

Interim Report and Consolidated Financial Statements  
For the 6 Month Period Ended 31 December 2022

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**SkinBioTherapeutics plc**

Company Registration Number: 09632164



## Chairman and Chief Executive's Statement

The focus for the first half of FY23 was to drive forward new product development and sales in AxisBiotix, with the ultimate goal being a partnership opportunity with a multinational, along with the continued progression of work with Croda and the research programmes with Manchester University and the pursuit of an accretive acquisition opportunity that could bring solid sales revenue. The Board is pleased to report advancements in all areas.

For FY23, the main pillar of the corporate strategy has been focused around the Company's first product, AxisBiotix-Ps™ probiotic food supplement. Sales and marketing have continued in the first half of the year, with a focus on the UK market, where we continue to see excellent retention rates at 80%+ (being the number of subscribers remaining at the end of each monthly period, compared to those at the start of month period) and total subscriptions overall growing on a month by month basis. Revenues have increased at a higher rate than in the year ending 30 June 2022, despite lower marketing spend as the business has adapted and focused its marketing strategy.

As previously announced to the market, AxisBiotix-Ps™ will be released for sale into Europe in the first half of 2023, with Spain and Italy the first countries to be targeted, followed by France. The business expects to see a gradual uplift in sales following the launches in these countries through the second half of 2023.

The oral programme, the use of probiotic-derived, screened, and selected actives has progressed into development. A lead complex has been selected with research progressing in collaboration with Professor Andrew McBain at the University of Manchester.

Part of the strategy of the Company is to investigate inorganic opportunities that would provide synergies and accelerated routes to market. We continue to pursue such deals and remain actively engaged with the previously announced accretive and synergistic opportunity, where due diligence and negotiations are continuing. 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 and agreement on terms.

## Financial review

### *Revenue and gross margins*

The Company reported revenues of £77k (H1 FY22: £22k) during the first half of FY23, which reflects an increase on the revenues achieved in FY22 from launch date of October 2021 through to June 2022. 90% of the revenues achieved were derived from the UK market, with subscribers accounting for 39% of overall revenues. Gross margins for the period increased to 67% (H1 FY22: 61%) which reflects less discounting from the initial launch phase of AxisBiotix-Ps™ which ran from October 2021 through to February 2022.

### *Research and development*

Research and development costs for the first half of FY23 amounted to £445k (H1 FY22: £397k), with the increase in expenditure relating to the Company entering into the next phase of the Oral research programme with the University of Manchester, which began in 2021.

### *Administrative expenses*

Administrative expenses for the first half of FY23 were £958k (H1 FY22: £775k), highlighting the increase in the operational footprint of the Company. These expenses include £40k (H1 FY22: £10k) of shipping and distribution costs; during H1 FY23, the Company decided to service the UK customer base from a dedicated warehouse in the UK, thus decreasing shipping costs and customs charges as well as improving the time and efficiency of deliveries in the UK. The warehouse in the Netherlands currently serves the US customers and will also be the distribution hub for all European (non-UK) country shipping.

Other increases in expenses largely related to an increase in headcount (H1 FY22: 8 to H1 FY23: 12) from the prior period, as the business had to bring in commercial and operational support for AxisBiotix-Ps™, as well as the recruitment of a full time CFO. The operational footprint also increased with the use of offices and labs in Newcastle in 2022.

## Cash

Net cash decrease for the period was £1,039k (H1 FY22: £1,456k). Cash as at the end of the period at 31 December 2022 was £766k (H1 FY22: £3,154k). Post period end on 4 January 2023, the Company successfully raised gross proceeds of £2.6m to fund future operations.

## Operational review

During the first half of the financial year, the Company's strategy was driven by ongoing developments within AxisBiotix-Ps™, as well as research and development activities within the Acne and Oral health areas.

### *SkinBiotix Pillar (skincare/cosmetics)*

SkinBiotix is the Company's core technology and since late November 2019 has been subject to an agreement with Croda International Plc (Croda) and its specialist cosmetic division Sederma, whereby Sederma is responsible for the development, manufacture and commercialisation of the technology.

Sederma has successfully scaled-up manufacture to 600 litres and is testing the scale-up to 20,000 litres in a custom built vessel in Widnes. The project with Sederma continues to progress with further potential claims as previously communicated. Sederma is exploring in-human studies to further validate this additional activity and potential additional claims. It should be noted that the Company is subject to strict confidentiality agreements with Croda and as such is limited in what information it can publish.

In the spirit of the "smart partnership" that the Company has with Croda, it is now preparing for further, formal discussions with Croda regarding applications of other areas of the Company's technology.

