Tissue Regenix
Group plc

ANNUAL REPORT
FOR THE YEAR ENDED 31 JANUARY 2014

Highlights

During the year, the Group has:

- Achieved significant progress in the implementation of the Group's commercial roll-out strategy in the US
  - Signed a processing agreement with Community Tissue Services (CTS), one of the largest tissue banks in North America, and worked together to successfully transfer the Group's patented dCELL® technology for use in the US market
  - Signed seven independent regional sales distribution agreements, providing access to an extensive network of over 40 sales representatives across 25 states
  - Strengthening and expansion of the Group's US team, including strategic appointments in Sales, Marketing, Clinical Affairs and Operations
  - Remains on track to launch its first product, DermaPure™, in to the US market in H1 2014
- Successfully completed trials of a new treatment for chronic leg ulcers, in conjunction with NHS Blood and Transplant (NHSBT), in which half of patients involved had their wounds completely healed
- 'Soft launch' of DermaPure™ in the UK by NHSBT to a limited number of hospitals with initial positive results from patients and clinicians
- Developed the composition of the Board, with the appointment of Randeep Singh Grewal and Steven Couldwell as Non-Executive Directors, who both have strong commercial and entrepreneurial experience in the healthcare sector
- Appointed Peter Hamer as Business Development Manager of the Group's Orthopaedics division

Contents

Directors' Report and Financials

Chairman's Statement

Overview

2013 has been another strong year in the execution of the Group's commercialisation strategy and a number of important milestones have been reached to bring our proprietary dCELL® technology to market. We are in a position to launch our first product of scale, DermaPure™, into the US market and our North American subsidiary, Tissue Regenix Wound Care Inc., has grown substantially and developed agreements with a number of important commercial partners.

Health Economics

Regenerative medicine holds the promise of permanent repair to the body, which for a population that is living longer, must be a key consideration. As a result of this, coupled with the challenges of today's constrained health budgets, we have decided to engage with a leading health economic consultancy to begin to develop the case for using our constructs and our growing body of current and future clinical data. We foresee this work highlighting the tangible social and economic benefits of using our dCELL® technology platform.

The Board

We implemented the planned changes to the composition of the Company's Board during the year, with the appointment of Randeep Singh Grewal and Steven Couldwell as Non-Executive Directors. Both bring extensive commercial and entrepreneurial experience in the healthcare sector and they have already made invaluable contributions to the Group at this important stage in our development. We made a decision to progress the composition of the Board to ensure that it has the most appropriate skill set to complement the executive management team and help guide the commercialisation of Tissue Regenix's products. I would also like to take the opportunity to thank our previous Non-Executive Directors who have made an immeasurable contribution in helping the Company reach this stage in its development.

Shareholders

We have been delighted by the uptake from new significant shareholders that joined our register during the year, reflecting the institutional appetite to access the opportunities that our dCELL® platform provides, particularly as we move from development to commercialisation. Share price growth over the period was particularly pleasing and is indicative of a wider appreciation of the depth and value of the current and future promise of our pipeline of products.

Outlook

This year we have made significant progress in taking our animal-based development pipeline in woundcare and orthopaedic products towards commercial launch. Furthermore, we have built a strong team in the US that is capable of taking our products to market and capitalising on the full market opportunity that our decellularised human tissue products can address. We identified the opportunity for this product area to generate revenue within a shorter timescale, and **DermaPure™** represents the first to be fully commercialised, with its launch still expected to take place in the first half of 2014.

Regenerative medicine holds great future promise for the long term treatment of many medical problems. We are close to delivering the first of our products to market in a format that makes adoption by clinicians and hospitals simple and economically attractive.

At Tissue Regenix we have always aimed to become a world leader in regenerative medicine, and we will continue to develop new local relationships around the world to deliver our pipeline to market, as we accelerate into the first phase of our commercial expansion. Alongside this, our development programmes are maturing as they enter the clinical stage as a precursor to regulatory approval. We remain excited about the prospects for the Group in 2014.

