional programmes of work with the University of Manchester and secure lab space at the Biosphere complex in Newcastle. Cash used in operating activities was £1,555k (2020: £892k) and the Group had a cash balance of £4,610k (2020: £2,159k) at year-end.

Strategic and Financial Review (continued)

Key performance indicators

The Board recognises the importance of KPIs and their appropriateness to the stage of development of the business. The Group 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 Group.

Financial

The cash position of the Group 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 Group maintains a low operating cost base such that the majority of its funding is deployed on its development programmes.

Non-financial

The Group 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 Group 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 Group, as well as mitigating actions, are set out below. While the list is not exhaustive, it is derived from the Group's detailed risk register. These risks are reviewed by the Audit Committee at least biannually, which reports its findings to the Board.

The Group'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 Group. The risk register details specific risks to the Group, 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.

COVID-19

To date the Group has been able to progress its core development programmes with its partners with no material impact caused by COVID-19, including commencing and completing a consumer study for AxisBiotix-Ps. Both Croda and Winclove have been able to continue operating throughout the pandemic. Development work at the University of Manchester was temporarily suspended because of the closure of the lab facilities, with work recommencing in September 2020.

Brexit

Following the United Kingdom's exit from the EU on 31 January 2020 ("Brexit") and the end of the transition period the Group has experienced additional complexities and administration as it prepares its AxisBiotix-Ps product for commercial launch. AxisBiotix-Ps is manufactured in the Netherlands and also shipped from the Netherlands to customers. Brexit has placed additional demands on the shipping and importing of the product to customers in the UK. Other than incurring additional shipping and administrative costs, there has been no additional impact for the initial launch of the product in November 2021. The Group is currently assessing the impact of Brexit on the requirements for it to sell product within Europe, including the appointment of a food business operator (FBO). It could potentially make it more difficult for the Group to operate its business in the EU as a result of any increase in tariffs and/or more burdensome regulations being imposed on UK companies (such as changes in applicable legislation affecting the regulatory pathway of the Group's products, both in Europe and in the UK). This could restrict the Group's future prospects and adversely impact its financial condition.

Stage of operations

SkinBioTherapeutics is at an early stage of development and post year end, entering into its first phase of revenue generation. The extent to which it can generate material revenue in the near term will be dependent on the market penetration of AxisBiotix-Ps and the successful completion of the technical and commercial development of its SkinBiotix® platform. The business will incur losses for the immediate future.

Clinical development risk

The commercialisation of the Group's intellectual property and the potential applications of its technologies requires ongoing preclinical development, formulation, process development and human consumer/clinical studies that exemplify platform claims. There is a risk that one or more of the business's technologies does not perform as expected and fails to perform in the applications identified by the Group.

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

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 Group 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 Group.

Formulation

The Group has developed formulations for its initial indications and will need to repeat this process for other indications. There are risks associated with the means and timeline in developing formulations and establishing their long-term stability. It may require a number of iterations before suitable formulations are able to be produced.

Human studies

SkinBioTherapeutics has invested effort and resources in the development of its technologies. 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 Group 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 Group'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.

Strategic and Financial Review (continued)

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 those of the Group.

Regulatory environment

The Group operates in a regulated environment that varies dependent upon the jurisdiction and technology. These regulations are subject to change at short notice and differ according to any proposed product claims, intended use or marketing route. While the Group 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 Group being unable to successfully commercialise its technology or any products that incorporates it and/or result in legal action being taken against the Group which could have a material adverse effect.

S172 Statement

The Directors acknowledge their duty under s.172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard (amongst other matters) to:

- The likely consequences of any decision in the long term

The Group's strategic objectives and the progress made against these during the year, together with the principal risks, are detailed in the Strategic and Financial Review on pages 3-9.

- The interests of the Group's employees

SkinBioTherapeutics is a very small company in terms of its number of employees and recognises these employees are key to its business success. Members of the Board maintain frequent contact with employees and the executive team engage with employees with regards current performance and future plans and ambitions for the Group.

- The need to foster the Group's business relationships with suppliers, customers and others

A consideration of the relationship with wider stakeholders and their impact on our long-term strategic objectives is disclosed in Principle 3 of the Corporate Governance Report on pages 13-22.

- The impact of the Company's operations on the community and the environment

The Group is committed to operating with a high level of corporate social responsibility and environmental sustainability. Principle 8 of the Corporate Governance Report provides further disclosure on how we promote a corporate culture that is based on ethical values and behaviour.

- The desirability of the Company maintaining a reputation for high standards of business conduct

Our intention is to behave in a responsible manner, operating with a high standard of business conduct and corporate governance, as detailed in the Corporate Governance Report.

- The need to act fairly as between members of the Company

The Board is fully committed to open and transparent dialogues with all shareholders. A supportive base of investors interested in a long-term holding in the Company provides the stability to allow us to execute our strategy and deliver long term value for all shareholders. We strive to engage with our investor base with meetings and updates to institutional and retail investors through a variety of channels.

Outlook

In the space of 12 months, SkinBioTherapeutics has managed to conduct and report on a 'self-managed' consumer study and prepare for the launch of its first product for sale.

A key focus for the Group during the financial year 2022 will be raising awareness of AxisBiotix-Ps™ amongst the psoriatic communities and building market share, following its launch at the end of October. With the initial focus on the UK & US markets, attention will then turn to Europe and Asian markets, such as China and India.

Building on the gut-skin axis research, the Group will look to finalise a similarly blended bacterial formulation to address acne, generate human data and push towards the commercial launch of a second AxisBiotix product.

With the Croda/Sederma partnership, the focus for 2022 will be to confirm the cosmetic claims for the SkinBiotix® technology as a cosmetic active ingredient and generate traction with Sederma's key clients, with the aim of future potential revenue streams for SkinBioTherapeutics.

2021 has been a transformational year for SkinBioTherapeutics despite a challenging environment, which is very much down to the expertise and dedication of the Group's team and partners. We look forward to another exciting year in 2022.

Stuart J. Ashman
Chief Executive Officer

29 November 2021

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2021.

Principal activity

The principal activity of the Group is that of research and development focused on harnessing the microbiome for human health.

