

ANNUAL REPORT  
FOR THE YEAR ENDED  
31 JANUARY 2011



  
Tissue Regenix  
Group plc

**DIRECTORS**

John Samuel	(Executive Chairman)
Antony Odell	(Managing Director)
Michael Bretherton	(Finance Director)
Alan Aubrey	(Non-Executive Director)
Alan Miller	(Non-Executive Director)
Alexander Stevenson	(Non-Executive Director)

**COMPANY SECRETARY**

Michael Bretherton

**COMPANY WEBSITE**

[www.tissueregenix.com](http://www.tissueregenix.com)

**COMPANY NUMBER**

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**LEGAL ADVISER**

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## Chairman's Statement

I am pleased to present our first Annual Report as a public Company. Tissue Regenix was formed in 2006 to commercialise innovative new technology in the field of tissue decellularisation developed by Leeds University. Using this proprietary technology platform (dCELL®) our goal is to build a global leader in the field of regenerative medicine.

### The dCELL® Process

The dCELL® process involves the creation of biological scaffolds from decellularised human or animal tissue. When implanted into the human body in order to replace damaged or diseased body parts these scaffolds are able to regenerate and become natural parts of the body without requiring anti rejection drugs. Also, because the regeneration process is itself a natural function of the body and on implant the scaffolds are essentially inert and therefore safe, they are therefore classified as medical devices. This means that our products are typically subject to faster and less costly regulatory approval procedures than, for example, pharmaceutical products.

### Intellectual Property

dCELL® technology is a platform from which we are able to develop a number of products in a number of therapy areas. It is protected by a library of patents which form a comprehensive intellectual property portfolio. As we continue to develop we will continue to file for patents in order to protect our growing IP base. As an example, in August 2010 we received two new patents in the USA and Australia.

### Product Pipeline

#### Vascular

In August 2010 we received a CE mark for our first product, the dCELL® vascular patch, which enables us to begin to commercialise the product within Europe and certain other countries. Since that time we have started to appoint distributors and have excellent clinical trial results to support that effort. In addition we are working on extending the applications for its use to include for example cardiac and dura and will be applying for FDA approval in the USA later this year via 510k. Finally, another vascular product, the Arterial-Vascular graft, which can be used to replace damaged veins and arteries, is currently undergoing preclinical trials. If successful, we are planning a full clinical trial later this year.

#### Dermis

Towards the end of the financial year we announced that with our UK development partner, NHS Blood and Transplant, (NHSBT) we had initiated a pilot study to evaluate the use of decellularised skin from human donor sources (HdCELL®) in the treatment of chronic non-healing wounds. These wounds represent a significant burden on global healthcare systems, costing the NHS alone over £1 billion per annum. We are also examining the application of HdCELL® to burns and for use in plastic surgery. Preliminary work on a porcine version is also underway.

#### Orthopaedic

The development of our porcine Meniscal repair product is proceeding well. The pilot programme is now essentially and successfully complete and we are moving to pre clinical trials later this year. At the same time we are planning to begin a pilot study of a porcine ligament repair product. Both products also have an equivalent using human donor tissue and we are examining the possibilities of clinical studies for both.

### Cardiac

In April 2011 we announced a major advance in our dCELL® heart valve development programme. We have entered into a commercialisation and IP agreement with our development partners in Brazil, the Pontifical Catholic University of Parana and Cardioprotese Ltd (Representing Professor da Costa – a leading heart surgeon). This agreement gives us worldwide rights (excluding Brazil) to the clinical data which will support commercialisation of the dCELL® heart valve and will enable us to accelerate our dCELL® heart valve programme. In addition, by using the world class facilities available to us in Brazil, we will also accelerate and lower the cost of the development of other products using our proprietary technology.

Thus far over 140 patients have benefitted from being implanted with the human donor dCELL® heart valve including over 40 aortic valves. A sample of those patients was the subject of a paper published recently in the journal of The Society of Thoracic Surgeons. The findings were most encouraging and we are working with the NHSBT to transfer the technology to the NHS and commercialise it via a licensing programme elsewhere in the world.

In addition, Cardioprotese have developed a commercially available bioprosthetic bovine heart valve which has over 5 years of clinical data and has been implanted in over 1,200 patients. We are developing a dCELL® version of this product and we are planning to begin clinical trials within a year.

We are also at an early stage in the evaluation of the possible delivery of dCELL® heart valves by stent, thus enabling minimally invasive surgical techniques to be used. Finally, we have successfully completed a pilot study of decellularised porcine heart valves and are planning further work prior to a full preclinical study. If successful the development of a decellularised porcine replacement heart valve has the potential to revolutionise this market.

### Financial Review

In June 2010 we were admitted to AIM, a market operated by the London Stock Exchange by way of a reverse takeover. As part of the admission, which was achieved in difficult market conditions, we raised £4.5m of new funds to add to the £2.3m brought in via the reverse. In the year to 31 January 2011 we recorded a loss after tax of £5.4m of which £3.7m is a deemed non cash loss arising from the reverse acquisition. Excluding that cost the after tax loss was £1.7m. Net assets increased to £6.2m (2010: £1.3m) mainly reflecting the additional funds raised via the placing. Group cash balances at 31 January 2011 were £5.9m (2010 £1.1m).

### The Board

On 29 March 2011 we announced the appointment of Ian Jefferson as Chief Financial Officer. He will commence his appointment within the next six weeks and replaces Mike Bretherton, who will remain as a Non-Executive Director. I would like to thank Mike who has served our needs extremely well as Finance Director since flotation as well as welcoming Ian from COE Group Plc where he was latterly Chief Executive Officer having previously been Chief Financial Officer.

## Chairman's Statement

### Outlook

Our strategy of working with development partners to create a strong product pipeline at low cost and minimum risk has served us well and we now have a number of exciting products, which address the needs of very large global markets, proceeding rapidly through various regulatory processes. It will of course take time to fully exploit the potential of this pipeline but we have an experienced and talented team working towards that end.

It has been an exciting year in which much has been achieved and we are well on our way to achieving our goal of creating a major player in regenerative medicine.

**John Samuel**

Executive Chairman

3 May 2011

## Directors' Report

The Directors present their report and consolidated financial statements for the year ended 31 January 2011.

### Acquisition and re-admission to AIM

On 29 June 2010, Oxeco plc completed the acquisition of Tissue Regenix Limited in a share for share consideration exchange as detailed in note 16, at which time the Company also changed its name to Tissue Regenix Group plc.

As explained in note 2, these financial statements for the year ended 31 January 2011 have been presented using reverse acquisition accounting under which the Group's activity has been presented as a continuation of that of the legal subsidiary, Tissue Regenix Limited. Comparative Group information therefore also reflects the results of Tissue Regenix Limited in the prior period.

The accounting period for Tissue Regenix Limited was changed from 31 July to 31 January to be co-terminous with the Company and a short period of accounts is therefore included in these financial statements for the Tissue Regenix Limited comparative period covering the six months ended 31 January 2010.

### Principal activity

The principal activity of the Group was that of exploiting innovative platform technologies in the field of tissue engineering and regenerative medicine. The Company is incorporated and domiciled in the UK.

### Review of the business and future developments

A review of the Group's performance and future prospects is included in the Chairman's statement on pages 2 to 4.

### Key performance indicators

Key Group performance indicators are set out below:

	31 January 2011 £'000	31 January 2010 £'000
Net assets	6,218	1,287
Loss attributable to equity holders pre cost of acquisition	(1,678)	(664)*
Deemed cost of reverse acquisition	(3,749)	–
Total loss attributable to equity holders	(5,427)	(664)*
Cash and cash equivalents	5,889	1,083

\* 6 months to 31 January 2010.

### Results and dividends

The loss for the year attributable to equity holders pre exceptional items was £1,678k (6 months to 31 January 2010: £664k) increasing to a loss of £5,427k after a deemed cost on reverse acquisition. The directors do not recommend the payment of a dividend (2010: nil).

### Share capital and funding

Full details of the Group and Company's share capital movements during the period are given in note 13 of the financial statements.

## Directors' Report

### Directors and their interests

The following directors held office in the period.

John Samuel	<i>(appointed 29 June 2010)</i>
Antony Odell	<i>(appointed 29 June 2010)</i>
Michael Bretherton	
Alan Aubrey	<i>(appointed 29 June 2010)</i>
Alan Miller	<i>(appointed 29 June 2010)</i>
Alexander Stevenson	<i>(appointed 29 June 2010)</i>
Gordon Hall	<i>(resigned 29 June 2010)</i>
William Richards	<i>(resigned 29 June 2010)</i>

Directors' interests in the shares of the Company, including family interests are included in the Remuneration Report on pages 10 to 13.