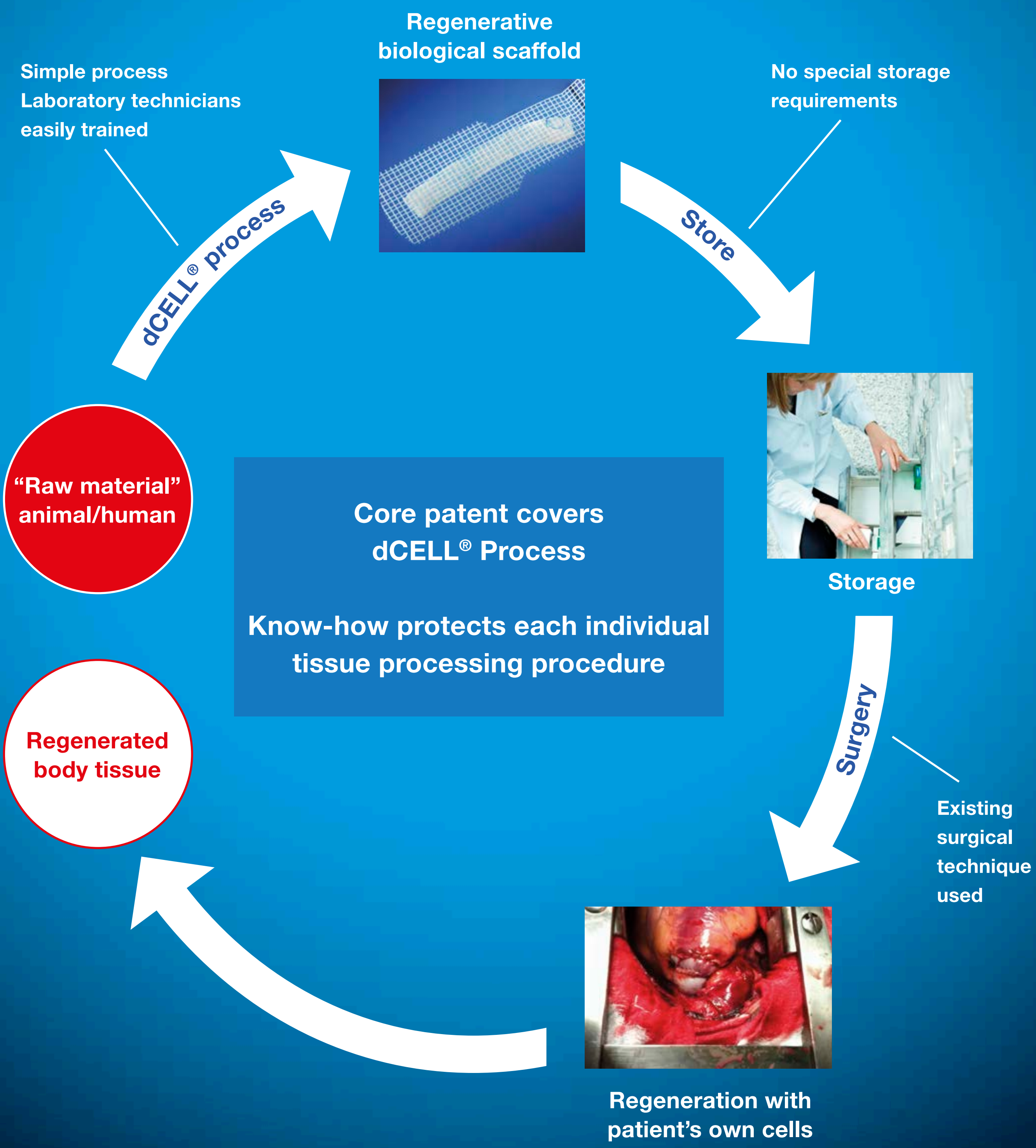
John Samuel
Chairman

19 May 2014

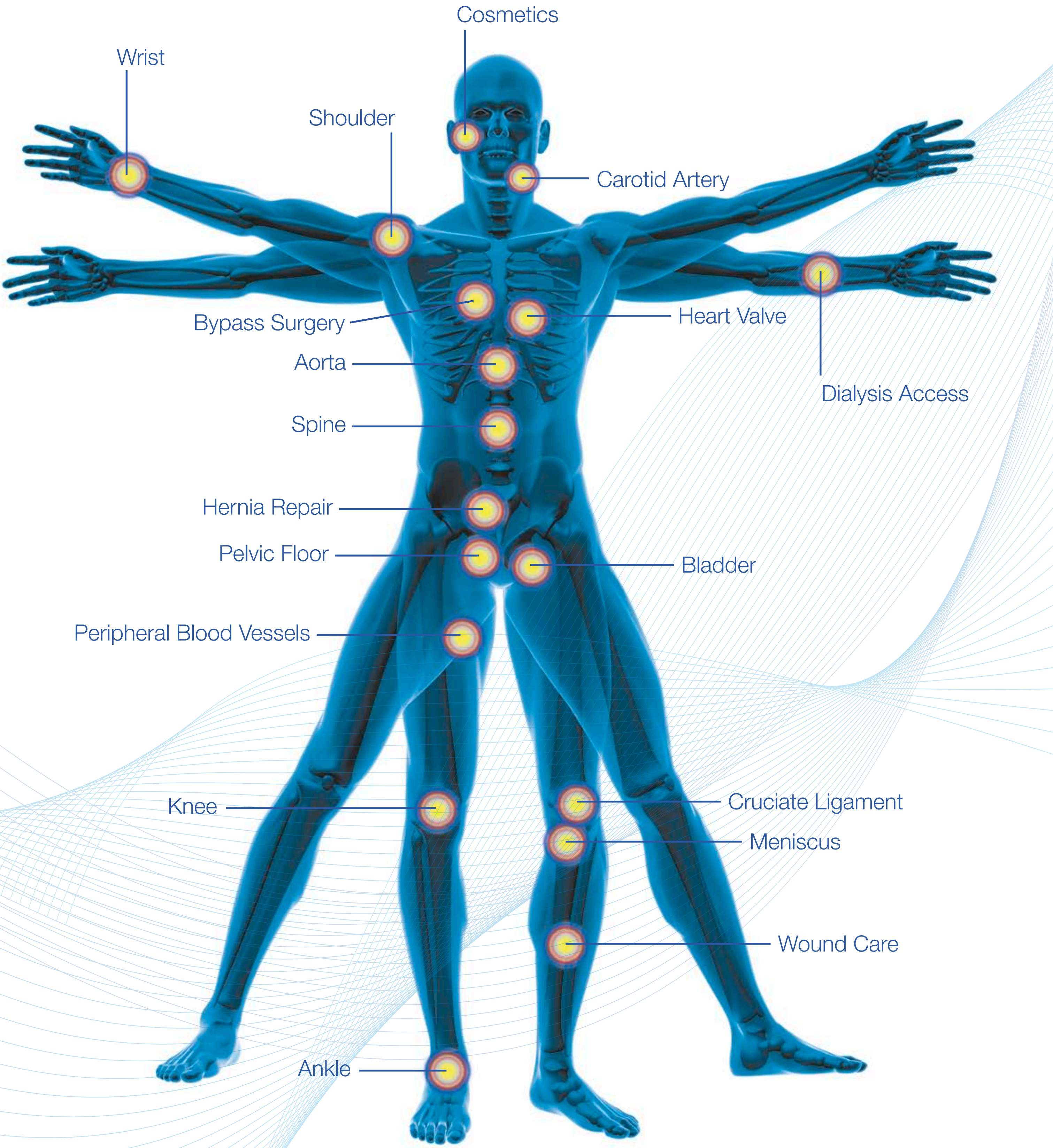
The dCELL® process

Tissue Regenix, a leader in the development of regenerative medicine treatments.

At the heart of Tissue Regenix's technology is our patented dCELL® process which removes DNA and other cellular material from animal and human tissue, leaving an inert, acellular tissue scaffold which can be used to repair damaged organs and skin, while dramatically cutting the risk of rejection by the patient's body. Tissue Regenix's platform technology has been developed to maintain the integrity of the tissue structure, while providing a scaffold to attract stem cells and accelerate natural, regenerative healing.



The Human Body



Chief Executive's Review

Overview

This year, Tissue Regenix laid the foundations for the successful commercialisation of the dCELL® platform. We maintained the strong momentum generated in 2012 and have progressed the development and application of our dCELL® technology into scalable products which have the potential for distribution into key markets across the world. In particular, our strategy for the development of a significant US human tissue business began to be implemented. We now have the partnerships in place to deliver a pipeline of products to large existing markets and even in some cases, to meet significant unmet clinical needs in the world's largest healthcare market.

Our strategic focus is:

US
- Human tissue products
- Porcine dermis (general surgery)

dCELL® evidence base
- Health economics
- Clinical/mechanism of action

dCELL®

Core focus areas
- Wound Care
- Orthopaedics

EU
- CE Mark (porcine products)

Financial Review

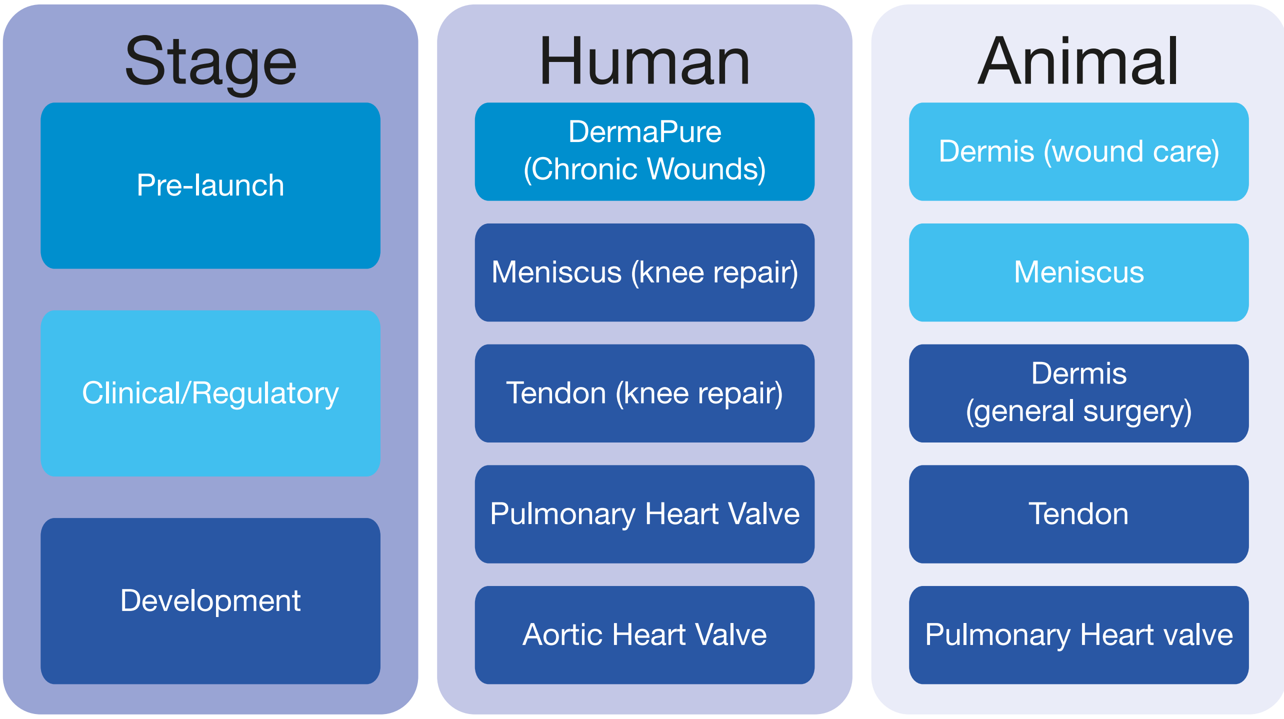
Tissue Regenix continues to hold a strong cash position with a balance of £18.5m at the year-end (2013: £24.2m). As we have previously stated, we had anticipated that our cash utilisation would accelerate over coming years, as we continue to fund our development programme and progress through pre-clinical and clinical trials. The increase in our operating loss to £6.6m (2013: £4.4m) reflects this acceleration, which is in line with our expectations, and the necessary investment that has been required to progress the development of our US business to its current status, as it approaches commercial roll-out.