Directors

The directors who served the Company during the year were:

Stuart J. Ashman
Doug Quinn
Martin Hunt
Dr Cathy Prescott

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
Martin Hunt	466,667	0.3%	3,892,082	£0.09
Stuart J. Ashman	125,000	0.1%	5,189,444	£0.09 & £0.18
Doug Quinn	439,474	0.3%	2,594,721	£0.09
Dr Cathy Prescott	118,612	0.1%	–	–

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 15 November 2021, the following interests in 3% or more of the issued share capital appear in the register:

	Percentage of issued share capital
OptiBiotix Health Plc	20.7%
Seneca Partners Limited	8.8%
Tyndall Investment Management	6.1%
University of Manchester	5.1%
Prof Catherine O'Neill	3.3%

Directors remuneration

The Directors received the following remuneration during the year:

Executive	Salaries	Fees	Share based payments	Pension contributions	Total remuneration
Stuart Ashman	£323,296	–	£43,899	£5,523	£372,718
Doug Quinn	£12,851	£116,600	£4,340	£3,198	£136,989
Non-executive					
Martin Hunt	£12,000	£58,000	£6,509	–	£76,509
Dr Cathy Prescott	£6,000	£29,000	–	–	£35,000
	£354,147	**£203,600**	**£54,748**	**£8,721**	**£621,216**

Financial instruments

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

Research and development

The Strategic and Financial Review on pages 3-9 gives information of the Group's research and development activities.

Events after the reporting date

Refer to note 21 to the financial statements for further details.

Going concern

The financial statements have been prepared on the assumption that the Group is a going concern. When assessing the foreseeable future, the Directors have 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 Group 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 Group for that period. In preparing these financial statements, the Directors are required to:

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

Directors' Report (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 Group'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 Group'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 29 November 2021 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 Group. 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 Group's proprietary technologies are targeted at a number of health indications and the Company is progressing applications of both its SkinBiotix® and AxisBiotix™ technologies as a route to initial value creation. The Group's programme of research and development is intended to build long-term shareholder value through a reliance on proven, rigorous science and the Group utilises its public listing as a means to source capital to support its R&D programme. The Group has an ongoing research agreement with the University of Manchester to identify and develop technologies. The Group has also leased laboratory space at the Biosphere in Newcastle upon Tyne to develop its own in-house scientific capability. In doing so the Group 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 Group 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. Where it considers it appropriate, the Company will also look to develop and market products. This is the case with AxisBiotix-Ps where the Directors believe the market opportunities in the UK, US and Europe are best developed by selling to consumers directly.

Corporate Governance Report (continued)

Principle

Seek to understand and meet shareholder needs and expectations

Application

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 15 November 2021
OptiBiotix Health Plc	20.7%
Seneca Partners Limited	8.8%
Tyndall Investment Management	6.1%
University of Manchester	5.1%
Prof Cath O'Neill	3.3%

In November 2020, as part of share placing, Seneca Partners Limited and Tyndall Investment Management acquired 3.1m and 2.3m shares respectively.

More generally the Board communicates with shareholders through the Annual Report and the Interim Statement, trading and other announcements 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 Group's business and corporate information. Following the announcement of the Group'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 investor investment events during the course of the year. The Company's broker also produces periodic research notes on the Group.

Principle	*Application*
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 Group has a limited but important number of stakeholders. Robust science is at the core of the Group's strategy and the Group has a number of key stakeholders, including its employees, involved in the different stages from research, through manufacture, formulation and testing. The Group assesses each of the companies it works with to ensure the requisite standards and values are in place. Ultimately the Group'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 Group. Throughout the various stages from initial technology identification to eventual product sales the Group is engaged in a continual process of feedback and improvement with its stakeholders, including eventual end users. In addition, the eventual licensees of aspects of its technology will be important stakeholders in the interface with consumers and the longer-term success of the Group.
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 Group'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 Group, 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.

Corporate Governance Report (continued)

Principle

Maintain the Board as a well-functioning, balanced team led by the chair

Application

The Board's primary role is to enhance shareholders' long-term interests by:

- determining the Group's overall strategy and direction
- establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Group 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
- 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 of 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 at each AGM thereafter.

The table on page 22 details the attendance record of each director at board and committee meetings during the course of the year.

Principle

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

Application

As at 1 November 2021 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 Medtech Industry Engagement Advisor to the National Institute for Health Research (HIHR) 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.

Corporate Governance Report (continued)

Principle	*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 approximately 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. 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.

Principle	*Application*
	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. The Directors also receive regular briefings from the Company's NOMAD in respect of continuing compliance with the AIM Rules.
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Board designed and implemented an internal board evaluation exercise in 2020. The exercise was led by the Chairman and topics covered included the balance of skills, experience and independence, understanding of the business and its strategy together with engagement with shareholders. Each director completed a questionnaire, and this formed the basis for a subsequent discussion by the Board as a whole. Having repeated the process in 2021, the Board considers an internal evaluation appropriate and intends to repeat this process annually, acting on its findings as appropriate. The Board's approach to succession planning is based upon identifying the medium to long term objectives of the Group 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 Group in light of the partners with which it works, for example the University of Manchester, Croda Plc and Winclove Probiotics B.V., and recognising the intended end use of its technology in products to be marketed to and purchased by consumers. The Executive team engenders open and positive interactions with a key focus on; scientific rigour, innovation, creative solutions and collective responsibility. As the Group expands its human capability it will look to formalise its culture through an agreed set of values and standards. The Group'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.

Corporate Governance Report (continued)

Principle

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Application

Alongside setting the vision and strategy for the Group 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.

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 Group's overall strategy and direction
- establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Group 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
- approving senior and Board appointments

Principle	*Application*

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Group. 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
- 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 Group, leads the development of objectives, strategies and performance standards as agreed by the Board, ensures that the assets of the Group 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 Group 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 Group'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.

Corporate Governance Report (continued)

Principle

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application

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, which comprises Martin Hunt (Chair) and Dr Cathy Prescott met three times during the course of the year.

Remuneration packages for the executive directors comprise a basic salary and performance related bonus. There is a defined 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.

The Committee reviewed the structure of remuneration packages for the executive directors and agreed they remained appropriate.

In setting remuneration, the committee took into consideration the compensation packages of comparable AIM listed companies.

The Insiders Committee, comprised of Doug Quinn (Chair) and Martin Hunt, met twice 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.

	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
Stuart Ashman	10	10	–	–	–	–	–	–
Martin Hunt	10	10	3	3	3	3	2	2
Dr Cathy Prescott	10	10	3	3	3	3	–	–
Doug Quinn	10	10	3	3	–	–	2	2

Independent Auditor's Report to the Members of SkinBioTherapeutics Plc

Opinion

We have audited the financial statements of SkinBioTherapeutics Plc for the year ended 30 June 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position, the company statement of cash flows and the company 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 Group's and Parent Company's affairs as at 30 June 2021 and of the Group'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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviews of expected cash flows for a period of 12 months, to determine expected cash outflow, which was compared to the liquid assets held in the entity.

