Annual Report and Financial Statements
For the Year Ended 30 June 2022

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
	Manprit Singh Randhawa	Chief Financial Officer
	Dr Cathy Prescott	Non-Executive Director
	Danielle Bekker	Non-Executive Director
Secretary	Manprit Singh Randhawa	
Registered office	The Core Bath Lane Newcastle Helix Newcastle Upon Tyne NE4 5TF	
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

Financial year 2022 saw a significant milestone in the Group's commercial development with the successful launch of AxisBiotix-Ps™. Following the BRIGHT Study in early 2021, there were very encouraging signs that AxisBiotix-Ps™ could become a truly remarkable treatment of psoriasis symptoms. As such, we ran a soft sales launch of the product in October 2021 from which we have seen sales growth and very high retention rates from subscribers of the product.

The rate of sales growth has been significantly lower than the Group originally anticipated which was disappointing to all stakeholders. The Directors believe that growth could have been accelerated faster if distribution had been handed over to third party distributors, however, the terms discussed with regional providers were deemed by the Directors as not beneficial to the Group in the longer term.

Post year end, sales have continued to increase albeit still at a slow pace, however, the retention rate of approximately 80% on a monthly basis supports management's belief of the long-term potential for the AxisBiotix-Ps™ product. The Board believes it is in the interests of the Company and a better way to generate long term value to its shareholders to seek to secure an exclusive deal with a global multinational for AxisBiotix-Ps™, rather than signing multiple distribution deals across different markets.

The Company's strategy also involves the evaluation of inorganic opportunities that would provide synergies and accelerated routes to market. The Group continues to review acquisition opportunities. More information is provided below on the current acquisition strategy.

Over the year, the Group has also been pushing forward other strategic pillars, including the cosmetic active ingredient programme with Croda, the oral programme, and the formulation of the acne programme. The Group has generated positive progress across these three areas post year end and the Directors anticipate further progress in the new financial year.

The make-up of the Company changed significantly during 2022, with the addition of several new members to the team. Doug Quinn, who has left the Company with the best wishes of the Board, was replaced by a full-time CFO, Manprit Randhawa, whose previous experience in growth companies will be invaluable to the Company as we move from R&D to commercialisation across several pillars over the coming years. In addition, staff numbers have increased from 3 full time members of staff to 8 during 2022, highlighting the investments into the commercial delivery of AxisBiotix-Ps™, as well as the build-out of the internal formulation and scientific capabilities the Company has at its disposal.

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

22 December 2022

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 desirable properties of 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.

SkinBioTherapeutics is primarily a B2B business focused on skin health, with the aim to license its technology to industry partners. However, in response to market pressures caused by COVID-19, the Group repositioned one of its five pillars, AxisBiotix™, into a consumer-led business for the sale of a probiotic food supplement development to alleviate the symptoms associated with psoriasis, called AxisBiotix-Ps™. The product was soft launched in October 2021 via an ecommerce platform which has provided considerable real-world insight.

Operational review

SkinBiotix® Pillar (skincare/cosmetics)

This is the first pillar for the Group, based on its proprietary discovery platform. In November 2019, SkinBiotix® signed a deal with Sederma, the specialist cosmetic division of Croda Plc, to develop, manufacture and commercialise the SkinBiotix® platform. The aim was to develop an active ingredient which would be incorporated in consumer skincare indications. During the financial year, Sederma has been scaling-up the manufacturing process, identifying additional potential scientific and marketing claims for the end ingredient, and has started to engage with its 12,000+ strong customer base. Post year end, the Company continues to engage with Croda Plc on the launch plan of SkinBiotix®. The product development timing is controlled by Croda, however the Directors believe that the product launch will occur in 2023 and thus the Directors expect some initial royalties revenues from Croda to commence in 2023.

As part of the agreement with Croda/Sederma, SkinBioTherapeutics is able to develop its own line of cosmetic-related SkinBiotix® products. The formulation is based on the one from Sederma.

AxisBiotix™ Pillar (gut/skin axis)

The first product to be commercially launched by SkinBioTherapeutics is Axis-Biotix Ps™, a probiotic food supplement developed to help alleviate the symptoms associated with psoriasis. Following a soft launch on 29 October 2021, an active marketing initiative began running from February 2022.

Although the primary focus of the Group is to partner its products and technologies with industry players, the global pandemic forced a change in strategy with this pillar, to sell direct to consumers. The restrictions of COVID-19 resulted in a consumer participant study rather than a hospital-based study. However, the results of the study were still compelling and have played a significant part in the ongoing marketing of the product to the psoriatic community.

The soft launch for the UK and US markets took place in October 2021 and was followed by a more concerted marketing push in February 2022. AxisBiotix-Ps™ is sold in boxes of 28 sachets with sufferers taking one sachet per day. Results from the consumer study indicated it can take 3-4 weeks for the benefits of AxisBiotix-Ps™ to be achieved and so during the launch period, customers received an additional box for free. The product can be bought as a single purchase (box of 28 sachets) or subscribed for on a 28-day or 56-day cycle. The website can be found at *www.axisbiotix.com*.

Strategic and Financial Review (continued)

The marketing push was focused around influencers who were themselves sufferers of psoriasis. The Group commissioned 10 of these influencers to engage with their followers via social media, telling the story from receipt of the box and taking the supplement to talking about its effects. These posts and the profile of AxisBiotix-Ps™ were amplified further through online advertising and video testimonials. The ultimate aim is to educate the psoriatic community about the AxisBiotix-Ps™ brand and the potential for probiotic supplements in managing and supporting their condition. The influencer campaign has now concluded.

Geographically, the main focus was consumers in the UK and US. While it enters discussions with potential parties around out-licensing, Management continues to look at developing new markets and refining its operations to build a stronger validation case around the AxisBiotix-PS™ product. The Group is about to launch in Europe, starting with Spain and Italy, following regulatory approval. European sales can be managed directly via the Group's ecommerce platform with distribution from warehouses in the UK (for UK customers) and the Netherlands (for European customers).