The Group continues to manage its cash resources to maximise interest income whilst at the same time minimising any risk to these funds. A balance of working capital and short to medium term deposits are maintained.

The Group continues to submit enhanced research and development tax claims and elects to exchange tax losses for a cash refund. The refund expected for the year to 31 January 2014 is £710k.

Chief Executive's Review continued

Product Development Pipeline



Our proprietary platform technology, dCELL®, is protected by a library of patents. It is used to decellularise human or animal donor tissue to create biological scaffolds that are then implanted into patients to replace diseased or damaged parts of their body. These scaffolds in vivo appear to induce regeneration through natural healing mechanisms including the recruitment of stem cells but, because they are inert when implanted, they are classified as medical devices. This means they are required to follow a regulatory pathway that is typically faster and less costly than, for example, a pharmaceutical product.

Commercial stage in the US

Since establishing our US operation in late 2012, we have achieved a great deal in a short space of time. We have made significant strides in the delivery of our commercialisation strategy, with the imminent launch of **DermaPure™**, our human decellularised dermis product for chronic wounds. During the past year, we have achieved a number of important milestones including:

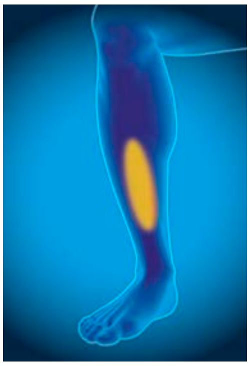
- We have extended and strengthened our US team, including making strategic appointments in Sales, Marketing, Clinical Affairs and Operations. All of these appointments have brought extensive industry expertise and knowledge to their respective roles.
- In June 2013, we signed a processing agreement with Community Tissue Services (CTS), one of the largest tissue banks in North America, distributing over 230,000 grafts for transplant annually.
- From the signing of the processing agreement, we have been working with CTS towards the successful transfer of our patented dCELL® technology for use in the US market.
- In October, we signed seven independent regional sales distribution agreements, providing us with access to over 40 sales representatives that will actively promote **DermaPure™** into acute care hospitals, Veteran Affairs (VA) Hospitals and institutions, as well as Long Term Acute Care hospitals (LTACs) across a total of 25 states. This provides us with significant initial channels to market and enables us to roll out our sales strategy. Going forward our aim is to sign further distribution agreements to enable us to have a sales presence in all major metropolitan areas within the US by the end of 2014.

Chief Executive's Review continued

The strategy we have pursued during the year of collaborating with prominent industry partners has allowed us to be effective in setting up operations in new geographies, as well as gaining access to local industry knowledge and potential customers. The US represents a significant market opportunity for our products, with, for example, 6.5 million US patients afflicted by chronic wounds at present. We are now in the position to target the existing $1.4bn market for wound healing devices and equipment in the US, which is anticipated to reach $1.5bn by 2016.

Business Developments

Advanced Wound Care



In May 2013, Tissue Regenix announced that more than half of patients involved in the first trial of a new treatment for chronic leg ulcers at University Hospital South Manchester had their wounds completely healed. The trials, conducted by NHS Blood and Transplant ('NHSBT'), demonstrated that the patients who had tough chronic wounds (defined as clinically unresponsive to healing for three months) who were treated with Tissue Regenix's **DermaPure™**, have seen an 87% reduction in the size of all wounds, while 60% of patients were completely healed with virtually no recurrences. In October, these results were published in the peer reviewed journal - Wound Repair and Regeneration. The clinical trial report concluded that: "we have demonstrated that DCD (decellularised dermis- **DermaPure™**) and its application process safely promoted wound healing in treatment-resistant chronic lower limb ulceration."

In January 2014, NHSBT 'soft launched' dCELL® Human Dermis (**DermaPure™**) to a limited number of hospitals with initial results showing a very positive response from patients and clinicians.

As part of our plans to commercialise our advanced wound care product in the US, we are planning a multicentre clinical investigation in North America involving c.60 patients to establish the wound healing performance of **DermaPure™** in diabetic foot ulcers to support marketing activity.

As part of preparation for this US trial of **DermaPure™**, we have been speaking with key opinion leaders across the country and discussing the data from the UK clinical trial and have received positive feedback.

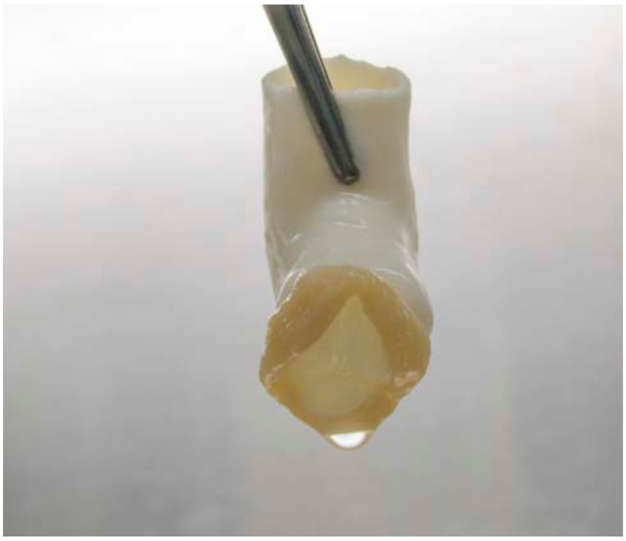
Orthopaedic

We have continued to invest in and develop Tissue Regenix's Orthopaedic market presence, including the appointment in May 2013 of Peter Hamer as Business Development Manager, as we progress towards commercialisation of our first product.

The EU safety study for CE mark is looking to recruit 60 patients in clinics in the UK, Netherlands and Poland. We are looking to commercialise the product for the treatment of knee injuries, a potentially significant market due to the 1.5 million meniscal tears treated every year in the US and EU.

Other Business Areas

Positive clinical data from the 1000+ dCELL® Human Heart Valves implanted in Brazil was presented in 2013 by Professor da Costa at two major cardiology conferences. This data continues to demonstrate the superiority of decellularised valves over conventional cryopreserved ones and we are in discussions with selected tissue banks in the EU and Asia/Pacific about making these available to clinicians who are keen to use them to help their patients.



Chief Executive's Review continued

Looking Ahead

Commercialisation

Creating a firm foundation for our future commercial strategy has been the focus of 2013 and we have delivered this on many levels, both operationally and strategically. Our new partners in the US – CTS in Dayton, Ohio and the strong Tissue Regenix team we have assembled in San Antonio, Texas are clear evidence that we are a nimble, responsive company with a compelling message that can attract a high calibre of organisations and individuals, who share our vision of Tissue Regenix as a global leader in the regenerative medicine arena. Adding commercial strength to our Orthopaedic portfolio by recruiting Peter Hamer is also an important indicator of our global ambitions in this substantial market and the steady progress of our first animal tissue products towards commercialisation.

Human Tissue Strategy

The partnership with CTS and our on-going discussions with other tissue banks has opened up the opportunity to deliver dCELL® products much more rapidly into key markets like the US. The use of room temperature human tissue constructs using the dCELL® process has the potential to transform the way certain types of human tissue are used, since it removes the need for freezing or cryopreservation – a substantial cost associated with tissue banking. Importantly it also simplifies use within the hospital environment.

Overall

During the first half of 2014, Tissue Regenix is poised to launch its first product in the US, the world's largest healthcare market, and the team looks forward to continuing to progress the commercialisation of our unique technology.