### Directors' indemnity insurance

The Group has maintained insurance throughout the period for its directors and officers against the consequences of actions brought against them in relation to their duties for the Group.

### Profile of the directors

#### **John Samuel, Executive Chairman**

John Samuel joined Tissue Regenix Limited as Chairman in March 2008. John qualified as a Chartered Accountant with Pricewaterhouse and has held a number of senior finance positions in industry, including as Financial Director of Whessoe plc and Ellis & Everard plc. He was formerly the CEO of the Molnlycke Health Care Group, a global provider of single use surgical and wound care products to the healthcare sector. Until January 2010 he was a Partner with Apax Partners Llp.

#### **Antony Odell, Managing Director**

Antony Odell joined Tissue Regenix Limited as a consultant from January 2008 and was appointed to the Board of Tissue Regenix Limited in October 2008. Antony has extensive commercial experience in the medical technology sector. As well as working as co-director of Xeno Medical, a medical technology consultancy, he was CEO for a UK NHS cardiovascular device spin-out, Tayside Flow Technologies Ltd. Antony has a strong corporate sector background having worked for J&J Medical for almost 10 years in European business development roles for Drug Delivery & Vascular Access and General Manager (UK) for Fresenius (Critical Care & Diagnostics).

#### **Michael Bretherton, Finance Director**

Michael Bretherton graduated in Economics from the University of Leeds and then worked as an accountant and manager with Pricewaterhouse for 7 years in both London and the Middle East. He subsequently worked for the Plessey Company Plc before being appointed Finance Director of Bridgend Group Plc in 1988 where he held the position for 12 years. More recently, he has worked at the property and services company, Mapeley Limited as Financial Operations Director and then at the entertainment software games developer, Lionhead Studios Limited. Michael currently is a director of ORA Capital Partners Limited, which is one of the significant investors in Tissue Regenix, as well as a number of other AIM listed companies.

**Alan Aubrey, Non-Executive Director**

Alan is the Chief Executive Officer of IP Group Plc, a company that specialises in commercialising intellectual property originating from research intensive institutions. He is a non-executive director of PROACTIS Holdings Plc and Energetix Group Plc, and is a non-executive director of Avacta Group Plc. Previously, Alan was the founder and CEO of Techtran Group Limited that was sold to IP Group in 2005. He was also a partner at KPMG where he specialised in providing corporate finance advice to fast growing technology businesses. He is a fellow of the Institute of Chartered Accountants.

**Alan Miller, Non-Executive Director**

Alan Miller is a founding partner of SCM Private, the wealth management company, which was set up in 2009. He was formerly the Chief Investment Officer and founding shareholder of New Star Asset Management from 2001 until 2007. Prior to that, he was a Director at Jupiter Asset Management having spent his early career as a senior fund manager at Gartmore Investment Management. Alan is also a non-executive director of several private companies including Pharminox Ltd, a pharmaceutical company specialising in cancer research. Alan has a degree in Commerce (Accounting) from Birmingham University and is a member of the Chartered Institute of Management Accountants.

**Alexander Stevenson, Non-Executive Director**

Alex Stevenson joined Tissue Regenix Limited as a non-executive director in December 2007. Alex is a director of Aquarius Equity Partners, one of the significant investors in Tissue Regenix. He began his career as a scientist, before focusing on identification, establishment and growth of high value technology businesses. Alex worked for Techtran from formation through to its sale to main market listed IP Group in 2005. Following the acquisition, Alex worked in a variety of roles within IP Group and managed investments in portfolio companies including Avacta and Syntopix (where he was also CEO), both of which listed on AIM in 2006. Most recently, Alex was a founder and Chief Operating Officer of Modern Biosciences plc, the drug development subsidiary of IP Group.

**Substantial shareholders**

As at 19 April 2011, shareholders holding more than 3% of the share capital of Tissue Regenix Group plc were:

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>% of voting rights</b>
ORA (Guernsey) Limited	129,435,476	27.59
Techtran Group Limited	71,703,123	15.29
The Northern Entrepreneurs Fund LLP	30,512,434	6.50
Nora Powell	27,066,667	5.77
IP Venture Fund	24,794,730	5.29
University of Leeds	24,509,873	5.22
Alan Miller	21,486,988	4.58
John Samuel*	22,861,655	4.87

\* Includes 10,740,000 shares held jointly by the director and the Tissue Regenix Employee Share Trust.

## Directors' Report

### Risk management

Details of the Group's financial risk management objectives and policies are disclosed in note 11 to the financial statements.

The main risks arising from the Group's activities are market risk and liquidity risk. The Directors review and agree policies for managing risk at least annually.

### Market risk

#### Interest rate risk

The Group has no external financing facilities therefore its interest rate risk is limited to the level of interest received on its cash surpluses. Interest rate risk is partially mitigated by using an element of fixed rate deposit accounts.

#### Liquidity risk

The Company seeks to manage liquidity by ensuring sufficient funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had cash balances of £5,889k as at 31 January 2011 (2010: £1,083k) which the Directors consider to be sufficient to continue in business for the foreseeable future.

In order to minimise risk to the Group's capital, funds are invested across a number of financial institutions with strong credit ratings. Cash forecasts are updated regularly to ensure that there is sufficient cash available for foreseeable requirements.

### Credit risk

The Company's principal financial asset is cash. The credit risk associated with cash is limited because the Group only holds cash with banks with high credit ratings.

### Donations

No charitable or political donations were made in the period (2010: nil).

### Policy on payment of suppliers

The Group does not follow any code or standard payment practice. The Group's policy is to agree the terms of payment with key suppliers. For all other suppliers, terms are agreed for each transaction. The Group endeavours to abide by the terms of payment with suppliers.

### Employment policies

The Group supports employment of disabled people where possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully-informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

### Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, that as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they 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 it has been communicated to the auditor.

**Auditor**

In accordance with section 489 of the Companies Act 2006, a resolution to re-appoint Baker Tilly UK Audit LLP will be put to the members at the Annual General Meeting.

On behalf of the Board

**Antony Odell**

Director

3 May 2011

## Directors' Remuneration Report

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of six months notice. In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-executive Directors are employed on letters of appointment which may be terminated on not less than three months notice.

Companies with securities listed on AIM do not need to comply with the UKLA Listing Rules. The Remuneration Committee is however committed to maintaining high standards of corporate governance and disclosure and has applied the guidelines as far as practical given the current size and development of the Company.

### Remuneration Committee

The remuneration committee's primary responsibilities are to review the performance of the executive directors of the Company and to determine the broad policy and framework for their remuneration and the terms and conditions of their service and that of senior management (including the remuneration of and grant of options to such persons under any share scheme adopted by the Company). The remuneration committee comprises Alexander Stevenson, who is chairman of the committee, and the two other non-executive directors. The committee meets no less than twice in each financial year.

The main elements of the remuneration packages for Executive Directors and senior management are:

#### Basic annual salary (including directors' fees)

The base salary is reviewed annually at the beginning of each year. The review process is undertaken by the Remuneration Committee and takes into account several factors, including the current position and development of the Group, individual contribution and market salaries for comparable organisations.

#### Discretionary annual bonus

All Executive Directors and senior managers are eligible for a discretionary annual bonus which is paid in accordance with a bonus scheme developed by the Remuneration Committee. This takes into account individual contribution, business performance and commercial progress, along with financial results.

#### Share incentive schemes

The Group operates a share option plan, under which certain directors' and senior management have been granted options to subscribe for ordinary shares. All options are equity settled. The options are subject to service and performance conditions, have an exercise price of between 0.5p and 5p and the vesting period is generally 1-3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

In addition, certain Executive Directors are eligible to acquire interests in ordinary shares in the Company to be owned jointly with the trustee of the Tissue Regenix Group Employee Share Trust (EBT) and under which, subject to meeting performance criteria conditions, most of any future increase in the value of the shares will accrue to the employees.

### Remuneration Policy for Non-Executive Directors

Remuneration for Non-Executive Directors is set by the Chairman and the Executive Members of the Board. Non-executives do not participate in bonus schemes or share incentive schemes.