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

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

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.

Independent Auditor's Report to the Members of SkinBioTherapeutics Plc (continued)

Key audit matter	How our audit addressed the key audit matter
Intangible assets The Group and Company had capitalised intellectual property costs amounting to £420,538 at 01 July 2020. During the year, the Group and Company capitalised a further £108,403 (2020: £73,668) relating to intellectual property costs. These capitalised costs are not yet being amortised as the products are in development stage. The Directors have assessed whether the costs meet the criteria for capitalisation and whether there are any indicators of impairment. The risk is that the costs may not qualify for capitalisation or technological advancements may render the market value of the capitalised costs below its carrying value. Profit after tax, which is considered by management to be a key metric, is directly impacted by the amount of costs capitalised.	We have performed the following audit procedures: ● considered whether the nature of the costs met the necessary criteria under IAS 38 for the costs to be allowed for capitalisation; ● vouched a sample of the costs capitalised to invoices, to confirm that they relate to intellectual property and have been accurately recorded; ● 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; ● confirmed the directors' assessment that no amortisation is necessary is accurate; and ● reviewed cash flow forecasts for the foreseeable future to assess the potential future economic benefit from ownership of the intangible assets. Based on the audit work performed we are satisfied, that although there are inherent uncertainties associated with the forecast and estimation of useful economic life of intangible assets, the directors have made reasonable assumptions about the valuation and useful economic life of intangible assets, based on past experience and expected future revenues. We are also satisfied that all necessary disclosures have been made in the financial statements.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group Financial Statements	Company Financial Statements
Overall materiality	£87,000 (2020: £75,000).	£86,000 (2020, £75,000)
How we determined it	Based on 1.5% of gross assets	Based on 1.5% of gross assets
Rationale for benchmark applied	We believe that gross assets is the primary measure used by the shareholders in assessing the performance of the Company as revenue is yet to be generated.	We believe that gross assets is the primary measure used by the shareholders in assessing the performance of the Company as revenue is yet to be generated.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit for the Group £4,350 (2020: £3,750) and for the Company above £4,300 (2020: £3,750) 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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 2 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of SkinbioTherapeutics Plc and AxisBiotix Limited reporting units, which were individually financially significant and accounted for 100% of the Group's absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 100% of the Group's assets and liabilities. We also performed specified audit procedures over certain account balances and transaction classes that we regarded as material to the Group at the 2 reporting units.

We have audited all components within the Group, and no unaudited components remain.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report nor the Directors' report.

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent Auditor's Report to the Members of SkinBioTherapeutics Plc (continued)

- 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 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatements due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our knowledge and experience of the entity's activities.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, employment and health and safety legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and reviewing legal expenditure; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims

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

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

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

This description forms part of our auditor's report.

Use of this report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sudhir Rawal (Senior Statutory Auditor)
For and on behalf of
Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
29 November 2021

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2021

	Notes	2021 £	2020 £
Continuing operations			
Research and development		(505,627)	(635,226)
Operating expenses		(991,481)	(984,816)
Loss from operations	3	(1,497,108)	(1,620,042)
Finance costs	4	(926)	–
Loss before taxation		(1,498,034)	(1,620,042)
Taxation	6	65,065	119,956
Loss for the year		(1,432,969)	(1,500,086)
Other comprehensive income		–	–
Total comprehensive loss for the year		(1,432,969)	(1,500,086)
Basic and diluted loss per share (pence)	7	(0.98)	(1.17)

The notes on pages 35 to 52 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 £	2020 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	–	1,700
Right-of-use assets	10	143,328	–
Intangible assets	11	528,941	420,538
Total non-current assets		672,269	422,238
Current assets			
Other receivables	13	268,946	70,622
Corporation tax receivable	6, 13	183,828	118,763
Cash and cash equivalents		4,609,889	2,159,054
Total current assets		5,062,663	2,348,439
Total assets		5,734,932	2,770,677
EQUITY AND LIABILITIES			
Equity			
Capital and reserves			
Called up share capital	17	1,567,802	1,280,835
Share premium	17	8,758,037	4,923,890
Other reserves		384,612	403,483
Accumulated deficit		(5,495,193)	(4,142,352)
Total equity		5,215,258	2,465,856
Liabilities			
Non-current liabilities			
Lease liabilities	15	114,780	–
Total non-current liabilities		114,780	–
Current liabilities			
Trade and other payables	14	379,820	304,821
Lease liabilities	15	25,074	–
Total current liabilities		404,894	304,821
Total liabilities		519,674	304,821
Total equity and liabilities		5,734,932	2,770,677

These financial statements were approved and authorised for issue by the Board of Directors on 29 November 2021 and were signed on its behalf by:

Doug Quinn
Director

Company Registration No. 09632164

The notes on pages 35 to 52 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss before tax for the period	(1,498,034)	(1,620,042)
Depreciation of property, plant and equipment	1,700	5,100
Right-of-use assets depreciation and interest	3,355	–
Share based payments charge	61,257	155,811
	(1,431,722)	(1,459,131)
Changes in working capital		
(Increase)/decrease in trade and other receivables	(198,324)	171,958
Increase in trade and other payables	74,999	183,487
Cash generated by/(used in) operations	(123,325)	355,445
Taxation received	–	211,544
Net cash used in operating activities	(1,555,047)	(892,142)
Investing activities		
Purchase of IP	(108,403)	(73,668)
Purchase of Right-of-Use Assets	(3,902)	–
Net cash used in investing activities	(112,305)	(73,668)
Cash flows from financing activities		
Net proceeds from issue of shares	4,121,114	–
Lease payments made	(2,927)	–
Net cash generated by financing activities	4,118,187	–
Net (decrease)/increase in cash and cash equivalents	2,450,835	(965,810)
Cash and cash equivalents at the beginning of the period	2,159,054	3,124,864
Cash and cash equivalents at the end of the period	4,609,889	2,159,054

The notes on pages 35 to 52 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2021

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
As at 1 July 2019	1,280,835	4,923,890	247,672	(2,642,266)	3,810,131
Loss for the period	–	–	–	(1,500,086)	(1,500,086)
Share-based payments	–	–	155,811	–	155,811
As at 30 June 2020	1,280,835	4,923,890	403,483	(4,142,352)	2,465,856
Loss for the period	–	–	–	(1,432,969)	(1,432,969)
Issue of shares	286,967	4,242,189	–	–	4,529,156
Costs of share issue	–	(408,042)	–	–	(408,042)
Exercise of share warrants	–	–	(80,128)	80,128	-
Share-based payments	–	–	61,257	–	61,257
As at 30 June 2021	**1,567,802**	**8,758,037**	**384,612**	**(5,495,193)**	**5,215,258**

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.

