

Interim Report and Consolidated Financial Statements
For the 6 Month Period Ended 31 December 2021

SkinBioTherapeutics plc

Company Registration Number: 09632164



Chairman and Chief Executive's Statement

SkinBioTherapeutics was originally established and structured as a B2B business with a strategy to license its technology to industry partners. However, in response to the challenges of COVID-19, the Group pivoted the strategy by initiating and completing a successful human study and progressing to a direct-to-consumer (B2C) focus. This culminated in the 'soft launch' of its first product, AxisBiotix-Ps™, the probiotic food supplement, developed to help alleviate the symptoms associated with psoriasis, on World Psoriasis Day, 29 October 2021.

Since the calendar year end, the Group has concentrated on accelerating the second phase of its roll-out in the US and UK with a larger-scale multi-media marketing campaign using 'influencers' who themselves are psoriasis sufferers.

The challenge now is to expand the consumer marketing programmes and quickly build the customer base, with the associated recurring revenue stream. In addition, management is keen to push forward other strategic pillars, including the cosmetic active ingredient programme with Croda, and the oral and acne programmes.

Financial review

The Group reported its first revenues during the period under review from the launch of AxisBiotix-Ps at the end of October 2021. In the two month period to 31 December 2021, AxisBiotix Limited recorded sales of £22k and a gross profit of £13k. Cost of sales includes the cost of product provided under the 'buy one get one free' introductory offer which ran from launch date to the middle of February 2022. Shipping costs are included within shipping and distribution costs of £10k and all products are shipped from a warehouse facility in the Netherlands, strategically located for distribution for the future European roll out. As shipping volumes increase the operating margin is forecast to improve, reflective of additional fixed cost recovery and thereafter as the Group considers actions such as bulk shipping to different geographies and onward local distribution.

Overall expenditure was in line with management's expectation. Research and development expenditure in the period was £397k (H1 2021: £205k) and included costs from the consumer study for AxisBiotix-Ps as well as the oral research programme initiated with the University of Manchester. Ongoing operating expenses were £765k (H1 2021: £423k), reflective of the Group transitioning from a virtual business to one with established infrastructure together with the marketing costs associated with the launch of AxisBiotix-Ps. Overall the Group made a loss from operations of £1,158k (H1 2021: £628k).

Operating cash burn during the period was £1,397k (H1 2021: £667k), consistent with the increased cost base detailed above and the initial AxisBiotix inventory procurement of £412k. The Group finished the six-month period to 31 December 2021 with a cash balance of £3.2m (H1 2021: £5.5m).

Operational review

SkinBiotix Pillar (skincare/cosmetics)

SkinBiotix is the Group's proprietary discovery platform and since November 2019 has been subject to an agreement with Croda Plc and its specialist cosmetic division Sederma, whereby Sederma is responsible for the development, manufacture and commercialisation of the SkinBiotix platform focusing specifically on the growing skincare actives market in consumer skincare indications. The Sederma agreement is limited to consumer 'active skincare' and therefore, SkinBioTherapeutics is able to develop its own line of cosmetic-related SkinBiotix products, based on Sederma's formulation, and continues to explore this opportunity.

Through the course of the collaboration, Sederma continues to identify additional potential scientific and marketing claims for the end ingredient. In parallel to the manufacturing scale-up process that Croda are progressing at its facility near Widnes, Sederma is continuing its lab work to further substantiate any additional potential claims.

Croda has engaged with its VIP clients and management continues to anticipate licensed royalty revenue generation by the end of 2022.

AxisBiotix Pillar (gut-skin axis)

Psoriasis

AxisBiotix-Ps™ is a probiotic food supplement developed to help alleviate the symptoms associated with psoriasis. It is the first commercially launched product for the Group and pursues a 'direct to consumer' business model. Having been established as a B2B business originally, the Group is having to resource itself to support higher levels of engagement with end users. Traditionally, this activity would be covered by the licensee industry partner and in most cases incorporate significant marketing spend and activity. Whilst the psoriatic community is highly communicative with regards to the condition and its treatment there is a considerable level of engagement required to drive the desired level of market penetration.

When the management team was developing the product and the commercialisation strategy, it deliberately chose a 'soft' and controlled launch rather than a major, high profile one. Given the debilitating effect of the psoriatic condition where any disruption of supply could severely impact a customer, management was adamant that all the sales and distribution processes should be rigorously tested at controlled low volumes to enable the evolution of a continuous, scalable supply. Given the continuing Covid pandemic and other macropolitical events, the management believes this was the correct and prudent strategy.