### Directors' remuneration

The remuneration of the main Board Directors' of Tissue Regenix who served in the year to 31 January 2011 was:

	Salary & fees £000	Benefits £000	Total 2011 £000	Total 2010 £000
Antony Odell*	126	10	136	130
John Samuel*	65	–	65	15
Michael Bretherton*	11	–	11	10
Alan Aubrey	9	–	9	–
Alexander Stevenson	13	–	13	4
Alan Miller	13	–	13	4
<b>Total</b>	<b>237</b>	<b>10</b>	<b>247</b>	<b>163</b>

\* In addition certain directors hold employee share scheme interests in the company. Fair value share based payment charges recognised in the consolidated statement of comprehensive income attributable to these directors are; John Samuel £53,000 (2010: £nil), Antony Odell £203,000 (2010: £nil) and Michael Bretherton £2,000 (2010: £nil).

The chairman, John Samuel, has informed the company that were it to be proposed, it is his intention to decline any increase in remuneration whether by way of salary or bonus.

### Directors' shareholdings

Directors' interests in the shares of the Company, including family interests at 31 January 2011 were:

	Ordinary shares of 0.5p each			
	2011 Number	2011 %	2010 Number (note 4)	2010 %
John Samuel (note 1)	22,861,655	4.87%	–	–
Antony Odell (note 1)	5,572,800	1.19%	–	–
Michael Bretherton (note 1)	1,200,000	0.26%	400,000	0.33%
Alan Aubrey (note 2&3)	2,389,259	0.51%	–	–
Alan Miller	21,486,988	4.57%	–	–
Alexander Stevenson (note 3)	–	–	–	–

Note 1 Includes shares held jointly by the director and EBT as set out below.

Note 2 Shares are held through IP2IPO Nominees Limited.

Note 3 Alan Aubrey holds approximately 0.4 per cent. of the issued share capital of IP Group plc, the holding company of Techtran Group Limited and a 0.17 per cent. limited partnership interest in IP Venture Fund. In addition, Alan Aubrey has a 3 per cent. direct interest in the Northern Entrepreneurs Fund LLP and approximately a 0.24 per cent. indirect interest in the same through his shareholding in Axiomlab Group plc, the parent company of Inhoco 2835 Limited which has a 3 per cent. interest in the Northern Entrepreneurs Fund LLP. Further, Alan Aubrey and Alexander Stevenson are participants in the Northern Entrepreneurs Fund Co-investment LLP which holds 1,731,665 shares in Tissue Regenix Group Plc. Alan and Alexander would be entitled to 12.5% and 25% respectively of any shares (or proceeds thereof) distributed by the Northern Entrepreneurs Fund Co-investment LLP.

Note 4 2010 Comparatives are as adjusted for the 1 for 5 share consolidation on 29 June 2010.

## Directors' Remuneration Report

### Directors' interests in jointly owned EBT shares and share options

Directors interests in shares owned jointly with the Trustees of the Tissue Regenix Group Employee Share Trust (EBT) and in share options to acquire ordinary shares of 0.5p each in the Company at 31 January 2011 were:

	At 1 February 2010	Granted during year pre reverse	Adjustment on reverse acquisition	Granted during year post reverse	At 31 January 2011	Exercise price
<b>Approved EMI</b>						
<b>scheme options</b>						
Antony Odell	-	379	8,307,229	-	8,307,608	0.73 pence
Antony Odell	-	-	-	1,187,200	1,187,200	5.00 pence
John Samuel	-	-	-	2,400,000	2,400,000	5.00 pence
<b>EBT scheme shares</b>						
Antony Odell	-	-	-	5,372,800	5,372,800	5.00 pence
John Samuel	-	-	-	10,740,000	10,740,000	5.00 pence
Michael Bretherton	-	-	-	600,000	600,000	5.00 pence

On 29 June 2010 the Company acquired 100 per cent. of the share capital of Tissue Regenix Limited for a consideration satisfied by the issue of 241,885,103 ordinary shares of 0.5p each in a ratio of 21,919.81 for 1. Consequently the share options awarded by Tissue Regenix Limited were replaced by share options in Tissue Regenix Group. The options were increased by a factor of 21,919.81 and the exercise price has decreased by a factor of 21,919.81 to retain the benefits that employees and directors had accrued. See note 17 for further details. None of the other terms and conditions of the options were affected by this change.

There are no performance conditions outstanding in relation to the 8,307,608 options granted to Antony Odell prior to the reverse acquisition all of which were eligible to be exercised at 31 January 2011.

All of the other options and EBT share interests are subject to employment period and performance conditions which allows for vesting in three equal proportions on or after the three consecutive annual anniversaries from the date of grant subject to the Company's share price reaching 10 pence per share, 15 pence per share and 20 pence per share by the respective three vesting dates.

At 31 January 2011, none of the 3,857,200 options were eligible to be exercised and none of the benefit of the increase in value on the 16,712,800 jointly held EBT shares was eligible to vest, because the related employment period conditions and some of the performance conditions had not been met.

The Tissue Regenix Group Employee Share Trust ("the EBT") was established with Osiris Management Services Limited appointed as trustee ("the Trustee") to enable the Trust to acquire ordinary shares in the Company and to make interests in those shares available for the benefit of current and future employees of the Company and its subsidiaries.

Antony Odell, John Samuel and Michael Bretherton have interests in ordinary shares in the Company which were acquired jointly with the Trustee in the market on 29 June 2010 at a price of 5p per share. The shares were acquired pursuant to certain conditions set out in Joint Ownership Agreements ("JOA's"). Subject to meeting the performance criteria conditions set out in the JOA's, most of any future increase in the value of the shares will accrue to the employees provided that they have not ceased employment with the Group on or before the date that these conditions are met.

The employees are also under certain circumstances able to benefit from an increase in the value of the Shares on a takeover, change of control, scheme of arrangement or a voluntary winding-up of the Company. Where the performance conditions are not met, the Trustee has an option to acquire the interests of the employees in the Shares at a price equal to the original purchase cost they paid so that none of any increase in the value of the Shares will accrue to them.

The market price of the shares at 31 January 2011 was 11.75 pence per share, the highest and lowest prices during the year were 16.5 pence and 5 pence respectively.

Further details of all share options and jointly owned shares held by the Trustee are set out in note 17 to the financial statements.

On behalf of the Board

**Alexander Stevenson**  
Chairman of the Remuneration Committee

3 May 2011

## Corporate Governance Statement

### Corporate governance

The Directors recognise the importance of sound corporate governance and observe the principals of the Combined Code, to the extent that they consider them appropriate for the Group's size.

### The Board

The Board currently comprises three executive directors and three non-executive directors.

### Audit committee

The audit committee's primary responsibilities are to monitor the integrity of the financial affairs and statements of the Company, to ensure that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on, to review reports from the Companies auditors relating to the accounting and internal controls and to make recommendations relating to the appointment of the external auditors.

The audit committee comprises Alan Miller, who acts as chairman of the committee, and the other two non-executive directors.

### Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, not eliminate risk, and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

- (i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board who meet at least ten times per year;
- (ii) The Company has operational, accounting and employment policies in place;
- (iii) The Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and
- (iv) There is a clearly defined organisational structure and there are well-established financial reporting and control systems.

### Going Concern

At 31 January 2011, the Group had £5,889k of cash and cash equivalents available to it. The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget cash forecasts and assumptions as well as the main risk factors facing the Group.

After due enquiry, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Statement of Directors' Responsibilities

### Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS as adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Tissue Regenix Group website, [www.tissueregenix.com](http://www.tissueregenix.com).

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Report of the Independent Auditor to the Members of Tissue Regenix Group Plc

We have audited the group and parent company financial statements (“the financial statements”) which comprise, the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

### Respective responsibilities of directors and auditor

As more fully explained in the Directors’ Responsibilities Statement set out on 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB’s website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group’s and the parent’s affairs as at 31 January 2011 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

[Matters on which we are required to report by exception](#)

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**Richard King (Senior Statutory Auditor)**

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

3 May 2011

## Consolidated Statement of Comprehensive Income

For the year ended 31 January 2011

	Notes	2011 £'000	2010* £'000
<b>OPERATING INCOME</b>	4	173	74
Administrative expenses	4	(2,117)	(877)
Deemed cost on reverse acquisition	16	(3,749)	–
<b>Operating loss</b>		(5,693)	(803)
Finance income	6	28	64
<b>Loss before taxation</b>		(5,665)	(739)
Taxation	7	238	75
<b>Loss after tax attributable to equity holders of the parent</b>		(5,427)	(664)
<b>Loss and total comprehensive expense for the year</b>		(5,427)	(664)
<b>Loss per share</b>			
Basic and diluted on loss from continuing operations			
– Post deemed cost on reverse acquisition	8	(1.48)p	(0.27)p
– Pre deemed cost on reverse acquisition	8	(0.46)p	(0.27)p

\* Comparative figures are for the six month short accounting period to 31 January 2010.