Many people who suffer from psoriasis are highly engaged when it comes to talking about the condition and different treatments; we have seen this in real time about AxisBiotix-Ps™ during the consumer study and post launch. As a result of this engagement and also with the US and UK Psoriasis patient associations, internal expectations for sales growth were high. However, even though retention rates have risen to an impressive level (80%+), sales have grown significantly slower than expected, as disclosed to shareholders in the HY results. Sales at year end were £75k (2021: £Nil).

The sales rate of growth up to and post year end might have accelerated more steeply with a greater marketing spend and/or by using third party distributors. Firstly, the Group was not set up to be a B2C business with the associated sales spend; management has always managed resources in a careful manner and was not prepared to redirect resources to the detriment of the other products and pillars being developed. Also, the Board decided it was not in the best interests of the Group to pursue third party distribution deals which might jeopardise future potential strategic tie-ups with industry partners.

Acne

The next product in development in the AxisBiotix™ pillar is targeting acne. Early signs of efficacy were seen in the participant study with benefits reported by people suffering from other conditions, from acne, rosacea and eczema.

During the year, the Group has been developing a new bacterial blend. Management is pleased to report that the pilot formulation is stable, and it is looking to design a consumer study in the same form as the BRIGHT study for Axis-Biotix-Ps™. This study is anticipated to commence during 2023 and will be carried out by an independent 3rd party organisation. In the meantime, the team is assessing the options for the most appropriate commercialisation strategy, on the basis of a positive outcome.

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

The MediBiotix™ Pillar is focusing on applying SkinBiotix® technology in medical device applications, looking at targeting eczema in the first instance. The aim would be to alleviate eczema symptoms using the gut-skin axis in the same way that AxisBiotix™ acts to alleviate symptoms in psoriasis. This development route is still being explored by management.

Other areas for application include various classes of skin wounds. Due to the complexity but significant opportunity of the woundcare area, Management believes a joint development agreement with an industry partner is the best way forward. Discussions with potential global partners in the medtech sector are ongoing.

CleanBiotix™ Pillar (anti-infection)

With the impact of the pandemic coupled with the increasing incidence of healthcare acquired infections, such as MRSA, preventing infection is of paramount concern to healthcare practitioners. From early studies of SkinBiotix®, there is data demonstrating its effectiveness in preventing the most common skin pathogen, Staphylococcus aureus (SA), from sticking to and growing on skin surfaces. The potential for SkinBiotix® technology in this area is exciting, but is also challenging, therefore, this would be another area where outlicensing the programme would be the obvious option. Management continues to have positive discussions with potential industry partners.

Other Research Programmes

During the year, the Group has been running two research programmes with the University of Manchester; an oral programme and an inflammation study.

The first phase of the oral programme was completed in August 2022. The study was conducted by Professor Andrew McBain of the University of Manchester, and results strongly supported the use of specific bacterial lysates in the prevention of periodontal (gum) disease. Application of a mixture of bacteria and lysates to oral cells showed protection against the pathogen associated with periodontal disease and also a dampening effect on inflammation. Different bacteria/lysates showed different properties, therefore further work is required to identify the optimal mix to take forward into human studies. Management is encouraged by the strong foundation this data provides for the Group's continued research into the benefits of probiotics on oral health and enables the team to commence early licensing talks.

The second programme is looking at how the microbiome can influence and rebalance the body's response to inflammation in skin health and skin disease. This study is progressing as expected and is due to read-out at the end of 2023.

Board and management appointments

In April 2022, the Group appointed its first full time Chief Financial Officer, Manprit Randhawa. Manprit was previously CFO at the leading educational technology firm, Juniper Education Group, and before then, he was CFO at Smoothwall and also at Onbone Oy, a medical technology business. He took over from Doug Quinn after an orderly handover during Q2 2022.

The Group also strengthened the Board with the appointment of Danielle Bekker as a non-executive Director. She has considerable experience in direct-to-consumer marketing, including a focus on the use of influencers and digital media in the FMCG space, which has been helpful with the campaigns run to promote AxisBiotix-Ps™.

Financial review

In the year to 30 June 2022, the Group reported sales of £75k (2021: £nil). Cost of sales, including the initial introductory offer and shipping, were £29k (2021: £nil), and gross profits were £45k (2021: £nil). As stated at the interims, as shipping volumes increase, the operating margin should improve due to economies of scale (bulk shipping) and onward local distribution.

Overall expenses were £3,027k (2021: £1,497k). This included research and development expenditure of £861k (2021: £506k), which covered the consumer study for AxisBiotix-Ps™ and the oral research programme. In addition, ongoing operating expenses of £2,122k (2021: £991k) reflected the adaption of the business infrastructure to conduct direct sales to consumers and ongoing marketing costs.

The operating loss was £2,982k (2021: £1,497k).

The cash balance as at 30 June 2022 was £1,805k (2021: £4,610k) reflecting the increased cost base and initial stocking prior to the AxisBiotix-Ps™ launch.

Current trading and outlook

Post year end, revenues of AxisBiotix-Ps™ have continued to increase gradually from the sales run rate as at 30 June 2022, as consumers adopt the product. Marketing spend on the AxisBiotix-Ps™ product has been significantly reduced from earlier in 2022 including the halting of the influencer campaign. Retention rates for subscribers are currently at least 80% with retention rates being measured as the number of subscribers who are remaining as a subscriber at the end of each month, compared to the same cohort that were in existence at the start of the previous month.

Acquisition strategy

The Group is in ongoing discussions to acquire a private company that provides a variety of branded topical products for common dermatological conditions such as psoriasis and eczema to NHS hospitals, dispensing practices and retail pharmacies. The proposed target is profitable and the Group sees a number of synergies to improve this. However, there is no certainty of timing or execution as the Company would need to agree additional funding using debt and/or equity and any acquisition would be conditional on satisfactory diligence.

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 and IPR strategy. The Group aims to operate a low 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 are discussed at board meetings or otherwise as appropriate.
- The risk register is reported to the Audit Committee at least biannually.

Stage of operations

SkinBioTherapeutics is at an early stage of development, however during the year entered into its first phase of revenue generation through sales of AxisBiotix-PS™. 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. In addition, the need to manufacture clinical grade materials for medical device products may result in further unexpected costs.

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.

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.

Strategic and Financial Review (continued)

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 13-21.