The product 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 consequently 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 or 56 day cycle.

Since the period end, in February 2022 the Group initiated the second phase of its 'direct to consumer' commercialisation strategy which utilises 'influencers' who themselves are psoriasis sufferers to communicate with their followers through targeted social media, online advertising and video testimonials.

As of today, the Group has 10 influencers engaged on the programme. The influencers 'tell the story' of receiving the product, beginning to take it and the effects it has on their psoriatic symptoms. Management continues to engage with the influencers and introduce others as consumer engagement increases. At its heart, this campaign is about educating a community about the potential of probiotics in managing and supporting their psoriatic condition, and specifically raising awareness of AxisBiotix-Ps and the AxisBiotix brand.

The influencer activity, along with highly targeted Facebook/Instagram ads, created using the influencer content and their audience's data, started in February 2022. The influencers have, so far, posted once, showcasing the product and highlighting its benefits. The content has been delivered to over 100,000 of the influencers' followers and produced an extremely positive 20% overall "engagement rate".¹ Facebook/Instagram adverts, created using the influencers content, maximising the overall campaign ROI, have so far generated over 3.5 million ad impressions reaching over 1.9 million individuals. In this same time period, although starting from a low base, the online store has seen a 287% increase in traffic, a 428% increase in social media referrals and a 335% increase in subscription sales, compared to the same period, prior to the activity starting.

Influencers are now due to post for a second time, to another 100,000+ followers, updating them on the success they have seen whilst using the product and the content is excellent. More influencers are being selected for phase two of this activity, which will start at the end of March 2022.

AxisBiotix-Ps has been launched initially in the UK and US, and management is currently exploring other markets, anticipating selling directly to consumer in other European countries and pursuing distributor opportunities for wider markets such as Asia. The management anticipates progressing both of these additional opportunities during the second half of 2022.

Although sales have been slow, the Board remains positive as to the efficacious nature of the product and consequently its long-term potential based on the consumer study and incoming positive testimonials from customers. As detailed above, the activity to support this level of engagement is in its early stages and it is difficult to estimate over what timeframe this can be achieved. As is common in B2C businesses, investing heavily in marketing and engagement activity will support the growth rate but will impact both the operating margin and cash position. Conversely, holding back on this type of activity lengthens the timeframe to achieving the goal.

¹ (Instagram average engagement is [0.81%](#)).

Acne

Psoriasis was the first indication targeted to leverage the gut-skin axis and whilst AxisBiotix-Ps was designed specifically to alleviate the symptoms associated with psoriasis, study participants who suffered from conditions including acne, rosacea and eczema benefited from taking the product.

The Group is in the process of developing a new bacterial blend targeting acne and anticipates being able to initiate a consumer study during the course of 2022. Subject to a positive outcome from the study, the Group will then seek to commercialise the product and will assess its options for the most appropriate commercialisation strategy.

MediBiotix Pillar (medtech applications e.g. woundcare)

This channel is targeting the use of the Group's SkinBiotix technology in medical device applications. Eczema was identified as an initial target, and management now believes this is best targeted via a food supplement, leveraging the gut-skin axis in much the same way as AxisBiotix. Developing an eczema specific food supplement will be assessed alongside the other food supplement opportunities.

The Group continues to explore opportunities for the application of the SkinBiotix technology in the treatment of various classes of skin wounds. This is a complex area - the introduction of bacteria to an open wound - but one that offers significant opportunity. Management believes this is best achieved through a joint development agreement with a woundcare company and is continuing discussions in this regard.

CleanBiotix Pillar (anti-infection)

The area of healthcare acquired infections (HAI) and bacterial resistance remains an area of critical concern for healthcare providers and has been brought into sharp focus through the pandemic. Staphylococcus aureus (SA) is the most common and one of the most aggressive skin pathogens and is one of the major causes of HAI. The Group's SkinBiotix® technology has been shown to have significant capabilities in preventing SA from adhering to and growing on the skin and thus offers a potential route of protection from SA-induced healthcare acquired infections.

As with woundcare and MediBiotix, this is a challenging area both from technology and regulatory perspectives but equally offers significant opportunities. SkinBioTherapeutics continues discussions with several potential partners to work with to develop all aspects of this market channel.

Other Research Programmes

The Group has two additional programmes of work underway at the University of Manchester.

The first programme is running until the end of 2023 and is focusing on how the microbiome can influence and rebalance the body's response to inflammation in skin health and skin disease.