There are no items of other comprehensive income. The loss for the year arises from the Group's continuing operations.

## Consolidated Statement of Changes in Equity

For the year ended 31 January 2011

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Issued Equity Capital £'000	Share Based Payment Reserve £'000	Revenue Deficit Reserve £'000	Total £'000
<b>At 31 January 2009</b>	–	3,879	–	–	3,879	–	(1,158)	2,721
Loss and comprehensive expense for the year	–	–	–	–	–	–	(771)	(771)
<b>At 31 July 2009</b>	–	3,879	–	–	3,879	–	(1,929)	1,950
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(664)	(664)
Share based payment expense	–	–	–	–	–	1	–	1
Retrospective adjustment on reverse acquisition in 2010/11	600	454	–	(1,054)	–	–	–	–
<b>At 31 January 2010</b>	600	4,333	–	(1,054)	3,879	1	(2,593)	1,287
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(5,427)	(5,427)
Reverse acquisition	1,210	–	10,884	(6,094)	6,000	–	–	6,000
Issue of shares	533	4,803	–	–	5,336	–	(836)	4,500
Expenses on issue of shares	–	(481)	–	–	(481)	–	–	(481)
Employee interest in jointly owned shares	–	–	–	–	–	–	8	8
Share based payment expense	–	–	–	–	–	331	–	331
<b>At 31 January 2011</b>	2,343	8,655	10,884	(7,148)	14,734	332	(8,848)	6,218

# Consolidated Statement of Financial Position

As at 31 January 2011

	Notes	2011 £'000	2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	189	135
<b>Total non-current assets</b>		189	135
<b>Current assets</b>			
Trade and other receivables	10	393	255
Cash and cash equivalents	11	5,889	1,083
<b>Total current assets</b>		6,282	1,338
<b>Total assets</b>		6,471	1,473
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	(253)	(186)
<b>Total liabilities</b>		(253)	(186)
<b>Net assets</b>		6,218	1,287
<b>Equity</b>			
Share capital	13	2,343	600
Share premium	13	8,655	4,333
Merger reserve	13	10,884	–
Reverse acquisition reserve	13	(7,148)	(1,054)
<b>Issue equity capital</b>		14,734	3,879
Share based payment reserve	17	332	1
Revenue reserve	14	(8,848)	(2,593)
<b>Total equity</b>		6,218	1,287

Approved by the Board of Directors and authorised for issue on 3 May 2011.

John Samuel  
Executive Chairman

Michael Bretherton  
Finance Director

Company number: 5969271

## Consolidated Statement of Cash Flows

For the year ended 31 January 2011

	Notes	2011 £'000	2010* £'000
<b>Operating activities</b>			
<b>Operating loss</b>		(5,693)	(803)
Adjustment for non-cash items:			
Depreciation of property, plant and equipment	9	46	18
Share based payment	17	331	1
Deemed cost of reverse acquisition	16	3,749	–
Tax refunded		183	–
<b>Operating cash outflow</b>		(1,384)	(784)
(Increase)/decrease in trade and other receivables		(68)	33
Decrease in trade and other payables		(24)	(4)
<b>Net cash outflow from operations</b>		(1,476)	(755)
<b>Investing activities</b>			
Interest received		28	64
Purchases of property, plant and equipment	9	(100)	(23)
<b>Net cash (out)/inflow from investing activities</b>		(72)	41
<b>Financing activities</b>			
Cash acquired on reverse acquisition	16	2,327	–
Proceeds from issue of share capital	13	4,500	–
Sale of joint interest in shares to employees	14	8	–
Expense of issue of share capital	13	(481)	–
<b>Net cash inflow from financing activities</b>		6,354	–
Increase/(decrease) in cash and cash equivalents		4,806	(714)
Cash and cash equivalents at start of year		1,083	1,797
<b>Cash and cash equivalents at end of year</b>		5,889	1,083

\* Comparative figures are for the six month short accounting period to 31 January 2010.

# Notes to the Financial Statements

For the year ended 31 January 2011

## 1. BASIS OF PREPARATION

The financial statements of Tissue Regenix Group plc are audited consolidated financial statements for the year to 31 January 2011. These include audited comparatives for the six months to 31 January 2010.

The Group financial statements consolidate the financial statements of Tissue Regenix Group plc and the entities it controls, its subsidiaries.

On 29 June 2010, Oxeco plc completed the acquisition of Tissue Regenix Limited in a share for share consideration exchange as detailed in note 17, at which time the Company also changed its name to Tissue Regenix Group plc.

The above combination has been accounted for as a reverse acquisition equity transaction as if Tissue Regenix Limited had issued new shares in exchange for Oxeco's cash and other assets. Under this method of accounting, the Group's activity has been treated as a continuation of that of the legal subsidiary, Tissue Regenix Limited and comparative numbers presented in these financial statements are those of the legal subsidiary, Tissue Regenix Limited, for the six month short accounting period to 31 January 2010 (audited).

### Going Concern

As at 31 January 2011, the Group had £5.9 million of cash and cash equivalents available to it. The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget cash forecasts and assumptions as well as the main risk factors facing the Group as set out on pages 31 to 32.

After due enquiry, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards as adopted by the European Union.

### Historical Cost Convention

The financial information has been prepared on the historic cost basis. The principal accounting policies applied are set out below.

### Basis of consolidation and reverse acquisition of Oxeco plc

The acquisition of Tissue Regenix Limited by Oxeco plc on 29 June 2010 has been accounted for as a reverse acquisition equity transaction as if Tissue Regenix Limited had issued new shares in exchange for Oxeco's cash and other assets. Although these Group financial statements have been issued in the name of the legal parent, the Group's activity is in substance a continuation of that of the legal subsidiary, Tissue Regenix Limited, because after the transaction the former Board of Tissue Regenix Limited were deemed to have control of the Group and of the legal parent. The following accounting treatment has therefore been applied in respect of the transaction.

- The retained loss and other equity balances recognised in the Group financial statements reflect the retained loss and other equity balances of Tissue Regenix Limited immediately before the transaction, and the consolidated results for the period from 1 February 2010 to the date of the transaction are those of Tissue Regenix Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the transaction. The effect of using the equity structure of the legal parent gives rise to an adjustment to the Group's issued equity capital ("the reverse acquisition reserve"), see note 13.

- Comparative Group numbers presented in the Annual Report are those of the legal subsidiary, Tissue Regenix Limited but with the issued share capital and share premium adjusted retrospectively to reflect that of the legal parent, for the six month short accounting period to 31 January 2010 (audited).
- The fair value of the deemed shares issued by Tissue Regenix Limited to acquire Oxeco plc, has been determined from the perspective of Tissue Regenix Limited on the basis set out in note 16.

## **SEGMENTAL REPORTING**

The reportable disclosures are identified by the chief operating decision maker by the way management has organised the firm. The firm operates out of one location and develops one product.

The chief operating decision maker reviews the performance of the Company based on total costs and not by any segmental reporting.

## **REVENUE**

Revenue is measured as the fair value of the consideration received or receivable in the normal course of business, net of discounts, VAT and other sales related taxes and is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow in to the Company.

Grant income is recognised as earned based on contractual conditions, generally as expenses are incurred.

## **FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are charged to profit or loss as they are incurred.

The functional and presentational currency of the Group is British pounds.

## **RESEARCH AND DEVELOPMENT**

Research costs are charged to profit or loss as they are incurred. An intangible asset arising from development expenditure on an individual project is recognised only when all of the following criteria can be demonstrated.

The criteria for recognising expenditure as an asset are:

- it is technically feasible to complete the product and the Company is satisfied that appropriate regulatory hurdles have been, or will be achieved;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development, use or sell the product; and
- expenditure attributable to the product can be reliably measured.

Such intangible assets are amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit, and are reviewed for an indication of impairment at each reporting date.

## Notes to the Financial Statements

Other development costs are charged against profit or loss as incurred since the criteria for their recognition as an asset are not met.

The costs of an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on technical development, testing and certification, materials consumed and any relevant third party cost. The costs of internally generated developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only.

No development costs to date have been capitalised as intangible assets.

### LEASES

Rentals payable under operating leases, which are leases where the lessor retains a significant proportion of the risks and benefits of the asset are charged in the statement of comprehensive income on a straight line basis over the expected lease term.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are stated at historical cost.