- 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

This year has been a mixed one for the Group. The team has experienced the rush of launching its very first direct to consumer product, and the flow of very positive feedback from customers, who have found relief for their conditions – for some, for the first time in decades. The testimonials taken from these patients and the ongoing high retention rates of 80%+ reinforce the high level of confidence that management has in the product and its long-term market potential. Progress made and positive updates from the other pillars illustrate the additional commercial opportunities within the Group and supports the many discussions ongoing with potential industry partners.

At the same time, Management made the difficult decision to switch from a complex distribution model to allow the opportunity of a multinational deal with a single player for the entire AxisBiotix™ column. As a direct result, the much slower sales generation that this decision created belies the positive reaction encountered by customers and study participants. In different circumstances, were there more to spend on marketing, a larger sales infrastructure and the use of the intended third parties, faster take-up would have been achieved. However, in the ongoing talks being held, the Board believes the strategy being pursued is the right one to provide a clear runway for a potential deal that in the long run will generate greater value for shareholders.

SkinBioTherapeutics has a small team which has achieved a significant amount in 12 months. The pace of development continues apace in the post year period and another busy, exciting year is anticipated in 2023.

Stuart J. Ashman
Chief Executive Officer

22 December 2022

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2022.

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 (resigned 29 May 2022)
Martin Hunt
Dr Cathy Prescott
Danielle Bekker (appointed 27 April 2022)
Manprit Randhawa (appointed 1 June 2022)

The Directors of the Company held the following beneficial interests in the share and share options of SkinBioTherapeutics plc at 30 November 2022:

	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 30 November 2022, 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%
Tyndall Investment Management	8.0%
Seneca Partners Limited	6.9%
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	£318,903	–	£42,603	£6,943	£368,449
Doug Quinn*	£12,068	£125,609	–	£2,737	£140,414
Manprit Randhawa**	£14,821	–	–	£130	£14,951
Non-executive					
Martin Hunt	£12,600	£50,400	–	–	£63,000
Dr Cathy Prescott	£6,300	£25,200	–	–	£31,500
Danielle Bekker	£6,250	–	–	–	£6,250
	£370,942	**£201,209**	**£42,603**	**£9,810**	**£624,564**

*Doug Quinn retired from the Board on 29 May 2022

**Manprit Randhawa joined the Board on 1 June 2022

Financial instruments

The Group's exposure to financial risk and how the Group mitigates such risk is set out in note 2r) 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 and its future developments.

Events after the reporting date

No material subsequent events have occurred that would require adjustment to or disclosure in the financial statements. Refer to note 23 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.

The cash flow forecast includes £2.5 million of additional finance raised through a placing, with up to a further £1 million raised in an open offer. Due to the fund raise being subject to shareholder approval, the Directors highlight that this uncertainty which indicates the existence of a material uncertainty may cast significant doubt about the Group's ability to continue as a going concern.

Refer to note 2d) of the financial statements for further details.

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 United Kingdom.

Directors' Report (continued)

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 United Kingdom subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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

Jeffreys Henry LLP has indicated that it will not seek re-appointment as the Company's Auditor at the Annual General Meeting as, following a business reorganisation, the firm will provide audit services to clients from another company in the Group, Gravita Audit Limited. A resolution to appoint Gravita Audit Limited as the Company's Auditor will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors on 22 December 2022 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 proof of principle in humans has been established and intends to generate licence revenue through this route. Where it considers it appropriate, the Group 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. Further information on the Group's strategy and business is set out in the annual accounts.

Corporate Governance Report (continued)

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

Shareholder	Holding 30 November 2022
OptiBiotix Health Plc	20.7%
Tyndall Investment Management	8.0%
Seneca Partners Limited	6.9%
University of Manchester	5.1%
Prof Catherine O'Neill	3.3%

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.

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.

Principle	*Application*
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Ultimate responsibility for the process by which risk in the business is managed rests with the Board. The 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.
Maintain the Board as a well-functioning, balanced team led by the chair	The Board's primary role is to enhance shareholders' long-term interests by: • determining the 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, Dr Cathy Prescott and Danielle Bekker, all 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 21 details the attendance record of each director at board and committee meetings during the course of the year.

Corporate Governance Report (continued)

Principle

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

Application

As at 1 November 2022 the board comprised an independent non-executive chairman, two executive directors and two independent non-executive directors. Two directors are female and three are male.

Martin Hunt, Independent Non-Executive Chairman
Appointed as a director & Chairman in October 2016; Chair of the Remuneration Committee and member of the Audit and Insider Committees.
Martin has had a long executive career in the medtech and life science sectors including sales and general management roles with large corporations in Europe and the US. He was previously CEO of biomaterials company Tissue Science Laboratories plc taking it from start-up through an AIM listing and eventual sale to Covidien. More recently he has held a number of non-executive roles with both private and public companies. Martin is well versed in the early and growth stages of companies in the life science sector as well as bringing experience of corporate governance and shareholder communications.

Martin is currently Non-Executive Chairman of Videregen Limited.

Time commitment of at least two days per month.

Stuart Ashman, CEO
Appointed as a director in April 2019 and CEO in July 2019.
Stuart is an experienced commercial chief executive with considerable experience in the medtech and life science sectors.

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

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

Stuart is a full-time employee of the Company.

Principle	*Application*

Manprit Randhawa, CFO

Appointed as Company Secretary, director and CFO in June 2022; Member of the Audit Committee and Chair of the Insider Committees.

Manprit has been involved in early-stage companies as CFO for over 10 years. Manprit joined SkinBioTherapeutics plc from PE-backed SaaS business Juniper Education where he was CFO and instrumental in executing a successful buy-and-build strategy as well as refinancing.

Prior to this Manprit was CFO of Finnish med-tech growth stage business Onbone Oy, helping to scale and lead significant international growth of the business. Manprit was Group Financial Controller of AIM-listed technology business Kromek Group plc, where he played a key role in its successful IPO in 2013.

Manprit is a qualified chartered accountant (ICAEW) and began his career in audit in London with Deloitte before moving to UNW in Newcastle upon Tyne.

Manprit is a full-time employee of the Company.

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.

Time commitment of two days per month.

Danielle Bekker, Independent Non-Executive Director

Appointed as a director in April 2022.

