# Interim Report and Financial Statements
## For the 6 Month Period Ended 31 December 2019

# SkinBioTherapeutics plc

Company Registration Number: 09632164

# Chairman and Chief Executive's Statement

During the first half of the financial year, the Company began its transition from one of scientific focus to progressing opportunities to commercialise its technology. SkinBioTherapeutics seeks to harness the microbiome for human health and has identified five channels in which it intends to develop its focus, encompassing both existing and new technology.

- **SkinBiotix®** – the Company's core technology that is designed to promote skin health by harnessing the beneficial properties of probiotic bacteria
- **AxisBiotix™** – addressing the emerging area of science that is focused on the gut-skin axis and its role in various diseases
- **MediBiotix™** – this channel is targeting the use of the SkinBiotix® technology for medical device applications including the treatment of eczema and woundcare
- **CleanBiotix™** – targeting the use of the SkinBiotix® technology to address certain categories of health care acquired infections
- **PharmaBiotix™** – an extension to the medical device and AxisBiotix™ applications through a pathway of medicinal prescription registrations.

In support of the commercial focus and broader technology scope for the Company, Stuart Ashman and Prof. Cath O'Neill transitioned to their respective roles of Chief Executive Officer and Chief Scientific Officer in July 2019. This change coincided with both Prof. Cath O'Neill and Stephen O'Hara stepping down from the Board of the Company.

The first step on the delivery of the new strategy was a commercial agreement with Croda International Plc (RNS 20 November 2019) for the development and commercialisation of a new active skincare cosmetic ingredient, incorporating the Company's SkinBiotix® technology.

The Company has also been exploring other opportunities for microbiome-related technologies, and post period end, in February 2020 (RNS 19 February 2020), signed an agreement with Winclove Probiotics B.V. for the joint development and subsequent commercialisation of a food supplement to help manage symptoms associated with the skin condition psoriasis. This is the second channel of the five identified by the Company.

## Financial review

Research and development expenditure in the period was £455k (H1 2018: £392k), incorporating development work with the University of Manchester and ongoing formulation work. All such expenditure was expensed in the period. Ongoing operating costs were £434k (H1 2018: £240k) covering employment, consultancy, PLC support costs and marketing. Overall the Company made a loss from operations of £889k (H1 2018: £632k).

Cash burn during the period was £642k (H1 2018: £666k) and in line with management's expectations. Having raised £1.5m in gross proceeds through a placing in February 2019 the Company finished the six month period to 31 December 2019 with a cash balance of £2.5m (H1 2018: £2.5m).

## Operational review

### *SkinBiotix®*

The Company completed its human safety study for the cosmetic application in early 2019 and having generated positive data, progressed its discussions with third parties interested in licencing the technology. This culminated in the agreement with Croda (RNS 20 November 2019).

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

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

Any licensed products resulting from these agreements will be sold to Croda's global portfolio of Personal Care customers, which amount to >12,000, some of which are the leading companies and brands in the market. SkinBioTherapeutics will be paid tiered royalties based on global sales revenues on any licensed products subsequently derived from the successful development of the partnership. Recognising the development activity required by Croda, the Company anticipates revenue generation to commence from these additional agreements during 2021.

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

### *AxisBiotix™*

Within the emerging area of science focused on the gut-skin axis, one disease that is considered to be influenced by the gut-skin axis is psoriasis. This is a chronic relapsing inflammatory condition of the skin with a prevalence of c.2-3% in the western world. The worldwide market for psoriasis treatments was valued at approximately $30bn in 2018 and is expected to grow to $47bn in 2022 with a CAGR of 11.5%.

Current treatments include emollients for relatively mild disease, through to the biologic therapies in severe cases. For the group with mild-to-moderate psoriasis, the mainstay therapies tend to be steroid-based, which cannot be used long term and have side effects. Thus, there is an unmet clinical need for new, safer ways of treating patients with mild to moderate psoriasis. Anecdotal evidence from patients suggests that many of them have turned to oral probiotics as an 'alternative' therapy and report success in control of their disease. However, the effects of probiotics on psoriasis has been investigated in only two studies which did not make the choice of probiotic organisms based on known disease pathways.

As detailed in the RNS of 19 February 2020, SkinBioTherapeutics has signed an agreement with Winclove Probiotics to jointly develop a probiotic food supplement to help manage the symptoms associated with psoriasis. SkinBioTherapeutics and Winclove will design and develop a probiotic blend of 'good' bacterial strains based on the modifying properties of specific bacterial species on known psoriasis disease pathways.

This blend will be developed into a probiotic food supplement which will be called AxisBiotix™. SkinBioTherapeutics will be responsible for the identification and selection of the bacterial strains and patient testing; Winclove will be responsible for the formulation and manufacture of AxisBiotix™. The development agreement is for a period of three years but can be extended by mutual agreement. Each party retains ownership of its respective intellectual property and will be responsible for their own costs in relation to the development programme.

