Interim Report and Consolidated Financial Statements
For the 6 Month Period Ended 31 December 2020

SkinBioTherapeutics plc

Company Registration Number: 09632164

Chairman and Chief Executive's Statement

The aims of the Company for this first half of the financial year have been the preparation and progression of AxisBiotix™, the food supplement product into a consumer study, and the completion of a fundraise of £4.45m. Alongside these short term aims, has been maintaining focus on the skin care ingredient work with Sederma. All of these objectives have been achieved in the shadow of COVID-19, which has presented a variety of challenges, but has also demonstrated the agility and determination of the team to succeed. More detail of the individual business pillars has been provided in the operational summary below.

Financial review

Overall, expenditure in the period was lower than management's expectation, reflecting reduced activity at the University of Manchester due to COVID-19 and the Company pivoting to a self-managed consumer study for AxisBiotix-Ps™. Research and development expenditure in the period was £205k (H1 2019: £455k) and ongoing operating costs were £423k (H1 2019: £434k). Overall, the Company made a loss from operations of £628k (H1 2019: £889k).

Operating cash burn during the period was £667k (H1 2019: £610k) but the overall cash position was aided by net proceeds from the October 2020 fundraise, where the Company completed a placing to new and existing institutional shareholders raising a total of £4.45m (gross). The funding enables the Company to expand its technology pipeline and transition from a virtual operation to one with in-house scientific capability. In this regard, the Company is in discussions with the University of Manchester for two discrete programmes of work which it expects to start in 2021 and has additionally secured laboratory space at the Biosphere complex in Newcastle.

The Company finished the six month period to 31 December 2020 with a cash balance of £5.5m (H1 2019: £2.5m).

Operational review

SkinBiotix®

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

In March 2021 Sederma updated the Company on the progress against key milestones in the collaboration:

- Final analytical sample screening and formulation work is ongoing, with results scheduled in Q2 2021 (calendar year);
- Lysate production has been optimised, with refined media conditions, achieving a >800% increase in lysate and total protein levels. The media is animal free and is defined as suitable for cosmetic ingredient certification. Activity has been confirmed in all protein isolates;
- Having successfully scaled up capacity past 2 litres and 20 litres respectively, the planned scale-up to 600 litres will be completed in Q2 2021. In Q3, this will be followed by a final scale-up to 20,000 litres; the capacity required to mass produce the SkinBiotix® product at industrial levels to supply Sederma's portfolio of 12,000+ global customers;
- Commercial positioning work has begun with the schedule for early customer engagement being prepared for discussion with SkinBioTherapeutics.

The project is progressing in line with the original plan and has not been adversely impacted by COVID-19. On the basis of continued progress, the Company anticipates licensed royalty revenue generation to commence in 2022.

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

AxisBiotix™

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

In July 2020 Winclove reported that it had been able to successfully combine and formulate the blend as a probiotic food supplement, branded as AxisBiotix-Ps™. The next step was to prepare for a consumer study, however, by this time, the COVID-19 pandemic had made the study impossible to execute in a clinical setting as initially intended in a suitable timeframe.

In light of this challenge, the Company redesigned the study so that it could be managed remotely without the need for participants to attend clinics. Enrolment for the study commenced post-period end in January 2021 and experienced extremely high level of demand for participation. Subsequently, the capacity of the study was increased from 200 to 265 participants. The expansion enabled the inclusion of an additional cohort of participants with non-psoriatic conditions e.g. acne, eczema, rosacea, to explore the possible impact of probiotics on additional skin conditions.

Participants have been sent two batches of supplements, each batch comprising 28 days of supply. The study is being monitored through a smart phone application whereby participants are able to submit feedback to weekly questionnaires as to the progression of their symptoms and have the option to upload photos of the affected skin areas. The study extends over a period of 56 days to reflect the natural lifecycle of human skin which ordinarily replicates twice within this timeframe.

As of Friday 12 March, 155 of the study's participants from 3 out of 6 cohorts have reached and reported at the 14 day timepoint (the remainder have yet to reach this timepoint). There have been no reported adverse events and, whilst too early in the study to draw any conclusions, the data thus far has been extremely encouraging. All participants are expected to have reached the day 56 timepoint by the end of April. In order to ensure the highest integrity of the study within the industry and academic communities, the Company will wait until the study is fully complete and analysed before reporting on outcomes. The Company therefore expects to report the detailed findings of the study during the course of May 2021.

Subject to a positive outcome from the study, the Company will then target a commercial launch of the product before the end of the calendar year.