Retained earnings represents accumulated profit or losses to date.

The notes on pages 35 to 52 form part of these financial statements.

Company Statement of Financial Position

As at 30 June 2021

	Notes	2021 £	2020 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	–	1,700
Right-of-use assets	10	143,328	–
Intangible assets	11	528,941	420,538
Investments	12	113,733	5
Other receivables	13	623,688	–
Total non-current assets		1,409,690	422,243
Current assets			
Other receivables	13	59,888	70,622
Corporation tax receivable	6, 13	183,828	118,763
Cash and cash equivalents		4,264,690	2,159,054
Total current assets		4,508,406	2,348,439
Total assets		5,918,096	2,770,682
EQUITY AND LIABILITIES			
Equity			
Capital and reserves			
Called up share capital	17	1,567,802	1,280,835
Share premium	17	8,758,037	4,923,890
Other reserves		384,612	403,483
Accumulated deficit		(5,284,889)	(4,142,352)
Total equity		5,425,562	2,465,856
Liabilities			
Non-current liabilities			
Lease liabilities	15	114,780	–
Total non-current liabilities		114,780	–
Current liabilities			
Trade and other payables	14	352,680	304,826
Lease liabilities	15	25,074	–
Total current liabilities		377,754	304,826
Total liabilities		492,534	304,826
Total equity and liabilities		5,918,096	2,770,682

No Statement of Comprehensive Income is presented in these financial statements for the Parent Company as provided by Section 408 of the Companies Act 2006. The loss for the financial year dealt with in the financial statements of the Parent Company was £1,222,665 (2020: £1,500,086).

These financial statements were approved and authorised for issue by the Board of Directors on 29 November 2021 and were signed on its behalf by:

Doug Quinn
Director

Company Registration No. 09632164

The notes on pages 35 to 52 form part of these financial statements.

Company Statement of Cash Flows

For the Year Ended 30 June 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss before tax for the period	(1,287,730)	(1,620,042)
Depreciation of property, plant and equipment	1,700	5,100
Right-of-use assets depreciation and interest	3,355	–
Impairment of financial assets	34,124	–
Share based payments charge	61,257	155,811
	(1,187,294)	(1,459,131)
Changes in working capital		
Decrease in trade and other receivables	10,734	171,958
Increase in trade and other payables	47,859	183,492
Cash generated by operations	58,593	355,450
Taxation received	–	211,544
Net cash used in operating activities	(1,128,701)	(892,137)
Investing activities		
Purchase of IP	(108,403)	(73,668)
Investment in subsidiaries	(771,545)	(5)
Purchase of Right-of-Use Assets	(3,902)	–
Net cash used in investing activities	(883,850)	(73,673)
Financing activities		
Net proceeds from issue of shares	4,121,114	–
Lease payments made	(2,927)	–
Net cash generated by financing activities	4,118,187	–
Net (decrease)/increase in cash and cash equivalents	2,105,636	(965,810)
Cash and cash equivalents at the beginning of the period	2,159,054	3,124,864
Cash and cash equivalents at the end of the period	4,264,690	2,159,054

The notes on pages 35 to 52 form part of these financial statements.

Company Statement of Changes in Equity

For the Year Ended 30 June 2021

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
As at 1 July 2019	1,280,835	4,923,890	247,672	(2,642,266)	3,810,131
Loss for the period	–	–	–	(1,500,086)	(1,500,086)
Share-based payments	–	–	155,811	–	155,811
As at 30 June 2020	1,280,835	4,923,890	403,483	(4,142,352)	2,465,856
Loss for the period	–	–	–	(1,222,665)	(1,222,665)
Issue of shares	286,967	4,242,189	–	–	4,529,156
Costs of share issue	–	(408,042)	–	–	(408,042)
Exercise of share warrants	–	–	(80,128)	80,128	-
Share-based payments	–	–	61,257	–	61,257
As at 30 June 2021	**1,567,802**	**8,758,037**	**384,612**	**(5,284,889)**	**5,425,562**

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.

Retained earnings represents accumulated profit or losses to date.

The notes on pages 35 to 52 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 General information

SkinBioTherapeutics plc ('the Company') 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 Group is the identification and development of technology that harnesses the human microbiome to improve health.

2 Significant accounting policies and basis of preparation

a) Statement of compliance

The consolidated and company 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 consolidated and company 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 consolidated and company financial statements are presented in Sterling (£) as this is the predominant functional currency of the Group and Company, and is the currency of the primary economic environment in which it operates. Foreign transactions are accounted in accordance with the policies set out below.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

d) 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 Group's projections for the twelve months from the date of approval of this financial information, including cash flow forecasts. The Directors believe that the Group 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.

e) 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.

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimation of the lifetime of intangible assets

Intangible assets recognised are reviewed against the criteria for capitalisation with useful life determined by reference to the underlying product being developed. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable, though different assumptions and assigned lives could have a significant impact on the reported amounts.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2021

2 Significant accounting policies and basis of preparation (continued)

e) Estimates and judgements (continued)

Capitalisation of development costs

During the year £108,403 (2020: £73,668) of development costs were capitalised, bringing the total amount of development costs capitalised, as intangible assets, as at 30 June 2021, to £528,941 (2020: £420,538), net of amortisation. Management has reviewed the balances by project, compared the carrying amount to expected future revenues and is satisfied that no impairment exists and that the costs capitalised will be fully recovered as the products are launched to market. New product projects are monitored regularly and should the technical or market feasibility of a new product be in question, the project would be cancelled and capitalised costs to date will be removed from the balance sheet and charged to the statement of comprehensive income.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. The judgments made and the model used are further specified in note 19.

Estimate of incremental borrowing rate in accounting for leases under IFRS16

In recognising a lease liability and right-of-use asset under IFRS 16 the Group has used an estimated incremental borrowing rate of 8%. The Group does not have any borrowings, so in order to apply IFRS 16 it was necessary to estimate the incremental borrowing rate that would be faced by the Group. The rate of 8% was determined by looking at a range of loans available on the market. If the interest rate used in the calculation were higher, this would have the effect of reducing the size of both the lease liability and right-of-use asset, reducing the depreciation charge and increasing the interest charge in the consolidated income statement. The overall change to the Consolidated Statement of Comprehensive Income and the Consolidated and Company Statement of Financial Position would be immaterial. There would be no change to operating cash flows or lease payments as a result of a change in the estimate of the incremental interest rate.

f) 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 Group's accounting policies or disclosures during each reporting period.