As a pre-requisite to commercialisation, AxisBiotix™ will be tested in a UK human study for patients suffering from mild to moderate psoriasis. The study, to be managed by SkinBioTherapeutics, is expected to start in 2020 on completion of the development phase and is estimated to take approximately 12-18 months to complete. On the basis of a positive read-out of the study, SkinBioTherapeutics will then proceed with commercialisation, concluding discussions with third parties that will run in parallel to the human study.

### *MediBiotix™*

The MediBiotix channel will focus on medical device applications incorporating the SkinBiotix® technology. The initial target is eczema and, having completed its lab work to demonstrate the required characteristics of a medical device application, the Company is preparing a data pack for review by the MHRA (Medicines and Healthcare products Regulatory Agency).

The management also believes there is utility for the technology in the treatment of various classes of skin wounds and is in discussion with a number of global advanced woundcare companies in this regard. The Company is targeting a commercial agreement to develop and test the SkinBiotix® technology in these indications by the end of 2020.

### *CleanBiotix™*

Healthcare acquired infections (HAI) remains an area of critical concern for healthcare providers. The growing resistance of certain infection strains and the lack of new antibiotics is driving the need to discover and develop new methods of controlling bacterial growth and infection.

Staphylococcus aureus (SA) is the most common skin pathogen and one of the major causes of HAI. The Company's SkinBiotix® technology has been shown to have capabilities in preventing SA from adhering to and growing on the skin and thus offers a potential route of protection from SA-induced healthcare acquired infections.

The Company is investigating whether SkinBiotix® offers utility to protect other non-human surfaces and interfaces from SA induced healthcare acquired infections. This potential application of the SkinBiotix® technology is attracting early attention from potential partners.

## Outlook

Securing its first commercial agreement with Croda, a FTSE 100 company, has been a significant achievement for SkinBioTherapeutics and is a strong validation of the technology and its potential. The agreement with Winclove incorporates a different aspect of the microbiome, recognising the influence of the gut-skin axis and in an area of significant unmet clinical need. However, this second agreement also demonstrates the management team's commitment and drive to deliver on the commercial strategy. The team is targeting further commercial progress in the areas of MediBiotix™ and CleanBiotix™ during the course of the year. The scientific focus will also continue with the intended commencement of a human study for psoriasis and clarity on the regulatory pathway for the treatment of eczema.

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

2 March 2020

# Statement of Comprehensive Income

## For the 6 months ended 31 December 2019

| | Notes | 6 months to 31 Dec 2019 *Unaudited* | 6 months to 31 Dec 2018 *Unaudited* | 12 months to 30 Jun 2019 *Audited* |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Continuing operations** | | | | |
| Research and development | | (455,052) | (391,907) | (708,081) |
| Operating expenses | | (433,950) | (240,372) | (652,400) |
| **Loss from operations** | | (889,002) | (632,279) | (1,360,481) |
| **Loss before taxation** | | (889,002) | (632,279) | (1,360,481) |
| Taxation | 4 | 64,698 | 99,546 | 212,388 |
| **Loss for the period** | | (824,304) | (532,733) | (1,148,093) |
| **Total comprehensive loss for the period** | | (824,304) | (532,733) | (1,148,093) |
| Basic and diluted loss per share (pence) | 6 | (0.64) | (0.45) | (0.94) |

# Statement of Financial Position
## As at 31 December 2019

| | Note | As at 31 Dec 2019 *Unaudited* | As at 31 Dec 2018 *Unaudited* | As at 30 Jun 2019 *Audited* |
|---|---|---|---|---|
| | | £ | £ | £ |
| ASSETS | | | | |
| **Non-current assets** | | | | |
| Property, plant & equipment | | 4,250 | 9,350 | 6,800 |
| Intangible assets | | 378,949 | 308,104 | 346,870 |
| Total non-current assets | | 383,199 | 317,454 | 353,670 |
| **Current assets** | | | | |
| Other receivables | | 78,167 | 26,227 | 242,580 |
| Corporation tax receivable | | 275,049 | 185,818 | 210,351 |
| Cash and cash equivalents | | 2,483,243 | 2,516,876 | 3,124,864 |
| Total current assets | | 2,836,459 | 2,728,921 | 3,577,795 |
| **Total assets** | | 3,219,658 | 3,046,375 | 3,931,465 |
| EQUITY AND LIABILITIES | | | | |
| **Equity** | | | | |
| **Capital and reserves** | | | | |
| Called up share capital | 5 | 1,280,835 | 1,187,085 | 1,280,835 |
| Share premium | | 4,923,890 | 3,577,640 | 4,923,890 |
| Other reserves | | 301,554 | 205,166 | 247,672 |
| Accumulated deficit | | (3,466,570) | (2,026,906) | (2,642,266) |
| Total equity | | 3,039,709 | 2,942,985 | 3,810,131 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | 179,949 | 103,390 | 121,334 |
| Total current liabilities | | 179,949 | 103,390 | 121,334 |
| Total liabilities | | 179,949 | 103,390 | 121,334 |
| **Total equity and liabilities** | | 3,219,658 | 3,046,375 | 3,931,465 |