Antony Odell
Chief Executive Officer

19 May 2014

2013 has been another strong year in the execution of the Group's commercialisation strategy and a number of important milestones have been reached to bring our proprietary dCELL® technology to market.

Strategic Report

Principal activity

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

Business model

A description of the Company's activities and how it seeks to add value are included in the Chairman's statement and Chief Executive's report on pages 2 to 8.

Business review and results

A review of the Group's performance and future prospects is included in the Chairman's statement and Chief Executive's report on pages 2 to 8. The loss for the year attributable to equity holders was £5,593k (2013: £3,498k). The directors do not recommend the payment of a dividend (2013: nil).

Key performance indicators

Key Group performance indicators are set out below:

- Monthly review of product development timelines and costs
- Monitoring of cash balance and associated working capital requirements
- Monthly review of actual results against budget

Key risks

The Board carefully considers the risks facing the Group and endeavours to minimise the impact of those risks. The key risks are as follows:

- **Regulatory risk.** Regulatory approval timelines can be affected by a number of factors such as trial recruitment rates, clinical results and changes to regulatory requirements which are outside the control of the Group. However, all of the Company's products follow well established regulatory routes and the Company employs experienced regulatory personnel to navigate the process.
- **Intellectual property protection.** The commercial success of the Group may depend on its ability to protect and exercise its intellectual property rights. Some of the patents held by the Group are process patents which can be difficult to defend. However, the Group retains a significant amount of know-how, not disclosed in the patents, which offers protection in this area. Some of the intellectual property in the Group, including know-how is transferred to partners who undertake tissue processing on behalf of the Group. These transfers of intellectual property are undertaken under strict legal agreements but the Group acknowledges that there is a risk of IP leakage as a result and hence endeavours to only undertake such arrangements with parties and in territories where there is appropriate legal protection.

Regenerative medicine holds great future promise for the long term treatment of many medical problems. We are close to delivering the first of our products to market in a format that makes adoption by clinicians and hospitals simple and economically attractive.

Strategic Report continued

- **Competition.** Although the Directors believe that for certain of the Group's products there is limited direct competition, there may be products and competitors that they are currently unaware of which could have a detrimental effect on the Group's trading performance. Furthermore, certain of the Group's products will be sold in more competitive environments. The Group therefore expects a balanced exposure to competition with some offerings facing little competition, but others facing significantly more.
- **Attraction and retention of key employees.** The Group depends on the Directors and certain other key employees spread across its various subsidiaries. The ability to attract and retain key employees cannot be guaranteed. However, the Group endeavours to ensure succession planning where possible and ensures that remuneration and incentive packages are in line with industry standards.
- **Development risk.** There can be no guarantee that any of the products currently in development will be developed into commercially viable products, meet regulatory requirements or be manufactured in commercial quantities at an acceptable expense or marketed successfully and profitably. However, the Vascular Patch product, already CE marked, demonstrated that the development process works and the same process is being utilised for the subsequent products. Additionally the Group employs experienced development and commercial personnel who have experience of successfully bringing such products to the market.
- **Sourcing risk.** For the human tissue derived products, the Group relies on third party tissue banks to provide the source material for processing with the dCELL® technology. There can be no assurance that sufficient source material will be available to match demand.

Future developments

Future developments are described in the Chairman's statement and Chief Executive's Review on page 2 to 8.

On behalf of the Board

Antony Odell
Chief Executive Officer

19 May 2014

At Tissue Regenix we have always aimed to become a world leader in regenerative medicine, and we will continue to develop new local relationships around the world to deliver our pipeline to market.

Directors' Report

The Directors present their report and consolidated financial statements for the year ended 31 January 2014.

Share capital and funding

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

Directors and their interests

The following directors held office in the year.

John Samuel	
Antony Odell	
Ian Jefferson	
Michael Bretherton	(resigned 8 February 2013)
Alan Miller	
Alexander Stevenson	(resigned 8 March 2013)
Alison Fielding	
Randeep Singh Grewal	(appointed 10 July 2013)
Steven Couldwell	(appointed 17 July 2013)

Directors' interests in the shares of the Company, including family interests are included in the Remuneration Report on pages 14 to 16.

Directors' indemnity insurance

The Group has maintained insurance throughout the year 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, Chairman
John Samuel joined Tissue Regenix Limited as Chairman in March 2008. John qualified as a Chartered Accountant with Price Waterhouse and has held a number of senior finance positions in industry. 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. Currently he is also Chairman of Xeros Group Plc.

Antony Odell, Chief Executive Officer
Antony Odell was appointed CEO of Tissue Regenix in October 2008 and has led its growth from a small privately held spin-out to the present time. He has over 30 year's commercial experience in the medical technology sector. Antony has a strong corporate sector background having worked for Johnson & Johnson Medical and was European Business Director for its Vascular Access franchise, General Manager (UK & Ireland) for Fresenius (Critical Care & Diagnostics) and International Knee Manager for Stryker (Howmedica International). Antony was also VP- Medical for BTG when the company was involved in early stage technology commercialisation and was CEO for a UK NHS cardiovascular device spin-out, Tayside Flow Technologies Ltd (now Vascular Flow Technologies Ltd).

Ian Jefferson, Chief Financial Officer
Ian Jefferson joined Tissue Regenix Group Plc as Chief Financial Officer in June 2011. Ian was formerly Chief Executive Officer of AIM listed, COE Group Plc. Having initially joined COE as CFO in 2007 he became CEO in 2008, restructured the Group and then successfully planned and executed its sale. Prior to COE, Ian held a number of senior finance positions within LSE-quoted companies, most recently as Group Financial Controller of The 600 Group Plc. He has a comprehensive financial and operations background and extensive experience of organisational transformation and M&A. A qualified chartered accountant Ian holds a BSc in Physics with Electronics from Manchester University and an MSc in Applied Radiation Physics from Birmingham University.

Directors' Report continued

Dr. Alison Fielding, Non-Executive Director
Dr Alison Fielding is Director of IP Impact at IP Group plc, a leading UK intellectual property commercialisation company. Alison co-founded Techtran Group Ltd and was the Chief Operating Officer of Techtran, which was acquired by IP Group plc in January 2005. Previously, she spent five years at McKinsey & Co where she was a consultant to firms in the pharmaceutical and health care sectors. Alison has also worked as a development chemist for Zeneca, carrying out technical roles in the specialty chemicals and agrochemicals divisions.

Alan Miller, Non-Executive Director
Alan Miller is a founding partner of SCM Private, the wealth management company. He was formerly the Chief Investment Officer and founding shareholder of New Star Asset Management from early 2001 until early 2007. Prior to that, he was a Director at Jupiter Asset Management in charge of their specialist high performance division between 1994 and 2000. He is also a qualified accountant.

Randeep Singh Grewal, Non-Executive Director
Randeep Grewal has 15 years' experience working in the institutional investment arena and, until December 2012, was a senior portfolio manager and member of the European equities team at F&C Asset Management. Randeep has also held investment analyst and portfolio management roles at ICAP Equities and Tudor Capital, where he spent 10 years covering and investing in healthcare companies. Randeep has considerable entrepreneurial expertise, having been involved in a number of start-up companies, both personally and as an investor, and qualified in Medicine from the University of Cambridge.

Steven Couldwell, Non-Executive Director
Steven Couldwell has a proven international track record in driving revenues and profit growth in both the medical device and CRO industries. With over 14 years of senior management experience, Steven is currently Vice President and Head of Global Biosurgery at Sanofi, which has revenues of approximately $750m. Steven was also formerly Vice President and General Manager of Covance Laboratories Europe and worked for Smith & Nephew for almost 20 years in a number of roles including President Orthopaedics (Europe) and Senior VP Sales and Marketing for Smith & Nephew's Advanced Wound Management business.

We now have the partnerships in place to deliver a pipeline of products to large existing markets and even in some cases, to meet significant unmet clinical needs in the world's largest healthcare market.