### *AxisBiotix Pillar (gut-skin axis)*

#### *AxisBiotix-Ps™*

During the full year results announcement on 23 December 2022, the Company announced that the strategy for AxisBiotix-Ps™ had evolved, with a shift away from long ranging regional distribution-related deals to exclusive deals with multi-national partners being the better long-term strategy to enhance shareholder value. As such, the Company has continued to market for sale its AxisBiotix-Ps™ food supplement with a reduction in marketing expenditure.

Retention rates remain high for subscribers at 80%+ (being the number of subscribers who are remaining as a subscriber at the end of each monthly period, compared to the same cohort that were in existence at the start of a month period). The positive impact is also evident in the effect the product has on the lives of psoriasis sufferers through customer testimonials.

Post period end, the Company commenced its Spanish launch following regulatory clearance in February 2023. The Spanish market for psoriasis incidence rates is similar to the UK in that between 1%-3% of people suffer from psoriasis. The Company will initiate marketing activities to target this group of people specifically in its first rollout across the country.

Following the launch in Spain, the Company will target Italy and France as its next territories. The Company awaits Italian regulatory clearance for launch, whilst activities to operate in France are at an early stage.

In addition, the Company is working with its formulation partner, Winclove, to investigate other vehicles for AxisBiotix-Ps™ product delivery such as capsules, tablets etc following feedback from consumers. This work is on-going and testing will take place in H2 2023 to identify the optimum delivery method for the food supplement.

#### *Acne*

The next product in the AxisBiotix pillar will be a food supplement for alleviating the symptoms associated with acne.

As announced in December 2022, the Company is working on a stabilised bacterial blend, and is now engaged both internally and externally (with formulation partners) on an end product which is expected to be tested in a consumer study in H2 2023. Assuming a positive outcome from the study, the Company will then seek to commercialise the product.

### *MediBiotix Pillar (medtech applications e.g. woundcare)*

The MediBiotix Pillar is focusing on applying SkinBiotix technology in topical medical device applications, looking at targeting eczema in the first instance. This development route is still being explored by management.

As announced in December 2022, the other areas for this pillar involve advanced wound management, which has the potential to be a significant opportunity for the Company. Early discussions with several potential global partners in the woundcare space are ongoing, and a positioning paper is currently being scoped into a partnered project plan.

### *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 adhering 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 management is investigating opportunities to out license the programme.

### *Other Research Programmes*

The Company has two additional programmes of work underway at the University of Manchester - the first, running until the end of 2023 is focusing on how the microbiome can influence and rebalance the body's response to inflammation in skin health and skin disease. This programme is progressing in line with expectations and management expects to see an outcome of the feasibility study during 2023.

The second programme is exploring the use of different bacteria, including SkinBioTherapeutics' proprietary lysate SkinBiotix along with other strains of bacteria and lysates, for oral health and wellbeing. This programme looks to identify methods to assist in the prevention of gum disease, tooth decay and halitosis that could ultimately be commercialised in a toothpaste or mouthwash. This programme has progressed into development and a lead complex has been selected with research progressing in collaboration with Professor Andrew McBain at the University of Manchester.

Working in collaboration with a UK-based formulation, material, and manufacturing provider, prototype formulation formats have been generated. Laboratory performance of the specialist formats, selected to maximize the oral epithelia contact time are underway, using established biological performance assay platforms. The format has been selected to address consumer needs that can be tuned to specific market segments. In parallel product features and consumer prototyping work is progressing at the Company's formulation suite at its Newcastle-Upon-Tyne facilities.

There can be no guarantees that any of these formats will meet the strict criteria set by the Company for advancing into scale-up and consumer testing, but management remains encouraged by the progress made in demonstrating the technology in commercially acceptable formats.

## Outlook

The Company has made significant strides over the past year with developments in three out of the five pillars of strategy, with what is still a small but growing team. Management continues to progress the partnership with Croda and anticipates that 2023 will see the commercial launch of the cosmetic ingredient. The launch of AxisBiotix-Ps™ has shown some traction with a relatively modest marketing budget, and management expects to increase sales at a steady pace following the launch into Europe over the coming months. Work continues with the University of Manchester on a range of programmes, including feasibility of the technology in inflammation and oral applications.

The focus of 2023 and beyond is to reach commercial traction with Croda, launch AxisBiotix-Ps™ into Europe, develop a product for acne, continue engagement with potential multi-national commercial partners for the AxisBiotix pillar, and strike a deal with a large global partner within the MediBiotix pillar. In addition, the Company will continue to pursue inorganic accretive opportunities, specifically with one such target which management has been in discussions with since the end of 2022. This target has the potential to be transformative for the Company from both financial as well as operational perspectives.