New and revised IFRSs in issue but not yet effective

There are a number of new and revised IFRSs that have been issued but are not yet effective that the Group has decided not to adopt early. The most significant of these are as follows:

Reference	Title	Summary	Application date of standard (Periods commencing on or after)
IFRS3	Business Combinations	Amendments updating a reference to the Conceptual Framework	1 January 2022
IFRS17	Insurance contracts	Principles for the recognition, measurement, presentation and disclosure of insurance contracts	1 January 2023
		Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	1 January 2023

Reference	Title	Summary	Application date of standard (Periods commencing on or after)
IAS1	Presentation of Financial Statements	Amendments regarding the classification of liabilities	1 January 2023
		Amendment to defer the effective date of the January 2020 amendments	1 January 2023
		Amendments regarding the disclosure of accounting policies	1 January 2023
IAS8	Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023

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

g) 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.

h) 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 Group is expected to benefit.

i) 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 Group 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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2021

2 Significant accounting policies and basis of preparation (continued)

i) Property, plant and equipment (continued)

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.

j) Impairment testing of intangible assets

At the end of each reporting period, the Group 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.

k) Leasing

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether each of the following criteria apply:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the commencement date of a lease, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, net of any incentives received.

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when indicators of impairment exist.

At the commencement date of a lease, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Group's incremental borrowing rate. Details of this borrowing rate are given in note 2e.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under any residual value guarantees and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. If a lease liability is remeasured, a corresponding adjustment is reflected in the value of the right-of-use asset, or, if the carrying value of the right-of-use asset is already reduced to zero, the income statement.

The Group has elected to account for short-term leases (with a term of up to 12 months) and leases of low-value assets using the practical expedients available in IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to such leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

l) 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 Group'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.

m) 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.

n) Share-based compensation

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

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

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

o) Financial assets and liabilities

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

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2021

2 Significant accounting policies and basis of preparation (continued)

o) Financial assets and liabilities (continued)

Classification as debt or equity

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

Equity instruments

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

Derecognition

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

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

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

Trade and other receivables

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

Intercompany receivables

Amounts owed by subsidiary undertakings represent loans made to the Company's main subsidiary on an interest-free basis. No repayment terms have been mandated.

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')
- financial assets that have objective evidence of impairment at the reporting date ('Stage 3')

'12-month expected credit losses' are recognised for 'Stage 1' financial instruments, while 'lifetime expected credit losses' are recognised for 'Stage 2' financial instruments. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

The Group considers that the current intercompany loan should be recognised as Stage 1, and 12-month expected credit losses have been calculated.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand.

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

p) Financial risk management
Risk management objectives
Management identify and evaluate financial risks on an on-going basis. The principal risks to which the Group 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 Group'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 Group's interest-bearing assets comprise of only cash and cash equivalents. As the Group'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 Group's income.

Currency risk
The Group 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 Group. The Group 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 Group's total transactions. In future the Group 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 Group. Credit risk arises from cash balances (including bank deposits, cash and cash equivalents) and credit exposures to trade receivables. The Group'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 Group may encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

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

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

The capital structure of the Group 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 Group is not subject to any externally imposed capital requirements.

As part of the Group'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 2021

3 Operating loss

An analysis of the Group's operating loss has been arrived at after charging/(crediting):

	Group	
	2021	2020
	£	£
Other income	**(137)**	(52)
Research and development	**505,627**	635,226
Directors' remuneration (including share-based compensation and excluding share issue costs)	**577,216**	507,467
Auditor's remuneration		
– audit fees	**17,000**	11,100
– other services	**3,200**	1,850
Foreign exchange differences	**2,755**	(3)
Impairment of other receivables	**–**	–
Other operating costs	**391,447**	464,454
Total operating expenses	**1,497,108**	1,620,042

The Group has one reportable segment, namely that of identifying and developing formulations that harness the human microbiome, all within the United Kingdom.

4 Finance costs

	Group	
	2021	2020
	£	£
Interest payable	**926**	–
	926	–

Interest payable represents amounts arising on leases accounted for under IFRS 16.

5 Employees and Directors

Group and company

The average monthly number of employees and senior management was:

	2021	2020
	Number	Number
Executive directors	**2**	2
Non-executive directors	**2**	2
Employees	**3**	3
Average total persons employed	**7**	7

As at 30 June 2021 the Company had 7 employees (2020: 7).

Group and company

Staff costs in respect of these employees were:

	2021 £	2020 £
Wages and salaries	**561,762**	450,863
Social security costs	**65,408**	52,250
Defined contribution pensions	**12,218**	6,140
Share-based payments (see note 19)	**61,257**	155,811
Total remuneration	**700,645**	665,064

All staff were directly employed by SkinBioTherapeutics Plc.

Some of these staff costs are included within research and development and some in share issue costs.

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 Group.

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

The Group operates a defined contribution pension scheme for employees and directors. The assets of the scheme are held separately from those of the Group in independently administered funds. The amounts outstanding at 30 June 2021 are £1,650 (2020: £3,559).

Group and company

Directors' remuneration:

	2021 £	2020 £
Stuart J. Ashman	**372,718**	276,294
Doug Quinn	**136,989**	130,986
Martin Hunt	**76,509**	72,537
Dr Cathy Prescott	**35,000**	27,650
Total remuneration	**621,216**	507,467

Which is made up of:

	2021	2020
Remuneration	**557,747**	424,112
Amounts receivable under long term incentive schemes	**54,748**	80,598
Company contributions to pension schemes	**8,721**	2,757
Total remuneration	**621,216**	507,467

The number of directors to whom retirement benefits are accruing in respect of qualifying services under defined contribution pension schemes is 2 (2020: 2). The highest paid director received total emoluments of £372,718 (2020: £276,294) during the year.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2021

6 Taxation

Income taxes recognised in profit or loss

	Group	
	2021 £	2020 £
Current tax		
Current period – UK corporation tax	–	–
R&D tax credit	67,294	118,763
R&D tax credit – prior year	(2,229)	1,193
Tax credit for the year	65,065	119,956

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	(1,498,034)	(1,620,042)
Normal applicable rate of tax	19.00%	19.00%
Loss on ordinary activities multiplied by normal rate of tax	(284,626)	307,808
Effects of:		
Depreciation	323	–
Disallowables	12,015	30,231
R&D enhanced deductions	(67,899)	(87,959)
R&D tax credit	(65,065)	(119,956)
Losses surrendered	88,179	155,621
Unused tax losses carried forward	252,008	209,915
UK tax charge/(credit)	(65,065)	(119,956)

The Group has an unrecognised deferred tax asset of £759,472 (2020: £507,162) at the period end, which has not been recognised in the financial statements due to uncertainty of future profits. The Group has an estimated tax loss of £3,997,223 (2020: £2,669,276) available to be carried forward against future profits.