Directors' Report continued

Substantial shareholders

As at 30 April 2014, shareholders holding more than 3% of the share capital of Tissue Regenix Group plc were:

Name of shareholder	Number of shares	% of voting rights
Invesco Limited	182,380,983	27.91
Techtran Group Limited	89,884,942	13.75
Richard Griffiths	71,602,551	10.96
University of Leeds	33,980,127	5.20
Baillie Gifford & Co Ltd	32,874,700	5.03
NFU Mutual	30,512,434	4.67
IP Venture Fund	24,794,730	3.79
John Samuel*	24,276,928	3.71
Alan Miller	21,486,988	3.29

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

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

Our auditor, KPMG Audit Plc, has, as part of a review of their structure, commenced a process of resigning as auditor from its clients and changing auditor appointments to its intermediate parent undertaking KPMG LLP. The board has therefore decided to put KPMG LLP forward to be appointed as auditor and a resolution concerning their appointment will be put to the forthcoming AGM of the Company.

On behalf of the Board

Antony Odell
Chief Executive Officer

19 May 2014

In October, we signed seven independent regional sales distribution agreements, providing us with access to over 40 sales representatives that will actively promote **DermaPure™** into acute care hospitals, Veteran Affairs (VA) Hospitals and institutions, as well as Long Term Acute Care hospitals (LTACs) across a total of 25 states.

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 Alison Fielding, who is chairperson of the committee, Steven Couldwell, Randeep Grewal and Alan Miller. 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.

Post year end on 24 April 2014 the Remuneration Committee approved the implementation of a deferred annual bonus plan to commence from the financial year ended 31 January 2014 (the "Deferred Annual Bonus Plan"). Under the terms of the Deferred Annual Bonus Plan directors and senior managers may waive up to 50% of their annual cash bonus and in return receive a share option over ordinary shares in the Company (the "Deferred Allocation"). The number of ordinary shares comprising the Deferred Allocation (i.e. subject to the option) will be calculated by dividing the amount of the cash bonus waived by the closing market value of the ordinary shares of the Company on the dealing day immediately prior to the date of grant of the award. The Deferred Allocation option is not capable of exercise until the vesting date has been reached, which is three years from the date of grant of the award.

By participating in the Deferred Annual Bonus Plan directors and senior managers will be entitled to receive a matching award at no additional cost (the "Matching Allocation"). The Matching Allocation will be an option over ordinary shares in the Company. The number of ordinary shares comprising the Matching Allocation will be equivalent to three times the number of ordinary shares received in the Deferred Allocation. Participants will not be entitled to exercise the Matching Allocation option and receive any ordinary shares pursuant to the Matching Allocation until the vesting date is reached, which is three years from the date of grant of the award. Additionally participants will not be entitled to receive the Matching Allocation unless certain share price growth performance targets have been achieved and those price targets sustained for at least 30 consecutive days. As at the date of this report no awards had been made pursuant to the Deferred Annual Bonus Plan.

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 0.5 pence and 22.5 pence 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.

Directors' Remuneration Report continued

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 Benefit 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 2014 was:

	Salary & fees £000	Bonus £000	Benefits £000	Total 2014 £000	Total 2013 £000
Antony Odell (note 1)	150	75	–	225	198
John Samuel (note 1)	100	–	–	100	100
Ian Jefferson (note 1)	126	42	–	168	154
Randeep Grewal (note 2)	12	–	–	12	–
Steven Couldwell (note 3)	12	–	–	12	–
Michael Bretherton (4)	–	–	–	–	11
Alan Aubrey (note 5)	–	–	–	–	13
Alison Fielding (note 6)	17	–	–	17	2
Alexander Stevenson (note 7)	3	–	–	3	15
Alan Miller	17	–	–	17	15
Total	437	117	–	554	508

Note 1 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 £4,000 (2013: £20,000), Antony Odell £2,000 (2013: £10,000), Ian Jefferson £14,000 (2013: £36,000)

Note 2 Randeep Grewal was appointed on 10 July 2013

Note 3 Steven Couldwell was appointed on 17 July 2013

Note 4 Mike Bretherton resigned on 8 February 2013.

Note 5 Alan Aubrey resigned on 30 November 2012.

Note 6 Alison Fielding was appointed on 1 December 2012.

Note 7 Alexander Stevenson resigned on 8 March 2013

Directors' shareholdings

Directors' interests in the shares of the Company, including family interests at 31 January 2014 were:

	Ordinary shares of 0.5p each			
	2014 Number	2014 %	2013 Number	2013 %
John Samuel (note 8)	24,276,928	3.72%	23,878,928	3.66%
Antony Odell (note 8)	5,572,800	0.85%	5,572,800	0.85%
Ian Jefferson (note 8)	1,009,404	0.15%	1,009,404	0.15%
Alison Fielding	2,279,661	0.35%	2,279,661	0.35%
Alan Miller	21,486,988	3.29%	21,486,988	3.29%

Note 8 Includes shares held jointly by the director and EBT as set out below.

Directors' Remuneration Report continued

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 Benefit Trust (EBT) and in share options to acquire ordinary shares of 0.5 pence each in the Company at 31 January 2014 were:

	At 1 February 2013	Exercised during year	Lapsed during year	Granted during year	At 31 January 2014	Exercise price
Approved EMI scheme options						
Antony Odell (note 1)	8,307,608	–	–	–	8,307,608	0.73 pence
Antony Odell (note 2)	1,187,200	–	–	–	1,187,200	5.00 pence
Ian Jefferson (note 3)	872,727	–	–	–	872,727	13.75 pence
John Samuel (note 4)	2,400,000	–	–	–	2,400,000	5.00 pence
EBT scheme shares (note 5)						
Antony Odell	5,372,800	–	–	–	5,372,800	5.00 pence
Ian Jefferson	827,586	–	–	–	827,586	14.50 pence
John Samuel	10,740,000	–	–	–	10,740,000	5.00 pence

Note 1 There were no performance conditions 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 2014.

Note 2 There were employment period and performance conditions in relation to the 1,187,200 options granted on 29 June 2010 which allowed 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. As at the 31 January 2014 all the performance conditions had been met and the options were eligible for exercise.

Note 3 There were employment period and performance conditions in relation to the 872,727 options granted on 6 July 2011 which allowed 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 15 pence per share, 20 pence per share and 25 pence per share by the respective three vesting dates. As at the 31 January 2014 the performance conditions had been met for 581,818 options which were eligible for exercise.

Note 4 There were employment period and performance conditions in relation to the 2,400,000 options granted on 29 June 2010 which allowed 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. As at the 31 January 2014 all the performance conditions had been met and the options were eligible for exercise.

Note 5 The Tissue Regenix Group Employee Benefit 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 and John Samuel 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 5 pence per share. Ian Jefferson has an interest in ordinary shares in the Company which were acquired jointly with the Trustee in the market on 25 July 2012 at a price of 14.25 pence. The shares were all acquired pursuant to certain conditions set out in Joint Owned Equity agreement's ("JOE's"). Subject to meeting the performance criteria conditions set out in the JOE'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 2014 was 22.50 pence per share, the highest and lowest prices during the year were 25.75 pence and 8.75 pence respectively. Further details of all share options and jointly owned shares held by the Trustee are set out in note 16 to the financial statements.

On behalf of the Board

Alison Fielding

Chairperson of the Remuneration Committee

19 May 2014

Corporate Governance Statement

Corporate governance

The Directors recognise the importance of sound corporate governance and have observed the principals of the UK Corporate Governance Code, to the extent that they consider them appropriate for the Group's size, throughout the accounting year.

The Board

The Board currently comprises three Executive Directors and four 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 Alison Fielding, Steven Couldwell and Randeep Grewal.

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. The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control Guidance for Directors on the Combined Code" (The Turnbull Report).

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;

(iv) There is a clearly defined organisational structure, and

(v) There are well-established financial reporting and control systems.

Going Concern

At 31 January 2014, the Group had £18,483k 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.