This year has started well and Management looks forward to updating shareholders on the Company's progress.

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

27 March 2023

## Consolidated Statement of Comprehensive Income

For the 6 months ended 31 December 2022

	Notes	6 months to 31 Dec 2022 <i>Unaudited</i>	6 months to 31 Dec 2021 <i>Unaudited</i>	12 months to 30 Jun 2022 <i>Audited</i>
		£	£	£
<b>Continuing operations</b>				
Revenue		76,985	21,949	74,761
Cost of sales		(25,248)	(8,560)	(29,424)
<b>Gross profit</b>		<b>51,737</b>	13,389	45,337
Selling and distribution		(40,136)	(10,408)	(43,804)
Research and development		(444,588)	(396,695)	(861,383)
Operating expenses		(918,103)	(764,750)	(2,122,238)
<b>Loss from operations</b>		<b>(1,351,090)</b>	(1,158,464)	(2,982,088)
Finance costs		(4,739)	(5,274)	(10,135)
<b>Loss before taxation</b>		<b>(1,355,829)</b>	(1,163,738)	(2,992,223)
Taxation	4	70,826	88,812	199,622
<b>Loss for the period</b>		<b>(1,285,003)</b>	(1,074,926)	(2,792,601)
<b>Total comprehensive loss for the period</b>		<b>(1,285,003)</b>	(1,074,926)	(2,792,601)
Basic and diluted loss per share (pence)	5	(0.82)	(0.69)	(1.78)

# Consolidated Statement of Financial Position

As at 31 December 2022

	Note	As at 31 Dec 2022 <i>Unaudited</i> £	As at 31 Dec 2021 <i>Unaudited</i> £	As at 30 Jun 2022 <i>Audited</i> £
<b>ASSETS</b>				
<b>Non-current assets</b>				
Right-of-use assets		110,702	128,752	126,903
Intangible assets		652,548	570,478	625,504
<b>Total non-current assets</b>		<b>763,250</b>	699,230	752,407
<b>Current assets</b>				
Inventories		88,257	412,064	122,571
Trade and other receivables		126,274	191,893	138,150
Corporation tax receivable		244,555	156,106	266,916
Cash and cash equivalents		765,976	3,153,631	1,804,923
<b>Total current assets</b>		<b>1,225,062</b>	3,913,694	2,332,560
<b>Total assets</b>		<b>1,988,312</b>	4,612,924	3,084,967
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Capital and reserves</b>				
Called up share capital	6	1,567,802	1,567,802	1,567,802
Share premium		8,758,037	8,758,037	8,758,037
Other reserves		459,471	405,914	437,316
Accumulated deficit		(9,572,797)	(6,570,119)	(8,287,794)
<b>Total equity</b>		<b>1,212,513</b>	4,161,634	2,475,361
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Lease liabilities		82,823	101,473	100,647
<b>Total non-current liabilities</b>		<b>82,823</b>	101,473	100,647
<b>Current liabilities</b>				
Trade and other payables		666,290	323,723	481,742
Lease liabilities		26,686	26,094	27,217
<b>Total current liabilities</b>		<b>692,976</b>	349,817	508,959
<b>Total liabilities</b>		<b>775,799</b>	451,290	609,606
<b>Total equity and liabilities</b>		<b>1,988,312</b>	4,612,924	3,084,967

## Consolidated Statement of Cash Flows

For the 6 months ended 31 December 2022

	6 months to 31 Dec 2022 <i>Unaudited</i> £	6 months to 31 Dec 2021 <i>Unaudited</i> £	12 months to 30 Jun 2022 <i>Audited</i> £
<b>Cash flows from operating activities</b>			
Loss before tax for the period	(1,355,828)	(1,163,738)	(2,992,223)
Right-of-use assets depreciation and interest	20,938	19,850	39,557
Amortisation of IP	150	-	250
Share based payments charge	22,155	21,302	52,704
	<b>(1,312,585)</b>	<b>(1,122,586)</b>	<b>(2,899,712)</b>
<b>Changes in working capital</b>			
Decrease/(Increase) in inventories	34,314	(412,064)	(122,571)
Decrease/(Increase) in trade and other receivables	7,138	71,779	130,796
Increase/(decrease) in trade and other payables	184,016	(56,097)	101,922
<b>Cash used in operations</b>	<b>225,468</b>	<b>(396,382)</b>	<b>110,147</b>
Taxation received	93,188	116,534	116,534
<b>Net cash used in operating activities</b>	<b>(993,929)</b>	<b>(1,402,434)</b>	<b>(2,673,031)</b>
<b>Cash flows from investing activities</b>			
Purchase of IP	(27,194)	(41,537)	(96,813)
<b>Net cash used in investing activities</b>	<b>(27,194)</b>	<b>(41,537)</b>	<b>(96,813)</b>
<b>Cash flows from financing activities</b>			
Lease payments made	(17,824)	(12,287)	(35,122)
<b>Net cash used by financing activities</b>	<b>(17,824)</b>	<b>(12,287)</b>	<b>(35,122)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,038,947)</b>	<b>(1,456,258)</b>	<b>(2,804,966)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,804,923</b>	<b>4,609,889</b>	<b>4,609,889</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>765,976</b>	<b>3,153,631</b>	<b>1,804,923</b>