7 Loss per share

	Group	
	2021 £	2020 £
Basic and diluted loss per share		
Loss after tax (£)	(1,432,969)	(1,500,086)
Weighted average number of shares	146,697,033	128,083,494
Basic and diluted loss per share (pence)	(0.98)	(1.17)

As the Group 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.

8 Company's result for the period

The Group has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement account.

The loss for the Parent Company for the period was £1,222,665 (2020: £1,500,086).

9 Property, plant and equipment

	Group £	Company £
Cost		
At 1 July 2019	10,200	10,200
Additions	–	–
At 30 June 2020	10,200	10,200
Additions	–	–
At 30 June 2021	**10,200**	**10,200**
Accumulated amortisation		
At 1 July 2019	3,400	3,400
Charge for the period	5,100	5,100
At 30 June 2020	8,500	8,500
Charge for the period	1,700	1,700
At 30 June 2021	**10,200**	**10,200**
Net book value		
At 1 July 2019	6,800	6,800
At 30 June 2020	1,700	1,700
At 30 June 2021	**–**	**–**

10 Right-of-use assets

	Group £	Company £
Cost		
At 1 July 2019	–	–
Additions	–	–
At 30 June 2020	–	–
Additions	145,757	145,757
At 30 June 2021	**145,757**	**145,757**
Accumulated amortisation		
At 1 July 2019	–	–
Charge for the period	–	–
At 30 June 2020	–	–
Charge for the period	2,429	2,429
At 30 June 2021	**2,429**	**2,429**
Net book value		
At 1 July 2019	–	–
At 30 June 2020	–	–
At 30 June 2021	**143,328**	**143,328**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2021

11 Intangible assets

	Group £	Company £
Cost		
At 1 July 2019	346,870	346,870
Additions	73,668	73,668
At 30 June 2020	420,538	420,538
Additions	108,403	108,403
At 30 June 2021	**528,941**	**528,941**
Accumulated amortisation		
At 1 July 2019	–	–
Charge for the period	–	–
At 30 June 2020	–	–
Charge for the period	–	–
At 30 June 2021	–	–
Net book value		
At 1 July 2019	346,870	346,870
At 30 June 2020	420,538	420,538
At 30 June 2021	**528,941**	**528,941**

Intellectual property is to be amortised over the expected period that the asset generates income and is expected to commence in the year ending 30 June 2022.

12 Investments

Company: Investments in subsidiary undertakings	£
Cost	
At 1 July 2019	–
Additions	5
At 30 June 2020	5
Additions	113,728
At 30 June 2021	113,733

As at 30 June 2021, the Company directly owned the following subsidiaries:

Name of company	Country of incorporation	Proportion of equity interest
SkinBiotix Limited	United Kingdom	100% of ordinary shares
AxisBiotix Limited	United Kingdom	100% of ordinary shares
CleanBiotix Limited	United Kingdom	100% of ordinary shares
MediBiotix Limited	United Kingdom	100% of ordinary shares
PharmaBiotix Limited	United Kingdom	100% of ordinary shares

13 Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Current				
Corporation tax	**183,828**	118,763	**183,828**	118,763
VAT recoverable	**19,597**	22,462	**7,793**	22,462
Other receivables	**10,000**	150	**10,000**	150
Prepayments	**239,349**	48,010	**42,095**	48,010
	452,774	189,385	**243,716**	189,385
Non-current				
Amounts due from group undertakings	**–**	–	**623,688**	–
	–	–	**623,688**	–

The fair values of the Company's current 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 current financial assets are impaired.

The amounts owed by subsidiary undertakings include a loan to AxisBiotix Limited for £771,544 (2020: £nil) which was discounted to £657,812 and then impaired by £34,124 to £623,688 under IFRS 9, as set out in note 2. There is no interest payable on this loan which is assumed to be payable in 2023. The Parent Company has confirmed that it does not intend to seek repayment of the loan balance for at least twelve months from the date of these financial statements.

14 Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Current				
Trade creditors	**78,842**	138,571	**71,352**	138,571
Accruals	**279,922**	147,019	**260,272**	147,019
Other taxes	**17,726**	15,548	**17,726**	15,548
Amounts due to group undertakings	**–**	–	**–**	5
Other payables	**3,330**	3,683	**3,330**	3,683
	379,820	304,821	**352,680**	304,826

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 2021

15 Lease liabilities

Group and company	**2021 £**	2020 £
Maturity analysis		
Year 1	35,122	–
Year 2	32,195	–
Year 3	33,989	–
Year 4	35,122	–
Year 5	32,195	–
	168,623	–
Less future interest charges	(28,769)	–
	139,854	–
Analysed as		
Current	25,074	–
Non-current	114,780	–
	139,854	–

16 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 2021 is as follows:

Group	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	4,609,889	4,609,889	–	–	–
Trade and other receivables	213,425	213,425	–	–	–
	4,823,314	4,823,314	–	–	–
Liabilities					
Trade and other payables	362,094	362,094	–	–	–
Lease Liabilities	168,623	8,781	26,341	32,195	101,306
	530,717	370,875	26,341	32,195	101,306

Company	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	4,264,690	4,264,690	–	–	–
Trade and other receivables	973,165	201,621	–	771,544	–
	5,237,855	4,466,311	–	771,544	–
Liabilities					
Trade and other payables	334,954	334,954	–	–	–
Lease Liabilities	168,623	8,781	26,341	32,195	101,306
	503,577	343,735	26,341	32,195	101,306

The maturity analysis of financial instruments at 30 June 2020 is as follows:

Group	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	2,159,054	2,159,054	–	–	–
Trade and other receivables	141,375	141,375	–	–	–
	2,300,429	2,300,429	–	–	–
Liabilities					
Trade and other payables	289,273	289,273	–	–	–
	289,273	289,273	–	–	–

Company	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	2,159,054	2,159,054	–	–	–
Trade and other receivables	141,375	141,375	–	–	–
	2,300,429	2,300,429	–	–	–
Liabilities					
Trade and other payables	289,278	289,278	–	–	–
	289,278	289,278	–	–	–

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2021

17 Share capital

Company – Issued and fully paid	Number of shares	Share capital £	Share premium £
As at 30 June 2019	128,083,494	1,280,835	4,923,890
As at 30 June 2020	128,083,494	1,280,835	4,923,890
Ordinary shares issued at 16p per share	27,806,428	278,064	4,170,964
Costs related to shares issued			(408,042)
Warrants issued at 9p per share	890,314	8,903	71,225
As at 30 June 2021	**156,780,236**	**1,567,802**	**8,758,037**

On 2 November 2020 27,806,428 ordinary shares were issued by way of a placing at a price of 16p per share to raise finance.