Depreciation is provided on all property, plant and equipment assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Laboratory equipment	over 5 years
Computer equipment	over 3 years
Office furniture and equipment:	over 5 years

### IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and 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 in order to determine the extent of the impairment loss (if any).

Discounted cash flow valuation techniques are generally applied for assessing recoverable amounts using 3 year forward looking cash flow projections and terminal value estimates, together with discount rates appropriate to the risk of the related cash generating units.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

### SHARE BASED PAYMENTS

#### Share options

Equity settled share-based payment transactions are measured with reference to the fair value at the date of grant, recognised on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes model unless the options are subject to market conditions when the binomial model is used.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market

conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

#### Jointly held shares

Where an employee acquires an interest in shares in the Company jointly with the Tissue Regenix Employee Share Trust, the fair value benefit at the purchase date is recognised as an expense, with a corresponding increase to equity share based payment reserve on a straight-line basis, over the vesting period.

The fair value benefit is measured using a Binomial valuation model, taking into account the terms and conditions upon which the jointly owned shares were purchased.

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, sale restrictions, and behavioral considerations.

## FINANCIAL ASSETS AND LIABILITIES

#### Trade and other receivables

Trade and other receivables do not carry any interest and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

#### Trade and other payables

Trade and other payables are not interest bearing and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and deposits on a term of not greater than 3 months.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from proceeds.

## TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

## Notes to the Financial Statements

### CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial information are discussed below:

#### Equity settled share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation method, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest. Inputs subject to judgement relate to the future volatility of the share price of comparable companies, the Group's expected dividend yields, risk free interest rates and expected lives of the options. The Directors draw on a variety of sources to aid in the determination of the appropriate data to use in such calculations. The share based payment charge for the year was £331,000 (six months to 31 January 2010: £1,000).

#### Research and development costs

Careful judgement by the Directors is applied when deciding whether the recognition requirements for capitalising development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems. Judgements are based on the information available at each reporting date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are continuously monitored by the Directors. To date, no development costs have been capitalised.

### ACCOUNTING STANDARDS AND INTERPRETATIONS NOT APPLIED

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

		Effective Date
IFRS 7	Financial Instruments: Disclosures (amendments)	1 July 2011
IFRS 1	First Time Adoption of IFRS (amendments)	1 July 2011
IAS 12	Income Taxes (amendments)	1 January 2012
IFRS 9	Financial Instruments	1 January 2013
IAS 32*	Financial Instruments: Presentation (amendments)	1 February 2010
IAS 24*	Revised IAS24 Related Party Transactions	1 January 2011
IFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRIC 14*	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 January 2011
IFRS 3	Business combinations	1 July 2010
IFRS 7	Financial Instruments: Disclosures	1 January 2011
IAS 1	Presentation of Financial Statements	1 January 2011
IAS 27	Consolidated and Separate Financial Statements	1 July 2010
IFRIC 13	Customer Loyalty Programmes	1 January 2011
IAS 34	Interim Financial Reporting	1 January 2011

\* endorsed by the EU.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

No Standards or Interpretations adopted in the year had any material impact on the financial statements of the Group.

### 3. SEGMENTAL REPORTING

At 31 January 2011, the Group operated in one business segment, that of the development and commercialisation of innovative platform technologies in the field of tissue engineering and regenerative medicine.

All of the Group's assets are held in the UK and all of its capital expenditure arises in the UK.

### 4. LOSS FROM OPERATIONS

	Year to 31 January 2011 £'000	Six months to 31 January 2010 £'000
Loss from operations is stated after crediting: Grant income	173	74
Loss from operations is stated after charging to administrative expenses:		
Depreciation of plant and equipment (see note 9)	46	18
Operating lease rentals – land and buildings	95	36
Staff costs	1,108	350
Foreign exchange losses	2	4
Research and development (inclusive of research and development personnel)	653	423
Auditors remuneration:		
– fees payable to Company's auditor for the audit of the Company's accounts	12	–
– auditing the accounts of subsidiaries pursuant to legislation	10	10
Other services		
– fees in relation to subsidiary acquisition and AIM listing	50	–
– fees in relation to establishing the issue Regenix Employee Share Trust	30	–
Total auditor's remuneration	102	10

### 5. STAFF COSTS

	Year to 31 January 2011 Number	Six months to 31 January 2010 Number
The average monthly number of persons (including directors) employed by the Group during the period was:		
Directors	6	9
Laboratory and administration staff	13	12
	19	21

## Notes to the Financial Statements

	Year to 31 January 2011 £'000	Six months to 31 January 2010 £'000
The aggregate remuneration, including directors, comprised:		
Wages and salaries	704	326
Share based expense (see note 17)	331	1
Social security costs	73	34
	1,108	361
Directors' remuneration included comprised: Emoluments for qualifying services	505	163

Directors' emoluments disclosed above include £126,000 paid to the highest paid director (2010: £120,000) as well as share based payments benefit of £203,000 (2010: nil). There are no pension benefits for directors.

**6. FINANCE INCOME**

	Year to 31 January 2011 £'000	Six months to 31 January 2010 £'000
Bank interest receivable	28	64

**7. TAXATION**

## Tax on loss on ordinary activities

	Year to 31 January 2011 £'000	Six months to 31 January 2010 £'000
<b>Current tax:</b>		
UK corporation tax credit on losses of period	(167)	(75)
Tax credits received in respect of prior periods	(71)	-
	(238)	(75)
<b>Deferred tax:</b>		
Origination and reversal of temporary timing differences	-	-
<b>Tax credit on loss on ordinary activities</b>	<b>(238)</b>	<b>(75)</b>

The charge for the period can be reconciled to the loss before tax per the Statement of Comprehensive Income as follows:

#### Factors affecting the current tax charges

The tax assessed for the period varies from the small company rate of corporation tax as explained below:

	Year to 31 January 2011 £'000	Six months to 31 January 2010 £'000
The tax assessed for the period varies from the small company rate of corporation tax as explained below:		
Loss on ordinary activities before tax	(1,959)	(739)
Tax at the standard rate of corporation tax (21%)	(411)	(155)
Effects of:		
Expenses not deductible for tax purposes	69	3
Capital allowances in excess of depreciation	(14)	–
Research and development tax credits received	(167)	–
Surrender of research and development relief for repayable tax credit	250	
Research and development enhancement	(118)	–
Adjustment to prior year research and development relief	(71)	
Unutilised tax losses	224	77
<b>Tax credit for the period</b>	<b>(238)</b>	<b>(75)</b>

#### Deferred Tax

	Year to 31 January 2011 £'000	Six months to 31 January 2010 £'000
<b>Tax losses</b>		
Losses available to carry forward against future trading profits	2,806	1,905
Deferred tax asset – unrecognised*	589	401

\* The Company has not recognised a deferred tax asset relating to these losses as their recoverability is uncertain.

## Notes to the Financial Statements

### 8. LOSS PER SHARE (BASIC AND DILUTED)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period excluding own shares held jointly by the Tissue Regenix Employee Share Trust and certain employees. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period to assume conversion of all dilutive potential ordinary shares.

	Year to 31 January 2011 £'000	Six months to 31 January 2010 £'000
<b>Loss attributable to the equity holders of the parent</b>		
Pre deemed cost on reverse acquisition	(1,678)	(664)
Deemed cost on reverse acquisition	(3,749)	–
<b>Total loss attributable to the equity holders of the parent</b>	<b>(5,427)</b>	<b>(664)</b>
	<b>No.</b>	<b>No.</b>
<b>Weighted average number of ordinary shares in issue during the period</b>	366,159,076	241,885,103
<b>Loss per share</b>		
Basic and diluted on loss for the period		
Pre deemed cost on reverse acquisition	(0.46)p	(0.27)p
Post deemed cost on reverse acquisition	(1.48)p	(0.27)p

The weighted average number of shares for the for the six months ended 31 January 2010 is based on the number of shares issued by Tissue Regenix Group plc to acquire Tissue Regenix Limited under the reverse acquisition as set out in note 16 to these financial statements. The weighted average number of shares for the year ended 31 January 2011 reflects the number of ordinary shares issued by Tissue Regenix Group plc to acquire Tissue Regenix Limited up to the acquisition date and the total number of shares in issue for the period post the acquisition.

The Company has issued employee options over 16,154,523 ordinary shares and there are 16,712,800 jointly owned shares which are potentially dilutive. There is however, no dilutive effect of these issued options as there is a loss for each of the periods concerned.