We are now in the position to target the existing $1.4bn market for wound healing devices and equipment in the US, which is anticipated to reach $1.5bn by 2016.

Statement of Directors' Responsibilities

Statement of Directors' responsibilities

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

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

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 Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent 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; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business;

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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*.

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

Patients who had tough chronic wounds (defined as clinically unresponsive to healing for three months) who were treated with Tissue Regenix's **DermaPure™**, have seen an 87% reduction in the size of all wounds.

Independent Auditor's Report to the Members of Tissue Regenix Group plc

We have audited the financial statements of Tissue Regenix Group Plc ("the financial statements") for the year ended 31 January 2014 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 explained more fully in the Directors' Responsibilities Statement set out on page 18, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2014 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 company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of 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 Strategic Report and 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.

Jeremy Gledhill
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW

19 May 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2014

	Notes	2014 £000	2013 £000
Operating Income	4	6	49
Administrative expenses	4	(6,583)	(4,461)
Operating Loss		(6,577)	(4,412)
Finance income	6	274	440
Loss before taxation		(6,303)	(3,972)
Taxation	7	710	474
Loss after tax attributable to equity holders of the parent		(5,593)	(3,498)
Other Comprehensive Income:			
Foreign currency translation differences – foreign operations		3	–
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(5,590)	(3,498)
Loss per share			
Basic and diluted on loss from continuing operations	8	(0.88)p	(0.55)p

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 2014

	Share Capital £000	Share Premium £000	Merger Reserve £000	Reverse Acquisition Reserve £000	Reserve For Own Shares £000	Share Based Payment Reserve £000	Retained Earnings Deficit £000	Total £000
At 31 January 2012	3,262	31,965	10,884	(7,148)	(831)	454	(10,707)	27,879
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(3,498)	(3,498)
Issue of shares	2	1	–	–	–	–	–	3
Share based payment expense	–	–	–	–	–	82	–	82
At 31 January 2013	3,264	31,966	10,884	(7,148)	(831)	536	(14,205)	24,466
Loss for the year	–	–	–	–	–	–	(5,593)	(5,593)
Other comprehensive expense	–	–	–	–	–	–	3	3
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(5,590)	(5,590)
Exercise of share options	3	5	–	–	–	–	–	8
Share based payment expense	–	–	–	–	–	94	–	94
At 31 January 2014	3,267	31,971	10,884	(7,148)	(831)	630	(19,795)	18,978

Consolidated Statement of Financial Position

As at 31 January 2014

	Notes	2014 £000	2013 £000
Assets			
Non-current assets			
Property, plant and equipment	9	472	238
Total non-current assets		472	238
Current assets			
Trade and other receivables	10	1,127	707
Cash and cash equivalents	11	18,483	24,206
Total current assets		19,610	24,913
Total assets		20,082	25,151
Liabilities			
Current liabilities			
Trade and other payables	12	(1,104)	(685)
Total liabilities		(1,104)	(685)
Net assets		18,978	24,466
Equity			
Share capital	13	3,267	3,264
Share premium	13	31,971	31,966
Merger reserve	13	10,884	10,884
Reverse acquisition reserve	13	(7,148)	(7,148)
Reserve for own shares		(831)	(831)
Share based payment reserve	16	630	536
Retained earnings deficit	14	(19,795)	(14,205)
Total equity		18,978	24,466

Approved by the Board of Directors and authorised for issue on 19 May 2014.

John Samuel
Chairman

Ian Jefferson
Chief Financial Officer

Company number: 5969271

Consolidated Statement of Cash Flows

For the year ended 31 January 2014

	Notes	2014 £000	2013 £000
Operating activities			
Operating loss		(6,577)	(4,412)
Adjustment for non-cash items:			
Depreciation of property, plant and equipment	9	124	74
Share based payment	16	94	82
Tax refunded		474	239
Operating cash outflow		(5,885)	(4,017)
Increase in trade and other receivables		(184)	(122)
Increase in trade and other payables		422	36
Net cash outflow from operations		(5,647)	(4,103)
Investing activities			
Interest received		274	440
Purchases of property, plant and equipment	9	(358)	(155)
Net cash outflow from investing activities		(84)	285
Financing activities			
Proceeds from issue of share capital	13	8	3
Net cash inflow from financing activities		8	3
Decrease in cash and cash equivalents		(5,723)	(3,815)
Cash and cash equivalents at start of year		24,206	28,021
Cash and cash equivalents at end of year		18,483	24,206

Notes to the Financial Statements

1 Basis of preparation

The financial statements of Tissue Regenix Group plc are audited consolidated financial statements for the year to 31 January 2014. These include audited comparatives for the year to 31 January 2013.

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

Going Concern

As at 31 January 2014, the Group had £18,483k 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 29 to 30.

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.

The principal accounting policies applied are set out below.

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

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and the financial position of each Group entity are expressed in Pounds Sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated on foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

The assets and liabilities of foreign operations are translated using exchange rates at the balance sheet date. The components of shareholders' equity are started at historical value. An average exchange rate for the period is used to translate the results and cash flows of foreign operations.

Exchange differences arising on translating the results and net assets of foreign operation are taken to the translation reserve in equity until the disposal of the investment. The gain or loss in the income statement on the disposal of foreign operations includes the release of the translation reserve relating to the operation that is being sold.

Notes to the Financial Statements

continued

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:

- 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. 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.

Notes to the Financial Statements

continued

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 a Binomial valuation model.

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 sharebased 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 12 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

continued

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 £94,000 (31 January 2013: £82,000)

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:

International Financial Reporting Standards		Effective for accounting periods starting on or after
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IFRS 10, 11 and 12	Amendments in transition guidance	1 January 2014
IAS 27	Separate financial statements (revised 2011)	1 January 2014
IAS 28	Associates and joint ventures (revised 2011)	1 January 2014
IAS 32	Amendment to financial instruments: presentation	1 January 2014
IAS 36	Recoverable amount disclosures	1 January 2014
IAS 39	Hedge accounting after derivative novations	1 January 2014

The Directors anticipate that the adoption of these Standards and Interpretations in future years 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.

Notes to the Financial Statements

continued

3 Segmental reporting

At 31 January 2014, 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.

The Group operates in two geographic sectors, the UK and the USA. A split of expenses and assets is included below:

Geographical analysis

	UK £'000	USA £'000	Year to 31 January 2014 Total £'000
Operating Loss *	(6,577)	–	(6,577)

* Expenses of £952k incurred in USA recharged to UK parent

	UK £'000	USA £'000	Year to 31 January 2013 Total £'000
Operating Loss	(4,372)	(40)	(4,412)

	UK £'000	USA £'000	Year to 31 January 2014 Total £'000
Assets	19,861	221	20,082
Liabilities	(846)	(258)	(1,104)

	UK £'000	USA £'000	Year to 31 January 2013 Total £'000
Assets	25,151	–	25,151
Liabilities	(645)	(40)	(685)

Notes to the Financial Statements

continued

4 Loss from operations

	Year to 31 January 2014 £000	Year to 31 January 2013 £000
Loss from operations is stated after crediting:		
Grant income	–	45
Loss from operations is stated after charging to administrative expenses:		
Depreciation of plant and equipment (see note 9)	124	74
Operating lease rentals – land and buildings	281	189
Staff costs	2,917	1,846
Foreign exchange losses	44	4
Research and development (inclusive of research and development personnel)	3,356	2,122
Auditors remuneration:		
– fees payable to Company's auditor for the audit of the Company's accounts	10	10
– auditing the accounts of subsidiaries pursuant to legislation	10	5
Other services:		
– fees in relation to corporation tax	17	5
– fees in relation to other tax advice	12	23
Total auditor's remuneration	49	43

5 Staff costs

	Year to 31 January 2014 Number	Year to 31 January 2013 Number
The average monthly number of persons (including directors) employed by the Group during the year was:		
Directors	7	7
Laboratory and administration staff	41	29
	48	36

	Year to 31 January 2014 £000	Year to 31 January 2013 £000
The aggregate remuneration, including directors, comprised:		
Wages and salaries	2,557	1,568
Share based expense (see note 16)	94	82
Social security & healthcare costs	266	196
	2,917	1,846
Directors' remuneration included comprised:		
Emoluments for qualifying services	574	574

Directors' emoluments disclosed above include £225,000 paid to the highest paid director (2013: £198,000) as well as share based payments benefit of £20,000 (2013: £66,000). There are no pension benefits for directors.