On 19 March 2021 890,314 ordinary shares were issued in connection with the exercise of share warrants at an exercise price of 9p per share payable in cash.

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.

18 Share-based payments

Share Options

The Group 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 Group at the date of grant. Each share option converts into one ordinary share of the Group 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:

	2021		2020	
Group and company	**Number of options**	**Weighted average exercise price £**	Number of options	Weighted average exercise price £
Outstanding at 1 July	**16,729,343**	**0.11**	14,919,648	0.11
Granted during the year	**-**	**-**	1,809,695	0.09
Forfeited/cancelled during the year	**-**	**-**	-	-
Outstanding at 30 June	**16,729,343**	**0.11**	16,729,343	0.11

On 3 March 2020, 512,334 options were granted at an exercise price of £0.095 per share and are exercisable based upon achieving either of two market conditions. These market conditions are based on the signing of a joint development agreement between the Company and Winclove Probiotics B.V. or a qualifying exit with a share price of not less than 18p. The first condition has been met so the share options are exercisable immediately, although none have yet been exercised. The fair value of these share options have been estimated at cost as the share options are available immediately. The total charge recognised for the year ended 30 June 2021 for these share options is the entire fair value of £nil (2020: £48,672).

On 8 April 2020, 1,297,361 options were granted at an exercise price of £0.09 per share and are exercisable based upon achieving one of three performance conditions. The performance conditions are based on the commercial viability of developed products, or the entering into of joint ventures, partnerships, collaborations or agreements for the sale or licensing of products. The total charge recognised for the year ended 30 June 2021 for these share options is £5,632 (2020: £1,296).

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 2021 for share options is £61,257 (2020: £155,811). 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%	0.16%	0.16%	0.16%
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	7	8
Grant date	18/04/19	18/04/19	18/04/19	03/03/20	08/04/20
Exercise price	18p	18p	18p	9.5p	9p
Share price at grant date	18p	18p	18p	9.5p	7p
Risk-free rate	0.75%	0.75%	0.75%	0.29%	0.12%
Volatility	60%	60%	60%	80%	80%
Expected life	3.5 years	3.5 years	3.5 years	0 years	2 years
Fair value	2.85p	3.99p	3.48p	9.50p	0.87p

The closing share price per share at 30 June 2021 was 63.50p (30 June 2020: 17.13p).

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

19 Related party transactions

Key management personnel compensation

	2021 £	2020 £
Group and company		
Short-term employee benefits including social security costs	679,046	537,657
Post-employment benefits	10,036	4,072
Share-based payments	61,257	153,890
	750,339	695,619

Compensation figures above include directors and key management personnel. Detailed remuneration disclosures for directors are provided in the employees and directors note on page 43, and in the Directors Report.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2021

19 Related party transactions (continued)

Transactions with other related parties

During the period ended 30 June 2021, the Company was charged fees of £116,600 (2020: £101,652) 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 2021 £9,500 (2020: £8,265) was outstanding.

During the period ended 30 June 2021, the Company was charged fees of £58,000 (2020: £38,342) 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 2021 £4,800 (2020: £4,800) was outstanding.

During the period ended 30 June 2021, the Company was charged fees of £29,000 (2020: £22,400) 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 2021 £nil (2020: £nil) was outstanding.

20 Ultimate controlling party

No one shareholder has control of the Company.

21 Events after the reporting date

The Company has evaluated all events and transactions that occurred after 30 June 2021 up to the date of signing of the financial statements.

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

Notice of Annual General Meeting

SKINBIOTHERAPEUTICS PLC (the "Company")

(Registered in England and Wales with company number 09632164)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the above named Company will be held at The Core, Bath Lane, Newcastle Helix, Newcastle upon Tyne, NE4 5TF on 23 December 2021 at 11:00 AM for the transaction of the following business:

Ordinary Resolutions

To consider, and if thought fit, to pass the following resolutions 1 to 7 as ordinary resolutions:

1. **THAT** the Directors' and Auditors' reports and the financial statements for the financial year ended 30 June 2021 be received and adopted.

2. **THAT** Jeffreys Henry be re-appointed as the auditors of the Company until the next Annual General Meeting and the Directors be authorised to fix their remuneration.

3. **THAT** Stuart Ashman, be re-elected as a Director of the Company.

4. **THAT** Martin Hunt, be re-elected as a Director of the Company.

5. **THAT** Dr Cathy Prescott, be re-elected as a Director of the Company.

6. **THAT** Doug Quinn, be re-elected as a Director of the Company.

7. **THAT** in substitution for all existing authorities the Directors be given power under Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights"):
   - (i) up to an aggregate nominal amount of £522,600.79 being equivalent to one-third of the Company's issued share capital; and,
   - (ii) up to a further aggregate nominal amount of £522,600.79 provided that (a) they are equity securities (within the meaning of section 560(1) of the Act) and (b) they are offered by way of a rights issue to holders of ordinary shares in the Company at such record dates as the directors may determine where the equity securities attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or any other matter whatsoever, provided that this authority shall, unless renewed, varied or revoked by the Company, expire twelve months after the date of passing of this Resolution or, if earlier, the date of the next AGM of the Company unless any offer or agreement is made before the end of that period in which case the Directors may allot shares and grant Rights pursuant to such offer or agreement as if the power granted by this resolution had not expired.