Ahead of commencing the consumer study the Company filed a patent application related to a probiotic composition in the treatment or prevention of dry or sensitive skin conditions, such as psoriasis.

MediBiotix™

The MediBiotix channel will focus on medical device applications incorporating the SkinBiotix® technology. The initial target indication is eczema.

Following review of the submitted data pack by the MHRA (Medicines and Healthcare products Regulatory Agency), the Company is progressing further research work in the lab to support the required characteristics of a medical device application.

In 2020, the Company initiated discussions with a number of global advanced woundcare companies regarding the potential utility for its proprietary technology in the treatment of various skin wounds. These discussions continue and are expected to accelerate as travel restrictions are relaxed post COVID-19.

CleanBiotix™

The Company is investigating whether SkinBiotix® offers protection for other surfaces from Staphylococcus aureus-induced healthcare-acquired infections in both a domestic and healthcare environment.

Discussions continue with multiple potential global partners to explore this area.

Outlook

Having initiated the AxisBiotix™ consumer study in early 2021, the Company anticipates this being completed and reported in May 2021. Thereafter and subject to a positive outcome, the Company will target the launch of a product before the end of the calendar year.

Alongside this over the course of 2021, further progress is anticipated on Croda's commercialisation plan for its cosmetic ingredient incorporating the SkinBiotix® technology. The Company also expects to initiate two programmes of work with the University of Manchester and move into its own lab facilities at the Biosphere in Newcastle upon Tyne.

Martin Hunt (Non-executive Chairman)
Stuart J. Ashman (Chief Executive Officer)

15 March 2021

Consolidated Statement of Comprehensive Income

For the 6 months ended 31 December 2020

	Notes	6 months to 31 Dec 2020 *Unaudited*	6 months to 31 Dec 2019 *Unaudited*	12 months to 30 Jun 2020 *Audited*
		£	£	£
Continuing operations				
Research and development		(205,027)	(455,052)	(635,226)
Operating expenses		(423,214)	(433,950)	(984,816)
Loss from operations		(628,241)	(889,002)	(1,620,042)
Loss before taxation		(628,241)	(889,002)	(1,620,042)
Taxation	4	47,664	64,698	119,956
Loss for the period		(580,577)	(824,304)	(1,500,086)
Total comprehensive loss for the period		(580,577)	(824,304)	(1,500,086)
Basic and diluted loss per share (pence)	6	(0.44)	(0.64)	(1.17)

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	As at 31 Dec 2020 *Unaudited*	As at 31 Dec 2019 *Unaudited*	As at 30 Jun 2020 *Audited*
		£	£	£
ASSETS				
Non-current assets				
Property, plant & equipment		-	4,250	1,700
Intangible assets		471,316	378,949	420,538
Total non-current assets		471,316	383,199	422,238
Current assets				
Other receivables		56,975	78,167	70,622
Corporation tax receivable		166,426	275,049	118,763
Cash and cash equivalents		5,482,741	2,483,243	2,159,054
Total current assets		5,706,142	2,836,459	2,348,439
Total assets		6,177,458	3,219,658	2,770,677
EQUITY AND LIABILITIES				
Equity				
Capital and reserves				
Called up share capital	5	1,558,899	1,280,835	1,280,835
Share premium		8,686,812	4,923,890	4,923,890
Other reserves		442,790	301,554	403,483
Accumulated deficit		(4,722,929)	(3,466,570)	(4,142,352)
Total equity		5,965,572	3,039,709	2,465,856
Liabilities				
Current liabilities				
Trade and other payables		211,886	179,949	304,821
Total current liabilities		211,886	179,949	304,821
Total liabilities		211,886	179,949	304,821
Total equity and liabilities		6,177,458	3,219,658	2,770,677