The second and shorter of the two programmes is exploring the use of different bacteria, including SkinBioTherapeutics' proprietary lysate SkinBiotix, for oral health and wellbeing. This programme looks to identify strains of bacteria that can assist in the prevention of gum disease, tooth decay and halitosis that could ultimately be commercialised in a toothpaste or mouthwash.

Board and management appointments

Post period end, the Company announced the proposed directorate appointments of a new full time Chief Financial Officer and non executive director.

Manprit Singh Randhawa most recently worked as CFO at the leading educational technology firm, Juniper Education Group. Previously, he was CFO at Smoothwall and before then, at Onbone Oy, a medical technology business. It is proposed that Manprit will be taking over from Doug Quinn, SkinBioTherapeutics' current part-time CFO, upon Nominated Adviser confirmation of his appointment.

Danielle Bekker is to join the SkinBioTherapeutics Board as a non executive director. She brings experience in direct to consumer marketing, including a focus on the use of influencers and digital media in the FMCG (Fast Moving Consumer Goods) space having launched her own direct to consumer beverage business. She has a core set of skills that the Board believes will be invaluable to the Company as it commercialises its first product, AxisBiotix-Ps™, and subsequent products e.g. to address acne. She also has strong supply chain management and governance skills, having worked with big corporates as well as ecommerce skills developed by founding her own business in the drinks industry.

Outlook

It is only five months since SkinBioTherapeutics launched its first product and began generating revenue. The Group has transitioned from a soft launch to an engagement programme with social media influencers who are themselves psoriatic sufferers. Early results, both in terms of the product benefit with the influencers and the engagement with their followers are very promising. How soon social media engagement converts to purchasing customers is still to be seen.

Given the low subscriber levels prior to implementing any significant marketing spend, the Company expects its revenue for the full year to be materially below market expectations. However, without having implemented its full marketing campaign it is not possible to predict at this time the quantum of the impact on sales. The board remains confident in the effectiveness of the product and its long term market potential.

Beyond AxisBiotix-Ps, the Group has a broad base of technologies and during the remainder of 2022, management is looking to Sederma's launch of SkinBiotix as a cosmetic ingredient, the outcomes from the oral programme with the University of Manchester and the resultant early engagement with potential commercial partners. The Group also aims to complete the formulation of the food supplement to address acne and initiate a study. Finally, once the regulatory due diligence is completed, the Group looks forward to welcoming the proposed appointees, Manprit Singh Randhawa as the new full time CFO and Danielle Bekker as non executive director.

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

28 March 2022

Consolidated Statement of Comprehensive Income

For the 6 months ended 31 December 2021

	Notes	6 months to 31 Dec 2021 <i>Unaudited</i>	6 months to 31 Dec 2020 <i>Unaudited</i>	12 months to 30 Jun 2021 <i>Audited</i>
		£	£	£
Continuing operations				
Revenue		21,949	-	-
Cost of sales		(8,560)	-	-
Gross profit		13,389	-	-
Selling and distribution		(10,408)	-	-
Research and development		(396,695)	(205,027)	(505,627)
Operating expenses		(764,750)	(423,214)	(991,481)
Loss from operations		(1,158,464)	(628,241)	(1,497,108)
Finance costs		(5,274)	-	(926)
Loss before taxation		(1,163,738)	(628,241)	(1,498,034)
Taxation	4	88,812	47,664	65,065
Loss for the period		(1,074,926)	(580,577)	(1,432,969)
Total comprehensive loss for the period		(1,074,926)	(580,577)	(1,432,969)
Basic and diluted loss per share (pence)	5	(0.69)	(0.44)	(0.98)

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	As at 31 Dec 2021 <i>Unaudited</i> £	As at 31 Dec 2020 <i>Unaudited</i> £	As at 30 Jun 2021 <i>Audited</i> £
ASSETS				
Non-current assets				
Right-of-use assets		128,752	-	143,328
Intangible assets		570,478	471,316	528,941
Total non-current assets		699,230	471,316	672,269
Current assets				
Inventories		412,064	-	-
Trade and other receivables		191,893	56,975	268,946
Corporation tax receivable		156,106	166,426	183,828
Cash and cash equivalents		3,153,631	5,482,741	4,609,889
Total current assets		3,913,694	5,706,142	5,062,663
Total assets		4,612,924	6,177,458	5,734,932
EQUITY AND LIABILITIES				
Equity				
Capital and reserves				
Called up share capital	6	1,567,802	1,558,899	1,567,802
Share premium		8,758,037	8,686,812	8,758,037
Other reserves		405,914	442,790	384,612
Accumulated deficit		(6,570,119)	(4,722,929)	(5,495,193)
Total equity		4,161,634	5,965,572	5,215,258
Liabilities				
Non-current liabilities				
Lease liabilities		101,473	-	114,780
Total non-current liabilities		101,473	-	114,780
Current liabilities				
Trade and other payables		323,723	211,886	379,820
Lease liabilities		26,094	-	25,074
Total current liabilities		349,817	211,886	404,894
Total liabilities		451,290	211,886	519,674
Total equity and liabilities		4,612,924	6,177,458	5,734,932