Notes to the Financial Statements
continued

6 Finance income

	Year to 31 January 2014 £000	Year to 31 January 2013 £000
Bank interest receivable	274	440

7 Taxation

Tax on loss on ordinary activities

	Year to 31 January 2014 £000	Year to 31 January 2013 £000
Current tax:		
UK corporation tax credit on losses of period	(710)	(474)
Tax credits received in respect of prior periods	–	–
	(710)	(474)
Deferred tax:		
Origination and reversal of temporary timing differences	–	–
Tax credit on loss on ordinary activities	(710)	(474)

The charge for the year 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 year varies from the small company rate of corporation tax as explained below:

	Year to 31 January 2014 £000	Year to 31 January 2013 £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	(6,303)	(3,972)
Tax at the standard rate of corporation tax 20%	(1,261)	(794)
Effects of:		
Expenses not deductable for tax purposes	19	16
Research and development tax credits received	(710)	(474)
Surrender of research and development relief for repayable tax credit	1,291	846
Research and development enhancement	(717)	(463)
Unutilised tax losses	668	395
Tax credit for the year	(710)	(474)

Deferred Tax

	Year to 31 January 2014 £000	Year to 31 January 2013 £000
Tax losses		
Losses available to carry forward against future trading profits	10,226	6,850
Deferred tax asset – unrecognised*	2,045	1,370

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

Notes to the Financial Statements
continued

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 year excluding own shares held jointly by the Tissue Regenix Employee Benefit Trust and certain employees. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year to assume conversion of all dilutive potential ordinary shares.

	Year to 31 January 2014 £000	Year to 31 January 2013 £000
Total loss attributable to the equity holders of the parent	(5,593)	(3,498)
	No.	**No.**
Weighted average number of ordinary shares in issue during the year	635,574,603	635,276,123
Loss per share		
Basic and diluted on loss for the year	(0.88)p	(0.55)p

The Company has issued employee options over 20,356,143 ordinary shares and there are 16,940,386 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 years concerned.

9 Property, plant and equipment

	Laboratory Equipment £000	Fixtures & Fittings £000	Computer Equipment £000	Total £000
Cost				
At 31 January 2012	209	36	56	301
Additions	123	–	32	155
At 31 January 2013	332	36	88	456
Additions	321	16	21	358
At 31 January 2014	653	52	109	814
Depreciation				
At 31 January 2012	101	18	25	144
Charge for the year	51	6	17	74
At 31 January 2013	152	24	42	218
Charge for the year	89	9	26	124
At 31 January 2014	241	33	68	342
Net book value				
At 31 January 2014	412	19	41	472
At 31 January 2013	180	12	46	238
At 31 January 2012	108	18	31	157

Notes to the Financial Statements
continued

10 Trade and other receivables

	31 January 2014 £000	31 January 2013 £000
Trade Debtors	–	2
Other receivables	807	654
Prepayments and accrued income	320	51
	1,127	707

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.

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

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 short term accounts, which have variable interest rates attributable to them, 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:

	Fixed rate £000	Floating rate £000	31 January 2014 Total £000
Cash and cash equivalents	18,402	81	18,483

	Fixed rate £000	Floating rate £000	31 January 2013 Total £000
Cash and cash equivalents	23,875	331	24,206

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 year.

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.

Notes to the Financial Statements

continued

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.

	31 January 2014 £000	31 January 2013 £000
Cash and cash equivalents		
AA-	46	279
A	18,399	23,927
BBB+	38	–
	18,483	24,206

The above has been split by the Fitch rating system and gives an analysis of the credit rating of the financial institutions where cash balances are held.

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
At 31 January 2014			
Trade and other receivables	807	–	807
Cash and cash equivalents	18,483	–	18,483
Trade and other payables	–	(423)	(423)
Total	19,290	(423)	18,867

Financial assets/(liabilities)	Loans and receivables £000	Financial liabilities at amortised cost £000	Total £000
At 31 January 2013			
Trade and other receivables	656	–	656
Cash and cash equivalents	24,206	–	24,206
Trade and other payables	–	(259)	(259)
Total	24,862	(259)	24,603

The Company had no financial instruments measured at fair value

Notes to the Financial Statements
continued

12 Trade and other payables

	31 January 2014 £000	31 January 2013 £000
Trade payables	368	205
Taxes and social security	55	54
Accruals	681	426
	1,104	685

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

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

	31 January 2014 £000	31 January 2013 £000
Sterling	251	205
US Dollars	91	–
Euros	26	–
Trade payables	368	205

13 Share capital

	Number	Share capital £000	Share premium £000	Merger reserve £000	Reverse acquisition reserve £000	Total £000
Total Ordinary shares of 0.5 p each as at 31 January 2012	652,380,047	3,262	31,965	10,884	(7,148)	38,963
Share options exercised	444,972	2	1	–	–	3
Total Ordinary shares of 0.5p each as at 31 January 2013	652,825,019	3,264	31,966	10,884	(7,148)	38,966
Share options exercised	662,338	3	5	–	–	8
Total Ordinary shares of 0.5p each as at 31 January 2014	653,487,357	3,267	31,971	10,884	(7,148)	38,974

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

Notes to the Financial Statements
continued

14 Movement in retained earnings and reserve for own shares

	Retained Earnings Deficit £000	Reserve For Own Shares £000
At 31 January 2012	(10,707)	(831)
Loss for the year	(3,498)	–
At 31 January 2013	(14,205)	(831)
Loss for the year	(5,593)	–
Exchange movement	3	–
At 31 January 2014	(19,795)	(831)

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:

	31 January 2014 £000	31 January 2013 £000
Land and buildings:		
Amounts due within one year	57	38

16 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 22.5p and a vesting period between 1 and 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.

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.

Notes to the Financial Statements
continued

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

	Number of share interests				Weighted average exercise price per share (£)
	EMI options	Unapproved options	EBT shares	Total	
At 31 January 2012	14,629,309	1,407,019	17,540,386	33,576,714	0.0402
Exercised in the year	(444,972)	–	–	(444,972)	(0.0073)
Lapsed during year	–	(18,797)	–	(18,797)	(0.0073)
Issued in the year	1,479,984	1,048,182	–	2,528,166	0.1216
At 31 January 2013	15,664,321	2,436,404	17,540,386	35,641,111	0.0464
Exercised in the year	(662,338)	–	(250,414)	(912,752)	0.0225
Lapsed during year	(145,454)	–	(349,586)	(495,040)	0.0757
Issued in the year	675,675	2,387,535	–	3,063,210	0.0952
At 31 January 2014	15,532,204	4,823,939	16,940,386	37,296,529	0.0505

There were 17,054,196 share options outstanding at 31 January 2014 which were eligible to be exercised. The remaining 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 2014.

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 certain hurdle values by the respective vesting dates.

There were 16,664,524 of the jointly held EBT shares which were eligible to vest as at 31 January 2014. The remaining shares were not eligible to vest because the related employment period conditions and some of the performance conditions under the JOE's had not been met.

The fair value benefit received on share options granted is measured using the Binomial model 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 account the terms and conditions upon which the jointly owned shares were purchased. The following table lists the inputs to the models used:

	Options Granted year to 31 January 2014	EBT shares Granted year to 31 January 2013	Options Granted year to 31 January 2013
Dividend yield	–	–	–
Expected volatility	47%	–	47%
Risk free interest rate (%)	0.9	–	0.9
Expected vesting life of EBT shares and options (years)	4	–	4
Weighted average share price (£)	0.0942		0.1216

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.