## Consolidated Statement of Changes in Equity

For the 6 months ended 31 December 2022

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
<b>As at 1 Jul 2021</b>	1,567,802	8,758,037	384,612	(5,495,193)	5,215,258
Loss for the period	-	-	-	(1,074,926)	(1,074,926)
Share-based payments	-	-	21,302	-	21,302
<b>As at 31 Dec 2021</b>	1,567,802	8,758,037	405,914	(6,570,119)	4,161,634
<b>As at 1 Jan 2022</b>	1,567,802	8,758,037	405,914	(6,570,119)	4,161,634
Loss for the period	-	-	-	(1,717,675)	(1,717,675)
Share-based payments	-	-	31,402	-	31,402
<b>As at 30 Jun 2022</b>	1,567,802	8,758,037	437,316	(8,287,794)	2,475,361
<b>As at 1 Jul 2022</b>	1,567,802	8,758,037	437,316	(8,287,794)	2,475,361
Loss for the period	-	-	-	(1,285,003)	(1,285,003)
Share-based payments	-	-	22,155	-	22,155
<b>As at 31 Dec 2022</b>	<b>1,567,802</b>	<b>8,758,037</b>	<b>459,471</b>	<b>(9,572,797)</b>	<b>1,212,513</b>

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 share options granted and exercised.

Retained earnings represents accumulated profit or losses to date.

# Notes to the Consolidated Financial Statements

For the 6 months ended 31 December 2022

## 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 The Core Bath Lane, Newcastle Helix, Newcastle Upon Tyne, England, NE4 5TF.

The principal activity of the Group 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 2022, 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 but included a reference to the material uncertainty related to going concern in respect of the outcome of the fundraise which completed in January 2023 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](http://www.skinbiotherapeutics.com).

## 2. Significant accounting policies and basis of preparation

### 2.1 Statement of compliance

This Interim 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 United Kingdom, 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 2022.

### 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 Group.

## 3. Segmental reporting

In the opinion of the Directors, the Group has one class of business, in three geographical areas, namely that of the identification and development of technology that harnesses the human microbiome to improve health.

Revenue analysed by geographical market	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 Jun 2022
	£	£	£
UK	70,328	16,860	57,687
Europe	560	-	-
US	6,097	5,089	17,074
	<b>76,985</b>	<b>21,949</b>	<b>74,761</b>

## Notes to the Consolidated Financial Statements (cont.)

For the 6 months ended 31 December 2022

### 4. Taxation

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 Jun 2022
	£	£	£
Income taxes recognised in profit or loss			
<b>Current tax</b>			
R&D tax credit	70,826	88,812	173,729
R&D tax credit - prior year	-	-	25,893
Tax credit for the period	<b>70,826</b>	88,812	199,622

### 5. Loss per share

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 Jun 2022
	£	£	£
<b>Basic and diluted loss per share</b>			
Loss after tax (£)	(1,285,002)	(1,074,926)	(2,792,601)
Weighted average number of shares	156,780,236	156,780,236	156,780,236
Basic and diluted loss per share (pence)	<b>(0.82)</b>	(0.69)	(1.78)

As the Group 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.

### 6. Share capital

	31 Dec 2022	31 Dec 2021	30 Jun 2022
	£	£	£
Issued share capital comprises			
156,780,236 ordinary shares of £0.01 each	<b>1,567,802</b>	1,567,802	1,567,802

### 7. Events after the reporting date

The Group has evaluated all events and transactions that occurred after 31 December 2022 up to the date of signing of the financial statements.

On 4 January 2023 the Group raised £2.6m of gross proceeds following a placing of ordinary shares which were admitted onto AIM on 5 January 2023.