Danielle Bekker is a Senior Executive with international experience in FMCG Innovation and Supply Chain. She held Global Innovation Director roles in two FTSE 10 organisations. She brings strong direct to consumer, supply chain management and governance skills having worked with big corporates and having launched her own business in the drinks industry. She advises medium-sized businesses on their innovation and commercialisation strategy.

Corporate Governance Report (continued)

Principle	*Application*
	The Board has not, at this stage in its development, established a Nominations Committee. The Board as a whole continues to review its structure in order to provide what it considers to be an appropriate balance of executive and non-executive experience and skills. The Board believes that its blend of relevant experience, skills, personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. The Board is additionally cognisant that with the recent changes to the Board and as the Company seeks to commercialise its technology, this may require additions to the Executive Team and wider board. Directors attend seminars and other trade events to ensure that their knowledge remains current. On the formation of the Board, the Directors considered the composition of the Audit Committee. Manprit Randhawa is an executive director and CFO but a member of the Committee due to his experience in this area. All independent directors have direct access to the auditors with the exclusion of Manprit 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 and 2022, 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.

Principle	*Application*
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.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Alongside setting the vision and strategy for the 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.

Corporate Governance Report (continued)

Principle	*Application*

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

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.

Principle	*Application*
	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.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	In addition to the investor relations activities described above the following committee reports are provided; The Audit Committee, which comprises Dr Cathy Prescott (Chair), Martin Hunt and Manprit Randhawa and "(formerly 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 comprises Martin Hunt (Chair) and Dr Cathy Prescott. 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 Manprit Randhawa (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	
	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
Danielle Bekker	3	3	–	–	–	–	–	-
Manprit Randhawa	1	1	–	–	–	–	–	-

Independent Auditor's Report to the Members of SkinBioTherapeutics Plc

Opinion

We have audited the financial statements of SkinBioTherapeutics Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 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 UK adopted international accounting standards (IFRSs).

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 2022 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards (IFRSs);
- 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.

Material uncertainty related to going concern

We draw your attention to the primary statements within these financial statements, which indicates that the group incurred a loss of £2.8m and had net cash outflows from operating activities of £2.7m for the year ended 30 June 2022.

We further draw your attention to page 11 of the financial statements which indicates that the Group's ability to continue as a going concern is reliant on raising £2.5 million additional finance. As stated in page 11, these conditions, along with other matters set out in note 2 indicate a material uncertainty exists that may cast significant doubt on the Group and the parent company's ability to continue as a going concern. If the fundraise does not occur for any reason, then that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We identified going concern as a key audit matter based on our assessment of the significance of the risk and effect on our audit strategy.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the following going concern basis of accounting and our audit procedures in response to this key audit matter included the following:

- we assessed the Director's base case cash flow forecasts against our understanding of the business, including considering potential risks and uncertainties associated with the current and future trading at the Group's cash generating unit in the UK;
- assessment of the reliability of forecasts to date by agreeing historical actuals to budgets, and challenging the current forecasts;
- tested the clerical accuracy of management's forecast;
- challenged management's forecast assumptions, and inputs including reviewing the forecast revenue and corroborated the assumptions over the conversion of new contracts and the levels of costs that are forecast;

- we reviewed the latest management accounts to gauge the financial position;
- we performed sensitivity analysis on the cash flow forecasts prepared by the directors;we compared recent expenses in the management accounts to the Directors' forecast to assess the reasonableness of the expected cash burn;
- considered the Group's historic ability to raise funds;
- we assessed the conditions of the fundraise, which was subject to shareholder approval; and
- considered the appropriateness of the Company's disclosures in relation to going concern in the financial statements.

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.

The going concern assumption key audit matter and our response has been disclosed in the 'Material uncertainty relating to going concern' section of our report and is not repeated here.

Key audit matter	How our audit addressed the key audit matter
Carrying value of inventories The Group have inventories as at the year end, with a total carrying value of £122,571 (2021: £nil) after provisions made in the year. Inventory is held at the lower of cost and net realisable value. There is a risk that inventory held remains unsold and the carrying value is not considered appropriate.	We have performed the following audit procedures: • attended an inventory check at the year end to assess the existence of the inventory; • assessed management's impairment review and resulting provision against inventory; and • a sample of inventory items have been vouched to post year end sales to ensure they were being held at the lower of cost and net realisable value.
Investment in subsidiaries and carrying value of inter-company receivables – parent company financial statements only We identified a risk that the investments and inter-company receivables of the parent company (Skinbiotherapeutics Plc) in its subsidiary (AxisBiotix Limited) may be impaired. At the end of each reporting period, the directors are required to assess whether there is any indication that the investment in subsidiary undertakings and amounts receivable from subsidiary undertakings as shown in the parent company may be impaired. Management's assessment of the recoverable amount of investments/inter-company receivables in/with subsidiaries requires estimation and judgement around assumptions used, including the cash flows to be generated from continuing operations. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting the value of investment in the subsidiaries/ amounts receivable from subsidiaries and impairment charges.	We have performed the following audit procedures: • reviewed management's assessment of future operating cashflows and indicators of impairment; • compared the carrying value of the investment at the year end to the net assets and expected future profits of the subsidiary; • assessed the methodology used by management to estimate the future profitability of its subsidiary and recoverable value of the investment, in conjunction with any intra-group balances, to ensure that the method used is appropriate; • assessed the reasonableness of the key assumptions used in management's estimates of recoverable value, in line with the economic and industry statistics relevant to the business; • challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at these; • assessed the reasonability of cash outflows; and • considered the appropriateness of the Parent Company's disclosures in relation to any impairment in the Company only financial statements.