Consolidated Statement of Cash Flows

For the 6 months ended 31 December 2020

	6 months to 31 Dec 2020 *Unaudited*	6 months to 31 Dec 2019 *Unaudited*	12 months to 30 Jun 2020 *Audited*
	£	£	£
Cash flows from operating activities			
Loss before tax for the period	(628,241)	(889,002)	(1,620,042)
Depreciation	1,700	2,550	5,100
Share option expenses	39,307	53,882	155,811
	(587,234)	(832,570)	(1,459,131)
Changes in working capital			
(Increase) / decrease in trade and other receivables	13,647	164,413	171,958
Increase / (decrease) in trade and other payables	(92,935)	58,615	183,487
Cash generated by / (used in) operations	(79,288)	223,028	355,445
Taxation received	-	-	211,544
Net cash used in operating activities	(666,522)	(609,542)	(892,142)
Cash flows from investing activities			
Payments for intangible assets	(50,778)	(32,079)	(73,668)
Net cash used in investing activities	(50,778)	(32,079)	(73,668)
Cash flows from financing activities			
Net proceeds from issue of shares	4,040,987	-	-
Net cash generated by financing activities	4,040,987	-	-
Net increase / (decrease) in cash and cash equivalents	3,323,687	(641,621)	(965,810)
Cash and cash equivalents at the beginning of the period	2,159,054	3,124,864	3,124,864
Cash and cash equivalents at the end of the period	5,482,741	2,483,243	2,159,054

Consolidated Statement of Changes in Equity

For the 6 months ended 31 December 2020

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
As at 1 Jul 2019	1,280,835	4,923,890	247,672	(2,642,266)	3,810,131
Loss for the period	-	-	-	(824,304)	(824,304)
Share-based payments	-	-	53,882	-	53,882
As at 31 Dec 2019	1,280,835	4,923,890	301,554	(3,466,570)	3,039,709
As at 1 Jan 2020	1,280,835	4,923,890	301,554	(3,466,570)	3,039,709
Loss for the period	-	-	-	(675,782)	(675,782)
Share-based payments	-	-	101,929	-	101,929
As at 30 Jun 2020	1,280,835	4,923,890	403,483	(4,142,352)	2,465,856
As at 1 Jul 2020	1,280,835	4,923,890	403,483	(4,142,352)	2,465,856
Loss for the period	-	-	-	(580,577)	(580,577)
Issue of shares	278,064	4,170,964	-	-	4,449,028
Costs of share issue	-	(408,042)	-	-	(408,042)
Share-based payments	-	-	39,307	-	39,307
As at 31 Dec 2020	1,558,899	8,686,812	442,790	(4,722,929)	5,965,572

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.

Notes to the Consolidated Financial Statements

For the 6 months ended 31 December 2020

1. General information

SkinBioTherapeutics plc is a public limited company incorporated in England under the Companies Act and quoted on the AIM market of the London Stock Exchange (AIM: SBTX). The address of its registered office is 15 Silk House, Park Green, Macclesfield, SK11 7QJ.

The principal activity of the Company is the identification and development of technology that harnesses the human microbiome to improve health.

The financial information set out in this half yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 30 June 2020, prepared under International Financial Reporting Standards ("IFRS"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498 (3) of the Companies Act 2006.

Copies of the annual statutory accounts and the Interim Report can be found on the Company's website at www.skinbiotherapeutics.com.

2. Significant accounting policies and basis of preparation

2.1 Statement of compliance

This half yearly report has been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, IFRS Interpretations Committee (IFRIC) and the Companies Act 2006 applicable to companies reporting under IFRS, using accounting policies which are consistent with those set out in the financial statements for the year ended 30 June 2020.

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

There are no IFRSs or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the Company.

3. Segmental reporting

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

Notes to the Consolidated Financial Statements (cont.)

For the 6 months ended 31 December 2020

4. Taxation

Income taxes recognised in profit or loss	6 months to 31 Dec 2020	6 months to 31 Dec 2019	12 months to 30 Jun 2020
	£	£	£
Current tax			
R&D tax credit	47,664	64,698	118,763
R&D tax credit – prior year	-	-	1,193
Tax credit for the period	47,664	64,698	119,956

5. Share capital

Issued share capital comprises	31 Dec 2020	31 Dec 2019	30 Jun 2020
	£	£	£
155,889,922 ordinary shares of £0.01 each	1,558,899	1,280,835	1,280,835

During the 6 months to 31 December 2020 the company issued ordinary shares of £0.01p each, as follows:

Date Issued	Price	Type	Number
30/11/2020	£0.16	Placing	25,000,000
30/11/2020	£0.16	Open offer	2,806,428
			27,806,428

6. Loss per share

	6 months to 31 Dec 2020	6 months to 31 Dec 2019	12 months to 30 Jun 2020
	£	£	£
Basic and diluted loss per share			
Loss after tax (£)	(580,577)	(824,304)	(1,500,086)
Weighted average number of shares	132,919,395	128,083,494	128,083,494
Basic and diluted loss per share (pence)	(0.44)	(0.64)	(1.17)

As the Company is reporting a loss from continuing operations for the period 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.

7. Events after the reporting date

The Company has evaluated all events and transactions that occurred after 31 December 2020 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.