# Statement of Cash Flows
## For the 6 months ended 31 December 2019

| | 6 months to 31 Dec 2019 *Unaudited* | 6 months to 31 Dec 2018 *Unaudited* | 12 months to 30 Jun 2019 *Audited* |
|---|---|---|---|
| | £ | £ | £ |
| **Cash flows from operating activities** | | | |
| Loss before tax for the period | (889,002) | (632,279) | (1,360,481) |
| Depreciation | 2,550 | 850 | 3,400 |
| Share option expenses | 53,882 | 34,748 | 77,254 |
| | (832,570) | (596,681) | (1,279,827) |
| **Changes in working capital** | | | |
| Decrease / (increase) in trade and other receivables | 164,413 | 67,194 | (146,160) |
| Increase / (decrease) in trade and other payables | 58,615 | (105,903) | (90,958) |
| **Cash generated by / (used in) operations** | 223,028 | (38,709) | (237,118) |
| Taxation received | - | - | 88,309 |
| **Net cash used in operating activities** | (609,542) | (635,390) | (1,428,636) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant & equipment | - | (10,200) | (10,200) |
| Payments for intangible assets | (32,079) | (20,432) | (59,198) |
| **Net cash used in investing activities** | (32,079) | (30,632) | (69,398) |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of equity instruments of the Company | - | - | 1,440,000 |
| **Net cash generated by financing activities** | - | - | 1,440,000 |
| **Net decrease in cash and cash equivalents** | (641,621) | (666,022) | (58,034) |
| **Cash and cash equivalents at the beginning of the period** | 3,124,864 | 3,182,898 | 3,182,898 |
| **Cash and cash equivalents at the end of the period** | 2,483,243 | 2,516,876 | 3,124,864 |

# Statement of Changes in Equity

## For the 6 months ended 31 December 2019

| | Share capital £ | Share premium £ | Other reserves £ | Retained earnings £ | Total £ |
|---|---|---|---|---|---|
| As at 1 Jul 2018 | 1,187,085 | 3,577,640 | 170,418 | (1,494,173) | 3,440,970 |
| Loss for the period | - | - | - | (532,733) | (532,733) |
| Share-based payments | - | - | 34,748 | - | 34,748 |
| As at 31 Dec 2018 | 1,187,085 | 3,577,640 | 205,166 | (2,026,906) | 2,942,985 |
| As at 1 Jan 2019 | 1,187,085 | 3,577,640 | 205,166 | (2,026,906) | 2,942,985 |
| Loss for the period | - | - | - | (615,360) | (615,360) |
| Issue of shares | 93,750 | 1,406,250 | - | - | 1,500,000 |
| Costs of share issue | - | (60,000) | - | - | (60,000) |
| Share-based payments | - | - | 42,506 | - | 42,506 |
| As at 30 Jun 2019 | 1,280,835 | 4,923,890 | 247,672 | (2,642,266) | 3,810,131 |
| 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 |

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

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

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

Retained earnings represents accumulated profit or losses to date.

# Notes to the half yearly report

## 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 that of research and development into the effects of lysates derived from the human microbiome on skin.

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 2019, 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 half yearly 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 2019.

### 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 the research and development of the SkinBiotix® technology, all within the United Kingdom.

# Notes to the half yearly report (continued)

## 4. Taxation

| Income taxes recognised in profit or loss | 6 months to 31 Dec 2019 | 6 months to 31 Dec 2018 | 12 months to 30 Jun 2019 |
|---|---|---|---|
| | £ | £ | £ |
| *Current tax* | | | |
| R&D tax credit | 64,698 | 97,509 | 210,350 |
| R&D tax credit – prior year | - | 2,037 | 2,038 |
| Tax credit for the period | 64,698 | 99,546 | 212,388 |

## 5. Share capital

| Issued share capital comprises | 31 Dec 2019 | 31 Dec 2018 | 30 Jun 2019 |
|---|---|---|---|
| | £ | £ | £ |
| 128,083,494 ordinary shares of £0.01 each | 1,280,835 | 1,187,085 | 1,280,835 |

## 6. Loss per share

| | 6 months to 31 Dec 2019 | 6 months to 31 Dec 2018 | 12 months to 30 Jun 2019 |
|---|---|---|---|
| | £ | £ | £ |
| *Basic and diluted loss per share* | | | |
| Loss after tax (£) | (824,304) | (532,733) | (1,148,093) |
| Weighted average number of shares | 128,083,494 | 118,708,494 | 122,047,535 |
| Basic and diluted loss per share (pence) | (0.64) | (0.45) | (0.94) |

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 2019 up to the date of signing of the financial statements.

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