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 had capitalised intellectual property costs amounting to £625,504 (2021: £528,941). During the year, the Group and Company capitalised a further £96,813 (2021: £108,403) 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	£62,000 (2021: £87,000)	£61,000 (2021: £86,000)
How we determined it	Based on 2% of gross assets (2021: 1.5% 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. The Company materiality is capped to ensure it is below Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit for the Group £3,650 (2021: £4,350) and for the Company above £3,100 (2021: £4,300) 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 10, 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 company'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
22 December 2022

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2022

	Notes	2022 £	2021 £
Continuing operations			
Revenue	3	74,761	–
Cost of sales		(29,424)	–
Gross profit		45,337	–
Selling and distribution costs		(43,804)	–
Research and development		(861,383)	(505,627)
Operating expenses		(2,122,238)	(991,481)
Total administrative expenses		(3,027,425)	(1,497,108)
Loss from operations	4	(2,982,088)	(1,497,108)
Finance costs	5	(10,135)	(926)
Loss before taxation		(2,992,223)	(1,498,034)
Taxation	7	199,622	65,065
Loss for the year		(2,792,601)	(1,432,969)
Other comprehensive income		-	–
Total comprehensive loss for the year		(2,792,601)	(1,432,969)
Basic and diluted loss per share (pence)	8	(1.78)	(0.98)

The notes on pages 35 to 55 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 £	2021 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	–	–
Right-of-use assets	11	126,903	143,328
Intangible assets	12	625,504	528,941
Total non-current assets		752,407	672,269
Current assets			
Inventories	14	122,571	–
Trade and other receivables	15	138,150	268,946
Corporation tax receivable	15	266,916	183,828
Cash and cash equivalents		1,804,923	4,609,889
Total current assets		2,332,560	5,062,663
Total assets		3,084,967	5,734,932
EQUITY AND LIABILITIES			
Equity			
Capital and reserves			
Called up share capital	19	1,567,802	1,567,802
Share premium	19	8,758,037	8,758,037
Other reserves		437,316	384,612
Accumulated deficit		(8,287,794)	(5,495,193)
Total equity		2,475,361	5,215,258
Liabilities			
Non-current liabilities			
Lease liabilities	17	100,647	114,780
Total non-current liabilities		100,647	114,780
Current liabilities			
Trade and other payables	16	481,742	379,820
Lease liabilities	17	27,217	25,074
Total current liabilities		508,959	404,894
Total liabilities		609,606	519,674
Total equity and liabilities		3,084,967	5,734,932

These financial statements were approved and authorised for issue by the Board of Directors on 22 December 2022 and were signed on its behalf by:

Manprit Singh Randhawa
Director

Company Registration No. 09632164

The notes on pages 35 to 55 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss before tax for the period	(2,992,223)	(1,498,034)
Net interest		
Depreciation of property, plant and equipment	-	1,700
Right-of-use assets depreciation and interest	39,557	3,355
Amortisation of IP	250	-
Share based payments charge	52,704	61,257
	(2,899,712)	(1,431,722)
Changes in working capital		
Increase in inventories	(122,571)	-
(Increase)/decrease in trade and other receivables	130,796	(198,324)
Increase in trade and other payables	101,922	74,999
Cash used in operations	110,147	(123,325)
Taxation received	116,534	-
Net cash used in operating activities	(2,673,031)	(1,555,047)
Investing activities		
Purchase of IP	(96,813)	(108,403)
Purchase of right-of-use assets	-	(3,902)
Net cash used in investing activities	(96,813)	(112,305)
Cash flows from financing activities		
Net proceeds from issue of shares	-	4,121,114
Lease payments made	(35,122)	(2,927)
Net cash generated by/(used in) financing activities	(35,122)	4,118,187
Net (decrease)/increase in cash and cash equivalents	(2,804,966)	2,450,835
Cash and cash equivalents at the beginning of the period	4,609,889	2,159,054
Cash and cash equivalents at the end of the period	1,804,923	4,609,889

The notes on pages 35 to 55 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
As at 1 July 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
Loss for the period	–	–	–	(2,792,601)	(2,792,601)
Intercompany loan	–	–	–	–	–
Share-based payments	–	–	52,704	–	52,704
As at 30 June 2022	**1,567,802**	**8,758,037**	**437,316**	**(8,287,794)**	**2,475,361**

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 55 form part of these financial statements.

Company Statement of Financial Position

As at 30 June 2022

	Notes	2022 £	2021 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	–	–
Right-of-use assets	11	126,903	143,328
Intangible assets	12	624,255	528,941
Investments	13	423,072	113,733
Other receivables	15	1,142,891	623,688
Total non-current assets		2,317,121	1,409,690
Current assets			
Trade and other receivables	15	91,427	59,888
Corporation tax receivable	15	230,391	183,828
Cash and cash equivalents		1,561,402	4,264,690
Total current assets		1,883,220	4,508,406
Total assets		4,200,341	5,918,096
EQUITY AND LIABILITIES			
Equity			
Capital and reserves			
Called up share capital	19	1,567,802	1,567,802
Share premium	19	8,758,037	8,758,037
Other reserves		437,316	384,612
Accumulated deficit		(7,151,781)	(5,284,889)
Total equity		3,611,374	5,425,562
Liabilities			
Non-current liabilities			
Lease liabilities	17	100,647	114,780
Total non-current liabilities		100,647	114,780
Current liabilities			
Trade and other payables	16	461,103	352,680
Lease liabilities	17	27,217	25,074
Total current liabilities		488,320	377,754
Total liabilities		588,967	492,534
Total equity and liabilities		4,200,341	5,918,096

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 £1,866,892 (2021: £1,222,665)

These financial statements were approved and authorised for issue by the Board of Directors on 22 December 2022 and were signed on its behalf by:

Manprit Singh Randhawa
Director

Company Registration No. 09632164

The notes on pages 35 to 55 form part of these financial statements.

Company Statement of Cash Flows

For the Year Ended 30 June 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss before tax for the period	(2,029,989)	(1,287,730)
Depreciation of property, plant and equipment	-	1,700
Right-of-use assets depreciation and interest	39,557	3,355
Impairment of financial assets	28,407	34,124
Share based payments charge	52,704	61,257
	(1,909,321)	(1,187,294)
Changes in working capital		
(Increase)/decrease in trade and other receivables	(31,539)	10,734
Increase in trade and other payables	108,423	47,859
Cash generated by operations	76,884	58,593
Taxation received	116,534	-
Net cash used in operating activities	(1,715,903)	(1,128,701)
Investing activities		
Purchase of IP	(95,314)	(108,403)
Investment in subsidiaries	(856,949)	(771,545)
Purchase of Right-of-Use Assets	-	(3,902)
Net cash used in investing activities	(952,263)	(883,850)
Financing activities		
Net proceeds from issue of shares	-	4,121,114
Lease payments made	(35,122)	(2,927)
Net cash generated by/(used in) financing activities	(35,122)	4,118,187
Net (decrease)/increase in cash and cash equivalents	(2,703,288)	2,105,636
Cash and cash equivalents at the beginning of the period	4,264,690	2,159,054
Cash and cash equivalents at the end of the period	1,561,402	4,264,690

The notes on pages 35 to 55 form part of these financial statements.