**9. PROPERTY, PLANT AND EQUIPMENT**

	Laboratory Equipment £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
At 31 July 2008	21	–	3	24
Additions	88	32	11	131
Disposals	(7)	–	–	(7)
At 31 July 2009	102	32	14	148
Additions	22	–	1	23
<b>At 31 January 2010</b>	124	32	15	171
Additions	76	4	20	100
<b>At 31 January 2011</b>	200	36	35	271
<b>Depreciation</b>				
At 31 July 2008	2	–	1	3
Disposals	(2)	–	–	(2)
Charge for the period	13	1	3	17
At 31 January 2009	13	1	4	18
Charge for the period	14	2	2	18
<b>At 31 January 2010</b>	27	3	6	36
Charge for the year	33	7	6	46
<b>At 31 January 2011</b>	60	10	12	82
<b>Net book value</b>				
<b>At 31 January 2011</b>	140	26	23	189
<b>At 31 January 2010</b>	97	29	9	135
At 31 July 2009	89	31	10	130

**10. TRADE AND OTHER RECEIVABLES**

	2011 £'000	2010 £'000
Other receivables	351	243
Prepayments and accrued income	42	12
	393	255

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

No provisions are held against receivables and no amounts past due have been impaired.

**11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**

The Company's activities expose it to a variety of financial risks: market risk, specifically interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

## Notes to the Financial Statements

The management of these risks is vested in the Board of Directors. The policies for managing each of these risks are summarised below:

### Management of market risk

#### (i) Interest rate risk

As the Company has no significant borrowings the risk is limited to the potential reduction in interest received on cash surpluses held. Interest rate risk is managed in accordance with the liquidity requirement of the Group, with a minimal amount of its cash surpluses held within an instant access account, which has a variable interest rate attributable to it, to ensure that sufficient funds are available to cover the working capital requirements of the Company.

#### Interest rate sensitivity

The principal impact to the Company is the result of interest-bearing cash and cash equivalent balances held as set out below:

	31 January 2011		Total £'000
	Fixed rate £'000	Floating rate £'000	
Cash and cash equivalents	5,850	39	5,889

	31 January 2010		Total £'000
	Fixed rate £'000	Floating rate £'000	
Cash and cash equivalents	1,075	8	1,083

Due to the high proportion of funds held on a fixed deposit, the impact of a 5 per cent. increase/decrease in interest rates would have an immaterial impact on the loss in each period.

#### Management of credit risk

The Company is exposed to credit risk from its operating activities, it principally arises from short term bank deposits. The Company seeks to minimise this risk by only depositing funds with banks with a high credit rating.

The maximum exposure to credit risk on the Company's financial assets is represented by their carrying amounts as outlined in the categorisation of financial instruments table below.

The Company does not consider that any changes in fair value of financial assets or liabilities in the year are attributable to credit risk.

#### Management of liquidity risk

The Company seeks to manage liquidity risk to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

No maturity analysis for financial liabilities is presented, as the Directors consider that liquidity risk is not material.

The Company had cash and cash equivalents at each reporting date is set out below.

	2011 £'000	2010 £'000
Cash and cash equivalents		
AA	3,353	19
A	1,022	1,064
BBB	1,514	–
	5,889	1,083

#### Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders. The Company's overall strategy is to minimise costs and liquidity risk.

The capital structure of the Company consists of equity attributable to the owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 13 and 14 and in the Statement of Changes in Equity.

#### Categorisation of financial instrument

Financial assets/(liabilities)	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
<b>At 31 January 2011</b>			
Trade and other receivables	351	–	351
Cash and cash equivalents	5,889	–	5,889
Trade and other payables	–	(199)	(199)
<b>TOTAL</b>	<b>6,240</b>	<b>(199)</b>	<b>6,041</b>

Financial assets/(liabilities)	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
<b>At 31 January 2010</b>			
Trade and other receivables	5	–	5
Cash and cash equivalents	1,083	–	1,083
Trade and other payables	–	(166)	(166)
<b>TOTAL</b>	<b>1,088</b>	<b>(166)</b>	<b>922</b>

The Company had no financial instruments measured at fair value.

## 12. TRADE AND OTHER PAYABLES

	2011 £'000	2010 £'000
Trade payables	168	112
Other payables	–	–
Taxes and social security	32	20
Accruals	53	54
	253	186

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

## Notes to the Financial Statements

Trade payables, split by the currency they will be settled are shown below:

	2011 £'000	2010 £'000
Sterling	144	60
US Dollars	3	9
Euros	21	43
Trade payables	168	112

### 13. SHARE CAPITAL

	Number	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Total £'000
<b>Allotted, issued and fully paid shares</b>						
<b>Tissue Regenix Limited</b>						
Ordinary shares of 1p each as at 31 January 2009 and 31 July 2009	10,949	–	3,879	–	–	3,879
Retrospective adjustment on reverse acquisition in 2010	599,989,051	600	454	–	(1,054)	–
Ordinary shares of 0.1p each as at 31 January 2010	600,000,000	600	4,333	–	(1,054)	3,879
<b>Tissue Regenix Group plc</b>						
Ordinary shares of 0.1 p each as at 31 January 2009 and 2010	600,000,000	600	4,333	–	–	4,933
Share consolidation 1 for 5 in to Ordinary shares of 0.5p each Issued to acquire the entire issued share capital of	(480,000,000)	–	–	–	–	–
Tissue Regenix Limited	241,885,103	1,210	–	10,884	–	12,094
Issued for cash	90,000,000	450	4,050	–	–	4,500
Issued to Tissue Regenix Employee Share Trust	16,712,800	83	753	–	–	836
Arising on reverse acquisition of Tissue Regenix Limited	–	–	–	–	(7,148)	(7,148)
Expenses of issue of shares	–	–	(481)	–	–	(481)
<b>Total Ordinary shares of 0.5p each as at 31 January 2011</b>	<b>468,597,903</b>	<b>2,343</b>	<b>8,655</b>	<b>10,884</b>	<b>(7,148)</b>	<b>14,734</b>

As permitted by the provisions of the Companies Act 2006, the Company does not have an upper limit to its authorised share capital.

The acquisition of Tissue Regenix Limited by Oxeco plc on 29 June 2010 has been accounted for as a reverse acquisition equity transaction as outlined in notes 2 and 16. The retained loss and other equity balances recognised in the Group financial statements reflect the consolidated retained loss and other equity balances of Tissue Regenix Limited immediately before the business combination and the consolidated results for the period from 1 February 2010 to the date of the acquisition are those of Tissue Regenix Limited. However, the equity structure appearing in

the Group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the transaction. The effect of using the equity structure of the legal parent gives rise to an adjustment to the Group's issued equity capital in the form of a reverse acquisition reserve. The substance of the transaction is that of a share issue fund raising under which Tissue Regenix Limited received cash and bank balances of £2,327,000 representing 103 per cent. of the value of the net assets of Oxeco plc and the associated costs of the transaction have therefore been charged directly against equity share premium.

On 29 June 2010 the Company issued 90,000,000 ordinary shares of 0.5 pence each for a cash price of 5 pence per share raising a gross amount of £4,500,000.

On 29 June 2010 the Company issued 16,712,800 ordinary shares of 0.5 pence each to the Trustee of the Tissue Regenix Employee Share Trust at a price of 5 pence per share, more details of which are set out in notes 14 and 17.

#### 14. MOVEMENT IN REVENUE RESERVE AND OWN SHARES

	Retained Earnings Deficit £'000	Own shares £'000	Deficit Revenue Reserve £'000
<b>At 31 January 2009</b>	(1,158)	–	(1,158)
Loss for the period	(1,435)	–	(1,435)
<b>At 31 January 2010</b>	(2,593)	–	(2,593)
Purchase of own shares	–	(836)	(836)
Employee interest in jointly owned shares	–	8	8
Loss for the period	(5,427)	–	(5,427)
<b>At 31 January 2011</b>	(8,020)	(828)	(8,848)

##### Own shares

On 29 June 2010, the Trustee of the Tissue Regenix Employee Share Trust purchased by way of subscription 16,712,800 ordinary shares of 0.5 pence each at a price of 5 pence per share. The shares were acquired jointly with a number of directors of the Company pursuant to certain conditions set out in Joint Ownership Agreements ("JOA's"). Purchase of all the shares was funded by way of a loan contribution from the Company of £836,000 to the Trustee and the directors paid to the Trustee Company the 1 per cent. of the purchase cost attributable to their initial interest in the jointly owned shares, amounting to £8,398. Details of the performance conditions set out in the JOA's is given in note 17.