Consolidated Statement of Cash Flows

For the 6 months ended 31 December 2021

	6 months to 31 Dec 2021 <i>Unaudited</i>	6 months to 31 Dec 2020 <i>Unaudited</i>	12 months to 30 Jun 2021 <i>Audited</i>
	£	£	£
Cash flows from operating activities			
Loss before tax for the period	(1,163,738)	(628,241)	(1,498,034)
Depreciation of property, plant and equipment	-	1,700	1,700
Right-of-use assets depreciation and interest	19,850	-	3,355
Share based payments charge	21,302	39,307	61,257
	(1,122,586)	(587,234)	(1,431,722)
Changes in working capital			
(Increase) in inventories	(412,064)	-	-
(Increase)/decrease in trade and other receivables	77,053	13,647	(198,324)
Increase/(decrease) in trade and other payables	(56,097)	(92,935)	74,999
Cash used in operations	(391,108)	(79,288)	(123,325)
Interest paid	(5,274)	-	-
Taxation received	116,534	-	-
Net cash used in operating activities	(1,402,434)	(666,522)	(1,555,047)
Cash flows from investing activities			
Purchase of IP	(41,537)	(50,778)	(108,403)
Purchase of right-of-use assets	-	-	(3,902)
Net cash used in investing activities	(41,537)	(50,778)	(112,305)
Cash flows from financing activities			
Net proceeds from issue of shares	-	4,040,987	4,121,114
Lease payments made	(12,287)	-	(2,927)
Net cash generated by financing activities	(12,287)	4,040,987	4,118,187
Net increase/(decrease) in cash and cash equivalents	(1,456,258)	3,323,687	2,450,835
Cash and cash equivalents at the beginning of the period	4,609,889	2,159,054	2,159,054
Cash and cash equivalents at the end of the period	3,153,631	5,482,741	4,609,889

Consolidated Statement of Changes in Equity

For the 6 months ended 31 December 2021

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
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
As at 1 Jan 2021	1,558,899	8,686,812	442,790	(4,722,929)	5,965,572
Loss for the period	-	-	-	(852,392)	(852,392)
Issue of shares	8,903	71,225	-	-	80,128
Exercise of share warrants	-	-	(80,128)	80,128	-
Share-based payments	-	-	21,950	-	21,950
As at 30 Jun 2021	1,567,802	8,758,037	384,612	(5,495,193)	5,215,258
As at 1 Jul 2021	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
As at 31 Dec 2021	1,567,802	8,758,037	405,914	(6,570,119)	4,161,634

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 2021

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 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 2021, 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 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 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 2021.

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 two 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 2021	6 months to 31 Dec 2020	12 months to 30 Jun 2021
	£	£	£
UK	16,860	-	-
US	5,089	-	-
	21,949	-	-

Notes to the Consolidated Financial Statements (cont.)

For the 6 months ended 31 December 2021

4. Taxation

	6 months to 31 Dec 2021	6 months to 31 Dec 2020	12 months to 30 Jun 2021
	£	£	£
Income taxes recognised in profit or loss			
Current tax			
R&D tax credit	88,812	47,664	67,294
R&D tax credit - prior year	-	-	(2,229)
Tax credit for the period	88,812	47,664	65,065

5. Loss per share

	6 months to 31 Dec 2021	6 months to 31 Dec 2020	12 months to 30 Jun 2021
	£	£	£
Basic and diluted loss per share			
Loss after tax (£)	(1,074,926)	(580,577)	(1,432,969)
Weighted average number of shares	156,780,236	132,919,395	146,697,033
Basic and diluted loss per share (pence)	(0.69)	(0.44)	(0.98)

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 2021	31 Dec 2020	30 Jun 2021
	£	£	£
Issued share capital comprises			
156,780,236 ordinary shares of £0.01 each	1,567,802	1,558,899	1,567,802

7. Events after the reporting date

The Group has evaluated all events and transactions that occurred after 31 December 2021 up to the date of signing of the financial statements.

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