Company Statement of Changes in Equity

For the Year Ended 30 June 2022

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
As at 1 July 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
Loss for the period	–	–	–	(1,866,892)	(1,866,892)
Share-based payments	–	–	52,704	–	52,704
As at 30 June 2022	**1,567,802**	**8,758,037**	**437,316**	**(7,151,781)**	**3,611,374**

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 55 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2022

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 UK adopted International Accounting Standards (IFRSs) and the Companies Act 2006 applicable to companies reporting under IFRS.

These are the first financial statements prepared under UK adopted International Accounting Standards. On 31 December 2020, IFRS adopted by the European Union, at that date, was brought into UK law and became UK adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. SkinBioTherapeutics plc transitioned to UK adopted International Accounting Standards in its financial statements on 1 July 2021. This change constitutes a change in the accounting framework. However, there is no change in recognition, measurement or disclosure in the financial year reported as a result of the change in framework.

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. Based on the Group's latest trading expectations and associated cash flow forecasts, the directors have considered the cash requirements of the Group. The directors are confident that based on the Group's forecasts and the recently announced capital raise of approximately £2.5 million (before costs) the Group will have enough funds to continue in operation for at least 12 months from the date of signing these financial statements. Furthermore, the directors note that the Group has legally binding orders from each of the investors totalling the £2.5 million which is already confirmed as part of the fundraise. These funds will be settled and new shares will be admitted early January 2023, subject to shareholder approval.

Given the capital raise and combined with the continued progress of the underlying positive development of the general business activities, the board believes the Group will have sufficient cash flows for operations for the coming 12 month period and therefore adopt the going concern basis of accounting in preparing these financial statements.

Due to the fund raise being subject to shareholder approval, the Directors highlight that this uncertainty which indicates the existence of a material uncertainty may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

2 Significant accounting policies and basis of preparation (continued)

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.

Capitalisation of development costs

During the year £96,813 (2021: £108,403) of development costs were capitalised, bringing the total amount of development costs capitalised, as intangible assets, as at 30 June 2022, to £625,504 (2021: £528,941), 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.

Inventory valuation

Inventory is carried at the lower of cost and net realisable value, using the first in first out method. Appropriate provisions for estimated irrecoverable amounts due to slow-moving or obsolete inventory are recognised in the income statement where there is objective evidence that the assets are impaired.

The provision is £265,966 at 30 June 2022 (2021: £nil).

Refund accruals

Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect the Board's latest best estimates. The Board does not believe that the difference between the accrual estimate and actual returns will be material.

The accrual for net refunds totalled £267 at 30 June 2022 (2021: £nil). The expected returns rate would need to differ to actual returns by 10% to have an impact of+/- £1,379 on reported revenue and on operating profit. The choice of a 10% change for the determination of sensitivity represents an extreme variation in the return rate.

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 20.

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 Company Income Statement and the 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))

The Group has adopted all of the new or amended Accounting Standards and interpretations issued by the International Accounting Standards Board ('IASB') or the IFRS Interpretations Committee ('IFRIC') that are mandatory and relevant to The Group's activities for the current reporting period.

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

No new standards or interpretations issued by the IASB or the 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)
IFRS1	First Time Adoption of International Financial Reporting Standards	Amendments regarding first time adoption of International Financial Reporting Standards	1 January 2022
IFRS3	Business Combinations	Amendments updating a reference to the Conceptual Framework	1 January 2022
IFRS9	Financial Instruments	Amendments with annual improvements to IFRS Standards 2018-2020 (fees in the 10 per cent test for derecognition of financial liabilities)	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
IAS1	Presentation of Financial Statements	Amendments regarding the classification of liabilities as current or non-current	1 January 2023
IAS8	Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023
IAS16	Property, Plant and Equipment	Amendments regarding the treatment of proceeds before intended use	1 January 2022

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

2 Significant accounting policies and basis of preparation (continued)

Reference	Title	Summary	Application date of standard (Periods commencing on or after)
IAS37	Provisions, Contingent Liabilities and Contingent Assets	Amendments regarding the recognition of cost of fulfilling a contract	1 January 2022
	Annual improvements 2018 – 2020 Cycle	Improvements to IFRS1, IFRS9, IAS41 and IFRS16	1 January 2022 (except for IFRS16 which has no date)
	Amendments to IAS 1 and IFRS Practice Statement 2	Amendments regarding disclosure of material accounting policies	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) Revenue recognition

Revenue consists exclusively of internet sales, in addition to postage receipts, with the Group acting as the Principal in all arrangements. Revenues are recorded net of an appropriate deduction for actual and expected returns, sales discounts and sales taxes.

Revenues for goods are recognised on dispatch to the customer instead of delivery to the customer for practical reasons. The impact of this is assessed and is immaterial to Group revenue and profits. The amount of revenue arising from the sale of goods has been disclosed in note 3 to the financial statements.

i) 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.

j) Inventories

Inventory is carried at the lower of cost and net realisable value. Cost is determined using the first in, first out method and represents the purchase cost, including transport, handling costs and duties.

Appropriate provisions for estimated irrecoverable amounts due to slow-moving or obsolete inventory are recognised in the income statement where there is objective evidence that the assets are impaired.

k) 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.

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.

l) 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.

m) Leasing

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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

2 Significant accounting policies and basis of preparation (continued)

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.

n) 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.

o) 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.

p) 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.

q) 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.

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.

q) Financial assets and liabilities (continued)
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 undertaking 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'); and
- 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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

2 Significant accounting policies and basis of preparation (continued)

Cash and cash equivalents

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

Trade 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.

r) 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), currency 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.

s) 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.