The Trust's interest in the above shares have been classified as own shares.

#### 15. COMMITMENTS

##### Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The future aggregate minimum lease and service charge payments under non-cancellable operating leases are as follows:

	2011 £'000	2010 £'000
Land and buildings:		
Amounts due within one year	51	12
Amounts due in one to five years	–	–
	51	12

## Notes to the Financial Statements

### 16. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 29 June 2010 the Company acquired 100 per cent. of the issued share capital of Tissue Regenix Limited for consideration satisfied by the issue of 241,885,103 ordinary shares of 0.5 pence each.

As described in note 2, the transaction has been accounted for as a reverse acquisition equity transaction as if Tissue Regenix Limited had issued new shares in exchange for Oxeco plc's cash and other assets. The substance of the transaction is that of a share issue fund raising under which Tissue Regenix Limited received cash and bank balances of £2,327,000 representing 103 per cent. of the value of the net assets of Oxeco plc and the associated costs of the transaction have therefore been charged directly against equity share capital.

The fair value of the shares issued has been determined from the perspective of Tissue Regenix Limited as the market capitalisation value of Oxeco plc immediately prior to the acquisition. Based on an Oxeco plc market price of 5 pence per share, being the market price at which new money was also raised by the Company by the issue of shares for cash on the acquisition date, gives an implied fair value of Oxeco plc at acquisition of £6,000,000 which is £3,749,000 higher than the value of the net assets deemed acquired as set out below:

	Oxeco plc £'000
<b>Net assets acquired:</b>	
Bank and cash	2,327
Trade and other receivables	16
Trade and other payables	(92)
	2,251
Deemed cost on reverse acquisition	3,749
<b>Fair value of reverse acquisition</b>	<b>6,000</b>

The difference between the fair value of the consideration and the fair value of the net assets deemed acquired has been recorded as a deemed cost on reverse acquisition in the statement of comprehensive income.

The fair value of the assets deemed to have been acquired has been assessed as the book value on the acquisition date.

Oxeco plc changed its name to Tissue Regenix Group plc on completion of the acquisition on 29 June 2010 and was re-admitted to AIM on that same day.

### 17. SHARE BASED PAYMENTS

#### Share options and shares held in employee benefit trust ("EBT")

The Company operates a share option plan, under which certain employees have been granted options to subscribe for ordinary shares. All options are equity settled. The options have an exercise price of between 0.5p to 5p and a vesting period between 1 and 4 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The Group also operates a jointly owned EBT share scheme for senior management under which the trustee of the Group sponsored EBT has acquired shares in the Group jointly with a number of employees. The shares were acquired pursuant to certain conditions, set out in Jointly Owned Equity agreements ("JOE's"). Subject to meeting the performance criteria conditions set out in the JOE's, the employees are able to benefit from most of any future increase in the value of the jointly owned EBT shares. The fair value benefit is measured using the Binomial model, taking into account the terms and conditions upon which the jointly owned shares were purchased.

The number and weighted average exercise prices of share options and EBT shares are as follows:

	Number of share interests			Total	Weighted average exercise price per share (£)
	EMI options	Unapproved options	EBT shares		
At 31 July 2009	29	114	–	143	0.010
Granted during the year	495	15	–	510	160.000
At 31 January 2010	524	129	–	653	125.000
Exercised in the year	(29)	(57)	–	(86)	0.01
Adjustment on reverse acquisition	10,849,809	1,716,947	–	12,566,756	(124.430)
Issued in the year	3,587,200	–	16,712,800	20,300,000	0.050
At 31 January 2011	14,437,504	1,717,019	16,712,800	32,867,323	0.033

On 29 June 2010 the Company acquired 100 per cent. of the share capital of Tissue Regenix Limited for a consideration satisfied by the issue of 241,885,103 ordinary shares of 0.5p each in a ratio of 21,919.81 for 1. Consequently the share options issued by Tissue Regenix Limited were replaced with share options in Tissue Regenix Group plc. No changes were made to the options other than an adjustment to the number of options, which were increased by a factor of 21,919.81 and the adjustment to the exercise price which was decreased by a factor of 21,919.81. See note 13 for further details.

There were 12,567,323 share options outstanding at 31 January 2011 which were eligible to be exercised. The remaining 3,857,200 options were not eligible to be exercised as these are subject to employment period and market based vesting conditions, some of which had not been met at 31 January 2011.

The performance conditions in relation to these options allows for vesting in three equal proportions on or after the three consecutive annual anniversaries from the date of grant subject to the Company's share price reaching 10 pence per share, 15 pence per share and 20 pence per share by the respective vesting dates.

At 31 January 2011, none of the benefit of the increase in value on the 16,712,800 jointly held EBT shares was eligible to vest, because the related employment period conditions and some of the performance conditions under the JOA's had not been met.

Under the terms of the JOA's the employees are in certain circumstances able to benefit from most of any increase in value above the 5 pence market value per share on or after 29 June 2011 in the case of 5,570,933 shares (provided that the market price of the shares increase to at least 10 pence per share), on or after 29 June 2012 in the case of a further 5,570,933 shares (provided that the market price of the shares increase to at least 15 pence per share) and or after 29 June 2013 in the case of the remaining 5,570,934 shares (provided that the market price of the shares increase to at least 20 pence per share).

The fair value benefit received on share options granted is measured using either the Black Scholes model or the Binomial model as appropriate taking in to account the effects of the vesting and performance conditions, expected exercise price and the payment of the dividends by the Company. The fair value benefit received on EBT shares is measured using the Binomial model, taking into accounts the terms and conditions upon which the jointly owned shares were purchased. The following table lists the inputs to the models used:

## Notes to the Financial Statements

	EBT shares Granted year to 31 January 2011	Options Granted year to 31 January 2011	Options Granted year to 31 January 2010
Dividend yield	–	–	–
Expected volatility*	50%	50%	50%
Risk free interest rate (%)	0.9	0.5	0.5
Expected vesting life of EBT shares and options (years)	3	1	1
Weighted average share price (£)	0.05	0.05	633

\* Expected volatility is based on the similar start up technology companies.

Any share options and employee interests in jointly owned EBT shares which are not exercised within 10 years from the date of grant will expire.

A charge has been recognised in the statement of comprehensive income for each period as follows:

	Granted year to 31 January 2011 £'000	Granted period to 31 January 2010 £'000
Share options	264	1
Jointly owned shares	67	–
Total share based payments	331	1

### 18. RELATED PARTY TRANSACTIONS

#### Trading transactions with

	Year ended 31 January 2011 £'000	Six months ended 31 January 2010 £'000
Transactions with significant shareholders:		
Staff secondment and sundry office running costs	7	2
Patent support costs	30	12
Laboratory facility costs	3	8
Rent	–	36
Reverse acquisition fees	19	–
Management fees	5	–
Amounts due to related parties at the period end	7	4

#### Transactions with Key Management Personnel

The Company's key management personnel comprise only the Directors of the Company.

During the period the Company entered into the following transactions in which the Directors had an interest:

**Directors' remuneration:**

Remuneration received by the Directors from the Company is set out below:

	Year ended 31 January 2011 £'000	Year ended 31 January 2010 £'000
<b>Short-term employment benefits*</b>	272	182

\* In addition, certain directors hold share options and jointly owned shares in the Company for which a fair value share based charge of £258,000 has been recognised in the consolidated statement of comprehensive income (2010: £1,000).

During the year ended 31 January 2011, the Company entered into numerous transactions with its subsidiary company which net off on consolidation – these have not been shown above.

**19. ULTIMATE CONTROLLING PARTY**

The directors believe that there is no ultimate controlling party.