Special Resolutions

8. **THAT**, subject to the passing of Resolution 7 and in accordance with Sections 570 and 573 of the Act, the Directors be and are hereby authorised to allot equity securities (as defined in section 560 of the Act) for cash under the authority conferred by Resolution 7and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:
   - (i) the allotment of equity securities in connection with rights issues, open offers or other pre-emptive offers in favour of holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings or in accordance with the rights attaching thereto (but with such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates or other legal or practical problems in or under the laws of, or any requirements of, any recognised regulatory body or stock exchange, in any territory or as regards shares held by an approved depositary or in issue in uncertified form or otherwise however); and

Notice of Annual General Meeting (continued)

(ii) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph (i) above) to a maximum aggregate nominal value of £78,390.12; such power shall expire at the end of the next Annual General Meeting of the Company or 30 December 2022 (whichever is the sooner) unless any offer or agreement is made which would, or might require equity securities to be allotted (and treasury shares sold) before expiry of this power in which case the Directors may allot securities pursuant to such offer or agreement as if the power granted by this resolution had not expired.

9. **THAT**, subject to the passing of Resolution 7, and in addition to the power contained in Resolution 8 above, the Directors be and are hereby authorised, pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, either under the authority conferred by Resolution 7 and/or to sell ordinary shares held by the Company as treasury shares as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:

(i) the allotment of equity securities or sale of treasury shares, up to a maximum aggregate of £78,390.12; and

(ii) used only for the purposes of financing (or refinancing, if the power is to be exercised within six months after the date of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights published by the Pre-Emption Group prior to the date of this Notice of Annual General Meeting, such power shall expire at the end of the next Annual General Meeting of the Company or 30 December 2022 (whichever is the sooner) unless any offer or agreement is made which would, or might require equity securities to be allotted (and treasury shares sold) before expiry of this power in which case the Directors may allot securities pursuant to such offer or agreement as if the power granted by this resolution had not expired.

By Order of the Board

Doug Quinn
Company Secretary

Dated 30 November 2021

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

Notes to the AGM notice

Resolution 1 – To receive the Annual Report and Financial Statements

The Directors are required to present the financial statements, Directors' Report and Auditor's Report to the meeting. These are contained in the Company's Annual Report for the year ended 30 June 2021 (the "Annual Report"). A resolution to receive the Annual Report is proposed as an ordinary resolution.

Resolution 2 – Re-appointment and remuneration of Auditor

At each meeting at which the Company's financial statements are presented to its shareholders, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of Jeffreys Henry. The Resolution also authorises the directors to fix the auditor's remuneration.

Resolutions 3-6 – Re-election of Directors

The Company's Articles of Association require that any director that has not been re-elected at either of the preceding three annual general meetings shall retire and offer themselves for re-election by shareholders. Notwithstanding this requirement, the Directors have determined that each of them will stand for re-election on an annual basis in accordance with recommended best practice and in line with the principles of the UK Corporate Governance Code.

Resolution 7 – Authority to allot shares

The authority sought by this resolution is for the Directors to be authorised to allot Ordinary Shares up to two-thirds of the Company's current issued share capital at the date of this notice. Paragraph (i) of the resolution will give the Directors a general authority to allot up to an aggregate nominal value of £522,600.79 being the equivalent of one-third of the Company's issued ordinary share capital at the date of this notice. This is in accordance with the Investment Association Share Capital Management Guidelines. In addition, the guidelines permit the authority to extend to a further third of the issued share capital, where any such shares allotted using this additional authority are in connection with a rights issue. Paragraph (ii) of the resolution proposes this additional authority be granted to the Directors.

The Directors are seeking the annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing its capital resources. The authorities in this Resolution will lapse at the conclusion of the next AGM or twelve months after the passing of the Resolution if earlier save for conditions set out in the Resolution.

Resolutions 8 and 9 – Authority to disapply pre-emption rights

Resolutions 8 and 9 are special resolutions which, if passed, will enable the Directors to allot shares in the Company, or to sell any shares out of treasury, for cash, without first offering those shares to existing shareholders in proportion to their existing shareholdings. In March 2015, the Pre-Emption Group published a revision of its Statement of Principles. In addition to restating the customary 5% limit on the issuance of shares for cash on a non-pre-emptive basis, the 2015 Statement of Principles introduced greater flexibility for companies to undertake non pre-emptive issues for cash in connection with acquisitions and specified capital investments. This relaxation allows companies the opportunity to finance expansion opportunities as and when they arise. The 2015 Statement of Principles provides that a company may now seek power to issue on a non-pre-emptive basis for cash equity securities representing: (i) no more than 5% of the Company's issued ordinary share capital in any one year; and (ii) no more than an additional 5% of the Company's issued ordinary share capital provided that such additional power is only used in connection with an acquisition of specified capital investment. In line with best practice, the Company has structured its pre-emption disapplication request as two separate resolutions.

If Resolution 8 is passed, it will permit Directors to allot ordinary shares on a non-pre-emptive basis and for cash (otherwise than in connection with a rights issue or similar pre-emptive issue) up to a maximum nominal amount of £78,390.12. This amount represents 5% of the Company's issued ordinary share capital as at 29 November 2021 (being the latest practicable date prior to publication of this document). This resolution will permit the Directors to allot any such shares for cash in any circumstances (whether or not in connection with an acquisition or specified capital investment).

If Resolution 9 is passed, it will allow the Directors an additional power to allot ordinary shares on a non-pre-emptive basis and for cash up to a further maximum nominal amount of £78,390.12. This amount represents 5% of the Company's issued ordinary share capital as at 29 November 2021 (being the latest practicable date prior to publication of this document).

Notes to the AGM notice (continued)

The Directors shall use any power conferred by Resolution 9 only in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, (or which has taken place in the preceding six-month period and is disclosed in the announcement at the time).

1. As stated above, members will not be entitled to attend the meeting. A member may not appoint a person other than the Chairman of the meeting as his proxy to attend and vote at the meeting.
2. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and by paragraph 18(c) of The Companies Act (Consequential Amendments) (Uncertificated Securities) Order 2009, only those members entered on the Company's register of members not later than 11:00am on 21 December 2021, or if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 2 days before the time fixed for the adjourned meeting (excluding non-business days) shall be entitled to vote at the meeting.
3. To be effective, the Form of Proxy must be deposited at the office of the Company's registrars, Share Registrars Limited, Molex House, The Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX so as to be received not later than 11:00am on 21 December 2021, or if the meeting is adjourned, not later than 48 hours (excluding non-business days) before the time fixed for the adjourned meeting.
4. CREST members who wish to appoint the Chairman as their proxy by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by our agent Share Registrars Limited (ID 7RA36) no later than 11:00am on 21 December 2021 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (excluding any part of a day that is not a working day). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent, Share Registrars Limited, is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers arreeferred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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