3 Segmental information

IFRS 8 'Operating Segments' requires operating segments to be determined based on The Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be The Board of Directors which receives information on the basis of the Group's operations in key geographical territories, based on the Group's management and internal reporting structure. Based on this assessment the Group consider there to be 2 operating segments.

Administrative expenses are not segmented for accounting purposes.

	Year Ended 30 June 2022		
	UK	US	Total
	£	£	£
Retail sales	57,687	17,074	74,761
Cost of sales	(23,264)	(6,160)	(29,424)
Gross profit	34,423	10,914	45,337

Due to the nature of its activities The Group is not reliant on any individual major customers.

4 Expenses - analysis by nature

	Group	
	2022	2021
	£	£
Other income	(1,032)	(137)
Selling and distribution costs	43,804	-
Depreciation of right-of-use asset	29,422	2,429
Depreciation of plant and equipment	-	1,700
Research and development	861,383	505,627
Directors remuneration (including share-based compensation)	624,563	577,216
Staff costs	142,342	36,224
Foreign exchange differences	1,127	2,755
Auditor's remuneration		
- audit fees	26,250	17,000
- other services	2,260	3,200
Inventory write down	265,966	-
Other operating costs	1,031,340	351,094
Total operating expenses	3,027,425	1,497,108

5 Finance costs

	Group	
	2022	2021
	£	£
Interest payable	10,135	926
	10,135	926

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

6 Employees and Directors

Group and company

The average monthly number of employees and senior management was:

	2022 Number	2021 Number
Executive directors	2	2
Non-executive directors	2	2
Employees	4	3
Average total persons employed	8	7

As at 30 June 2022 the Company had 12 employees (2021: 7).

Group and company

Staff costs in respect of these employees were:

	2022 £	2021 £
Wages and salaries	631,789	561,762
Social security costs	68,816	65,408
Defined contribution pensions	16,883	12,218
Share-based payments (see note 20)	52,704	61,257
Total remuneration	770,192	700,645

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 Company.

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

The Company operates a defined contribution pension scheme for employees and directors. The assets of the scheme are held separately from those of the Company in independently administered funds. The amounts outstanding at 30 June 2022 are £2,633 (2021: £1,650).

Group and company

Directors' remuneration:

	2022 £	2021 £
Stuart J. Ashman	368,449	372,718
Manprit Randhawa	14,951	–
Doug Quinn	140,414	136,989
Martin Hunt	63,000	76,509
Dr Cathy Prescott	31,500	35,000
Danielle Bekker	6,250	–
Total remuneration	624,564	621,216

Which is made up of:

	2022 £	2021 £
Remuneration	572,151	557,747
Amounts receivable under long term incentive schemes	42,603	54,748
Company contributions to pension schemes	9,810	8,721
Total remuneration	624,564	621,216

The number of directors to whom retirement benefits are accruing in respect of qualifying services under defined contribution pension schemes is 2 (2021: 2). The highest paid director received total emoluments of £368,449 (2021: £372,718) during the year.

7 Taxation

Income taxes recognised in profit or loss

	Group	
	2022 £	2021 £
Current tax		
Current period – UK corporation tax	–	–
R&D tax credit	173,729	67,294
R&D tax credit – prior year	25,893	(2,229)
Tax credit for the year	199,622	65,065

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

7 Taxation (continued)

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

	Group	
	2022	2021
	£	£
	(2,726,257)	(1,498,034)
Normal applicable rate of tax	**19.00%**	19.00%
Loss on ordinary activities multiplied by normal rate of tax	**(517,989)**	(284,626)
Effects of:		
Depreciation	**-**	323
Disallowables	**12,525**	12,015
R&D enhanced deductions	**(128,668)**	(67,899)
R&D tax credit	**(199,622)**	(65,065)
Losses surrendered	**227,644**	88,179
Unused tax losses carried forward	**406,488**	252,008
UK tax charge/(credit)	**(199,622)**	(65,065)

The Group has an unrecognised deferred tax asset of £1,132,844 (2021: £759,472) 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 £5,962,339 (2021: £3,997,223) available to be carried forward against future profits.

8 Loss per share

	Group	
	2022	2021
	£	£
Basic and diluted loss per share	**(2,792,601)**	(1,432,969)
Weighted average number of shares	**156,780,236**	146,697,033
Basic and diluted loss per share (pence)	**(1.78)**	(0.98)

As the Group and Company are 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.

9 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 £1,866,892 (2021: £1,222,665)

10 Property, plant and equipment

	Group £	Company £
Cost		
At 1 July 2020	10,200	10,200
Additions	–	–
At 30 June 2021	10,200	10,200
Additions	–	–
At 30 June 2022	**10,200**	**10,200**
Accumulated amortisation		
At 1 July 2020	8,500	8,500
Charge for the period	1,700	1,700
At 30 June 2021	10,200	10,200
Charge for the period	–	–
At 30 June 2022	**10,200**	**10,200**
Net book value		
At 1 July 2020	1,700	1,700
At 30 June 2021	–	–
At 30 June 2022	**–**	**–**

11 Right-of-use assets

	Group £	Company £
Cost		
At 1 July 2020	–	–
Additions	145,757	145,757
At 30 June 2021	145,757	145,757
Additions	12,997	12,997
At 30 June 2022	**158,754**	**158,754**
Accumulated amortisation		
At 1 July 2020	–	–
Charge for the period	2,429	2,429
At 30 June 2021	2,429	2,429
Charge for the period	29,422	29,422
At 30 June 2022	**31,851**	**31,851**
Net book value		
At 1 July 2020	–	–
At 30 June 2021	143,328	143,328
At 30 June 2022	**126,903**	**126,903**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

12 Intangible assets

	Group £	Company £
Cost		
At 1 July 2020	420,538	420,538
Additions	108,403	108,403
At 30 June 2021	528,941	528,941
Additions	96,813	95,314
At 30 June 2022	**625,754**	**624,255**
Accumulated amortisation		
At 1 July 2020	–	–
Charge for the period	–	–
At 30 June 2021	–	–
Charge for the period	250	–
At 30 June 2022	**250**	**–**
Net book value		
At 1 July 2020	420,538	420,538
At 30 June 2021	528,941	528,941
At 30 June 2022	**625,504**	**624,255**

Intellectual property is to be amortised over the expected period that the asset generates income. A small part of the IP belonging to the active subsidiary, AxisBiotix Limited, commenced amortisation in the year ending 30 June 2022. Other IP amortisation is expected to commence in the year ending 30 June 2023.