## Company Statement of Changes in Equity

	Attributable to the equity holders of the Company					Total £'000
	Share Capital £'000	Share Premium £'000	Merger reserve £'000	Share Based Payment Reserve £'000	Revenue Deficit Reserve £'000	
<b>At 31 January 2009</b>	600	4,333	–	–	(2,411)	2,522
Total expense and other comprehensive loss for the year	–	–	–	–	(227)	(227)
<b>At 31 January 2010</b>	600	4,333	–	–	(2,638)	2,295
Total expense and other comprehensive loss for the year	–	–	–	–	(582)	(582)
Shares issued to acquire Tissue Regenix Limited	1,210	–	10,884	–	–	12,094
Shares issued for cash	450	4,050	–	–	–	4,500
Shares issued to the Tissue Regenix Employee Share Trust	83	753	–	–	–	836
Expenses on issue of shares	–	(481)	–	–	–	(481)
Share based payment expense	–	–	–	259	–	259
<b>At 31 January 2011</b>	2,343	8,655	10,884	259	(3,220)	18,921

## Company Statement of Financial Position

	Notes	2011 £'000	2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary undertaking	C3	12,930	–
<b>Total non-current assets</b>	–	12,930	–
<b>Current assets</b>			
Trade and other receivables	C4	72	11
Intercompany loan balance	C5	544	–
Cash and cash equivalents		5,459	2,316
		6,075	2,327
<b>Total Assets</b>		19,005	2,327
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	C6	(84)	(32)
<b>Total Liabilities</b>		(84)	(32)
<b>Net Assets</b>		18,921	2,295
<b>Equity</b>			
Share capital	13	2,343	600
Share premium	13	8,655	4,333
Merger reserve	13	10,884	
<b>Issue equity capital</b>		21,882	4,933
Share based payment reserve	17	259	–
Revenue reserve		(3,220)	(2,638)
<b>Total Equity</b>		18,921	2,295

Approved by the Board of Directors and authorised for issue on 3 May 2011.

John Samuel  
Executive Chairman

Michael Bretherton  
Finance Director

Company number: 5969271

## Company Statement of Cash Flows

	Notes	2011 £'000	2010 £'000
<b>Operating activities</b>			
<b>Loss before interest and tax</b>		(602)	(238)
Adjustment for non-cash items:			
Share based payments	17	259	–
Tax received		–	2
Impairment of loan to subsidiary undertaking		–	107
<b>Operating cash outflow</b>		(343)	(129)
(Increase)/decrease in trade and other receivables		(61)	(97)
Increase/(decrease) in trade and other payables		52	9
<b>Net cash generated from operations</b>		(352)	(217)
<b>Investing Activities</b>			
Interest received		20	9
Loan to subsidiary undertaking	C6	(544)	–
<b>Net cash generated from investing activities</b>		(524)	9
<b>Financing Activities</b>			
Proceeds from issue of share capital	13	4,500	–
Expense of issue of share capital	13	(481)	–
<b>Net cash used in financing activities</b>		4,019	–
<b>Decrease in cash and cash equivalents</b>		3,143	(208)
Cash and cash equivalents at start of year		2,316	2,524
Effect of foreign exchange rate changes		–	–
<b>Cash and cash equivalents at end of year</b>		5,459	2,316

\* In addition, the Company has increased its investment in subsidiaries through non-cash transactions settled by the issue of shares with a value of £12,094,000 to acquire Tissue Regenix Limited as set out in note 16 and by the issue of shares with a value of £836,000 to the Tissue Regenix Employee Share Trust as set out in note 14.

## Notes to the Company Information

### C1. PRINCIPAL ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006 and in accordance with IFRS.

The principal accounting policies adopted are the same as for those set out in the Group's financial statements.

### C2. COMPANY RESULTS

The Company was incorporated and registered in England and Wales as a public company on 29 June 2010. The result and cash flow are for the period from incorporation to 31 January 2011.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company's statement of comprehensive income. The parent company's result for the period ended 31 January 2011 was a loss of £582k.

The audit fee for the company is set out in note 4 of the Group's financial statements.

### C3. INVESTMENT IN SUBSIDIARY COMPANIES

At 31 January 2011, the Company held the following investments in subsidiaries;

Undertaking	Sector	Share of issued capital and voting rights	
		2011	2010
Tissue Regenix Limited	Regenerative medicine	100%	nil
Oxray Limited	Dormant	85%	85%

On 27 June 2010 the Company acquired 100% of Tissue Regenix Limited, a company incorporated and registered in the United Kingdom, by issuing 241,885,103 shares of 0.5p each.

Cost	2011 £'000	2010 £'000
At 1 February	1,785	2,100
Additions	12,930	–
Disposals	–	(315)
<b>At 31 January</b>	<b>14,715</b>	<b>1,785</b>
<b>Impairment</b>		
At 1 February	(1,785)	(2,100)
Reversal on disposal	–	315
<b>At 31 January</b>	<b>(1,785)</b>	<b>(1,785)</b>
<b>Carrying value at 31 January</b>	<b>12,930</b>	<b>–</b>

The company's investment in Oxray Limited has been written down to nil and the Company is dormant.

## Notice to the Company Information

### C4. TRADE RECEIVABLES

	2011 £'000	2010 £'000
Prepayments	33	9
Social Security and other taxes	39	2
	72	11

### C5. CURRENT ASSETS

	2011 £'000	2010 £'000
Intercompany loan	544	–

A loan of £544k was advanced to Tissue Regenix Limited in the year. No interest was payable on the loan.

### C6. TRADE PAYABLES

	2011 £'000	2010 £'000
Trade Creditors	48	4
Social Security and other taxes	11	1
Accruals	25	27
	84	32

## Notice of Annual General Meeting

**Notice is given** that the 2011 annual general meeting of Tissue Regenix Group plc (“**Company**”) will be held at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY, on 2 June 2011 at 2.00 pm for the following purposes:

**To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:**

1. To receive the Company’s annual accounts and directors’ and auditors’ reports for the year ended 31 January 2011.
2. To reappoint Michael Bretherton, who retires by rotation, as a director of the Company.
3. To reappoint Alan Aubrey, who has been appointed by the board since the last annual general meeting, as a director of the Company.
4. To reappoint Alan Miller, who has been appointed by the board since the last annual general meeting, as a director of the Company.
5. To reappoint Antony Odell, who has been appointed by the board since the last annual general meeting, as a director of the Company.
6. To reappoint John Samuel, who has been appointed by the board since the last annual general meeting, as a director of the Company.
7. To reappoint Alexander Stevenson, who has been appointed by the board since the last annual general meeting, as a director of the Company.
8. To reappoint Baker Tilly UK Audit Llp as auditors of the Company.
9. To authorise the directors to determine the remuneration of the auditors.
10. That, pursuant to section 551 of the Companies Act 2006 (“Act”), the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities:
  - 10.1 *comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £1,563,662 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 10.2 of this resolution) in connection with a rights issue:*
    - 10.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
    - 10.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - 10.2 *otherwise than pursuant to paragraph 10.1 of this resolution, up to an aggregate nominal amount of £781,831 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 10.1 of this resolution in excess of £781,831),*

provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 2 September 2012 (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority

## Notice of Annual General Meeting

expires and the directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

In this resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

These authorities are in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

### To consider and, if thought fit, to pass the following resolutions as special resolutions:

11. That, subject to the passing of resolution 10 and pursuant to section 570 of the Act, the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities granted by resolution 10 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

11.1 *the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph 10.1 of resolution 10, such power shall be limited to the allotment of equity securities in connection with a rights issue):*

11.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

11.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

11.2 *the allotment of equity securities pursuant to the authority granted by paragraph 10.2 of resolution 10 (otherwise than pursuant to paragraph 11.1 of this resolution) up to an aggregate nominal amount of £351,823,*

and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 2 September 2012 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

This power is in substitution for all existing powers under section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

12. That, pursuant to section 701 of the Companies Act 2006 ("Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 0.5p each in the capital of the Company ("Shares"), provided that:

12.1 the maximum aggregate number of Shares which may be purchased is 46,909,860;

12.2 the minimum price (excluding expenses) which may be paid for a Share is 0.5p;

12.3 the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105 per cent. of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made,

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 2 September 2012 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the board

**Micheal Bretherton**  
Secretary

**Registered office**

**The Biocentre**  
Innovation Way  
Heslington  
York  
YO10 5NY

3 May 2011

Registered in England and Wales No. 05969271

## Notice of Annual General Meeting

### Notes

#### Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 2.00 pm on 31 May 2011 (or, if the meeting is adjourned, 6.00 pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

#### Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in notes 3 to 4 below and the notes to the proxy form.

The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

3. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar on 0871 664 0300 (calls cost 10p per minute plus network extras) or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Capita Registrars PXS, 34 Beckenham Road, Beckenham BR3 4TU, no later than 2.00 pm on 31 May 2011 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

4. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) no later than 2.00 pm on 31 May 2011 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the

message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### Corporate representatives

5. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

#### Documents available for inspection

6. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends.
  - 6.1 *Copies of the service contracts of the executive directors.*
  - 6.2 *Copies of the letters of appointment of the non executive directors.*

#### Biographical details of directors

7. Biographical details of all those directors who are offering themselves for reappointment at the meeting are set out on pages 6 and 7 of the annual report and accounts.







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