13 Investments

Company: Investments in subsidiary undertakings	£
Cost	
At 1 July 2020	5
Additions	113,728
At 30 June 2021	113,733
Additions	309,339
At 30 June 2022	423,072

As at 30 June 2022, 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

14 Inventories

	Group	
	2022	2021
	£	£
Inventories	**122,571**	–
	122,571	–

The cost of inventories recognised as an expense during the year was £295,390.

An amount of £265,966 has been written down during the year in respect of provisions against inventory to reflect its net realisable value

15 Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	£	£	**£**	£
Current				
Trade debtors	**1,800**	–	**–**	–
Corporation tax	**266,916**	183,828	**230,391**	183,828
Sales taxes recoverable	**48,669**	19,597	**13,560**	7,793
Other receivables	**11,101**	10,000	**11,101**	10,000
Prepayments	**76,580**	239,349	**66,766**	42,095
	405,066	452,774	**321,818**	243,716
Non-current				
Amounts due from Group undertakings	**–**	–	**1,142,891**	623,688
	–	–	**1,142,891**	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 £1,531,177 (2021: £771,544) which was discounted to £1,205,425 and then impaired by £28,410, in addition to earlier years impairment of £34,124 to give a current value of £1,142,891 (2021: £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 3 years from the date of these statements. The Company has confirmed that it has extended the original repayment date from 30th June 2023 to 30th June 2025.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

16 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Current				
Trade creditors	72,610	78,842	66,277	71,352
Accruals	366,784	279,922	353,534	260,272
Sales taxes payable	85	–	–	–
Other taxes	31,812	17,726	31,059	17,726
Other payables	10,451	3,330	10,233	3,330
	481,742	379,820	461,103	352,680

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.

17 Lease liabilities

	2022	2021
Group and company	£	£
Maturity analysis		
Year 1	36,102	35,122
Year 2	37,770	32,195
Year 3	39,029	33,989
Year 4	35,778	35,122
Year 5	–	32,195
	148,679	168,623
Less future interest charges	(20,815)	(28,769)
	127,864	139,854
Analysed as		
Current	27,217	25,074
Non-current	100,647	114,780
	127,864	139,854

18 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 2022 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	1,804,923	1,804,923	–	–	–
Trade and other receivables	12,901	12,901	–	–	–
	1,817,824	1,817,824	–	–	–
Liabilities					
Trade and other payables	449,930	449,930	–	–	–
Lease Liabilities	133,501	5,854	26,341	33,989	67,317
	583,431	455,784	26,341	33,989	67,317

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	1,561,402	1,561,402	–	–	–
Trade and other receivables	1,542,278	11,101	–	–	1,531,177
	3,103,680	1,572,503	–	–	1,531,177
Liabilities					
Trade and other payables	430,044	430,044	–	–	–
Lease Liabilities	133,501	5,854	26,341	33,989	67,317
	563,545	435,898	26,341	33,989	67,317

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

18 Financial instruments (continued)

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

19 Share capital

Company – Issued and fully paid	Number of shares	Share capital £	Share premium £
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
As at 30 June 2022	**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.

20 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:

	2022		2021	
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**	16,729,343	0.11
Granted during the year	**650,000**	**0.38**	–	–
Forfeited/cancelled during the year	**–**	**–**	–	–
Outstanding at 30 June	**17,379,343**	**0.12**	16,729,343	0.11

On 11 January 2022, 650,000 options were granted at an exercise price of £0.376 per share, split into 2 deed pools with an equal number of share option in each pool. Deep pool 9 is exercisable based upon the achievement of an 80p share price for more than a 30-day continuous period. Deep pool 10 is exercisable based upon the achievement of an 150p share price for more than a 30-day continuous period. The total charge recognised for the year ended 30 June 2022 for these share options is £10,101 (2021: £nil).

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2022

20 Share-based payments (continued)

The fair values of the share options issued in the year were derived using the Black Scholes model. The total charge recognised for the year ended 30 June 2022 for share options is £52,704 (2021: £61,257). 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

Deed pool	9	10
Grant date	11/01/22	11/01/22
Exercise price	37.6p	37.6p
Share price at grant date	37.6p	37.6p
Risk-free rate	0.758%	0.856%
Volatility	75%	75%
Expected life	2 years	3 years
Fair value	7.35p	8.87pp

The closing share price per share at 30 June 2022 was 20.25p (30 June 2021: 63.50p).

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

21 Related party transactions

Key management personnel compensation

	2022 £	2021 £
Group and company		
Short-term employee benefits including social security costs	**694,844**	679,046
Post-employment benefits	**11,239**	10,036
Share-based payments	**42,603**	61,257
	748,686	750,339

Compensation figures above include directors and key management personnel. Detailed remuneration disclosures for directors are provided in the employees and directors note on page 44, and in the Directors Report.

Transactions with other related parties

During the period ended 30 June 2022, the Company was charged fees of £125,609 (2021: £116,600) by Quinn Corporate Services Ltd, a company in which Doug Quinn, a former director of the Company, is also a director. These fees relate to Doug Quinn's consultancy services to the Company. As at 30 June 2022 £nil (2021: £9,500) was outstanding.

During the period ended 30 June 2022, the Company was charged fees of £50,400 (2021: £58,000) 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 2022 £5,040 (2021: £4,800) was outstanding.

During the period ended 30 June 2022, the Company was charged fees of £25,200 (2021: £29,000) by Biolatris Ltd, a company in which Dr Cathy Prescott, a director of the Company, is also a director. These fees relate to Dr Cathy Prescott's consultancy services to the Company. As at 30 June 2022 £nil (2021: £nil) was outstanding.

22 Ultimate controlling party

No one shareholder has control of the Company.

23 Events after the reporting date

The Company has evaluated all events and transactions that occurred after 30 June 2022 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.

SkinBio THERAPEUTICS

The Core, Bath Lane, Newcastle Helix, Newcastle upon Tyne, NE4 5TF.