Notes to the Financial Statements

continued

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

	Year to 31 January 2014 £000	Year to 31 January 2013 £000
Share options	82	38
Jointly owned shares	12	44
Total share based payments	94	82

17 Related party transactions

Trading transactions with	Year to 31 January 2014 £000	Year to 31 January 2013 £000
Transactions with significant shareholders:		
Patent support costs	52	90

Transactions with Key Management Personnel

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

During the year 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 to 31 January 2014 £000	Year to 31 January 2013 £000
Short-term employment benefits*	554	508

*In addition, certain directors hold share options and jointly owned shares in the Company for which a fair value share based charge of £20,000 has been recognised in the consolidated statement of comprehensive income (2013: £66,000).

During the year ended 31 January 2014, the Company entered into numerous transactions with its subsidiary company which net off on consolidation – these have not been shown above.

18 Ultimate controlling party

The directors believe that there is no ultimate controlling party.

Company Statement of Changes in Equity

For the year ended 31 January 2014

	Attributable to the equity holders of the Company					
	Share Capital £000	Share Premium £000	Merger Reserve £000	Share Based Payment Reserve £000	Retained Earnings Deficit £000	Total £000
At 31 January 2012	3,262	31,965	10,884	381	(4,069)	42,423
Total expense and other comprehensive loss for the year	–	–	–	–	(473)	(473)
Share options exercised	2	1	–	–	–	3
Share based payment expense	–	–	–	82	–	82
At 31 January 2013	3,264	31,966	10,884	463	(4,542)	42,035
Total expense and other comprehensive loss for the year	–	–	–	–	(743)	(743)
Share options exercised	3	5	–	–	–	8
Share based payment expense	–	–	–	94	–	94
At 31 January 2014	3,267	31,971	10,884	557	(5,285)	41,394

Company Statement of Financial Position

For the year ended 31 January 2014

	Notes	2014 £000	2013 £000
Assets			
Non-current assets			
Investments	C3	12,922	12,922
Total non-current assets		12,922	12,922
Current assets			
Trade and other receivables	C4	49	157
Intercompany loan balance	C5	10,232	5,209
Cash and cash equivalents		18,409	23,931
		28,690	29,297
Total assets		41,612	42,219
Liabilities			
Current liabilities			
Trade and other payables	C6	(218)	(184)
Total liabilities		(218)	(184)
Net assets		41,394	42,035
Equity			
Share capital	13	3,267	3,264
Share premium	13	31,971	31,966
Merger reserve	13	10,884	10,884
Share based payment reserve	16	557	463
Retained earnings deficit		(5,285)	(4,542)
Total equity		41,394	42,035

Approved by the Board of Directors and authorised for issue on 19 May 2014.

John Samuel
Chairman

Ian Jefferson
Chief Financial Officer

Company number: 5969271

Company Statement of Cash Flows

For the year ended 31 January 2014

	Notes	2014 £000	2013 £000
Operating activities			
Loss before interest and tax		(1,017)	(913)
Adjustment for non-cash items:			
Share based payments	16	94	82
Operating cash outflow		(923)	(831)
Decrease/(increase) in trade and other receivables		108	(98)
Increase/(decrease) in trade and other payables		34	(63)
Net cash generated from operations		(781)	(992)
Investing activities			
Interest received		274	440
Loan to subsidiary undertaking	C5	(5,023)	(3,397)
Net cash generated from investing activities		(4,749)	(2,957)
Financing activities			
Proceeds from issue of share capital	13	8	3
Net cash used in financing activities		8	3
Decrease in cash and cash equivalents		(5,522)	(3,946)
Cash and cash equivalents at start of year		23,931	27,877
Cash and cash equivalents at end of year		18,409	23,931

Notes to the Company Information

For the year ended 31 January 2014

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 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 year ended 31 January 2014 was a loss of £743k (2013: £473k).

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 2014, the Company held the following investments in subsidiaries;

		Share of issued capital and voting rights	
Undertaking	**Sector**	**2014**	**2013**
Tissue Regenix Limited	Regenerative medicine	100%	100%
TRx Wound Care Limited	Regenerative medicine	100%	100%
TRx Orthopaedics Limited	Regenerative medicine	100%	100%
TRx Cardiac Limited	Regenerative medicine	100%	100%
TRx Vascular Limited	Regenerative medicine	100%	100%
Tissue Regenix Wound Care Inc*	Regenerative medicine	100%	100%
Oxray Limited	Dormant	85%	85%

*Held through TRx Wound Care Limited

Cost	**2014 £000**	**2013 £000**
At 1 February	14,707	14,707
Additions	–	–
At 31 January	14,707	14,707
Impairment		
At 1 February	(1,785)	(1,785)
At 31 January	(1,785)	(1,785)
Carrying value at 31 January	12,922	12,922

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

C4. Trade and other receivables

	31 January 2014 £000	**31 January 2013 £000**
Prepayments& accrued income	17	27
Other Debtors	32	130
	49	157

Notes to the Company Information
continued

C5. Current assets

	31 January 2014 £000	31 January 2013 £000
Intercompany loan	10,232	5,209

A loan of £10,232k was advanced to Tissue Regenix Limited in the year. No interest was payable on the loan.

C6. Trade and other payables

	31 January 2014 £000	31 January 2013 £000
Trade Creditors	8	25
Social Security and other taxes	19	17
Accruals	191	142
	218	184

Notice of Annual General Meeting

Notice is given that the 2014 annual general meeting of Tissue Regenix Group plc ("Company") will be held at DLA Piper UK, Princes Exchange, Princes Square, Leeds LS1 4BY on 27 June 2014 at 10am 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, strategic report and directors' and auditors' reports for the year ended 31 January 2014.

2. To reappoint Ian Jefferson, who retires by rotation, as a director of the Company.

3. To reappoint Alan Miller who retires by rotation as a director of the Company.

4. To reappoint Steven Couldwell, who has been appointed by the board since the last annual general meeting, as a director of the Company.

5. To reappoint Randeep Grewal, who has been appointed by the board since the last annual general meeting, as a director of the Company.

6. To appoint KPMG LLP as auditors of the Company.

7. To authorise the directors to determine the remuneration of the auditors.

8. 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:

8.1 comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £2,178,291 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 8.2 of this resolution) in connection with a rights issue:

8.1.1 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

8.1.2 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

8.2 otherwise than pursuant to paragraph 8.1 of this resolution, up to an aggregate nominal amount of £1,089,145 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 8.1 of this resolution in excess of £1,089,146),

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 27 September 2015 (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 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:

Notice of Annual General Meeting

continued

9. That, subject to the passing of resolution 8 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 8 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

9.1 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 8.1 of resolution 8, such power shall be limited to the allotment of equity securities in connection with a rights issue):

9.1.1 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

9.1.2 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

9.2 the allotment of equity securities pursuant to the authority granted by paragraph 8.2 of resolution 8 (otherwise than pursuant to paragraph 9.1 of this resolution) up to an aggregate nominal amount of £326,743, 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 27 September 2015 (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).

10. That, pursuant to section 701 of the 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:

10.1 the maximum aggregate number of Shares which may be purchased is 65,348,735;

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

10.3 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 27 September 2015 (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
Ian Jefferson
Secretary

19 May 2014

Registered office
The Biocentre
Innovation Way
Heslington
York YO10 5NY

Registered in England and Wales No. 5969271

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 6.00pm on 25 June 2014 (or, if the meeting is adjourned, 6.00pm 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 and 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 Asset Services PXS 1, 34 Beckenham Road, Beckenham BR3 4TU, no later than 10am on 25 June 2014 (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 10am on 25 June 2014 (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.

Notes
continued

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.

a. Copies of the service contracts of the executive directors.

b. 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 11 and 12 of the enclosed annual report and accounts.

Auditors – resolution 6

8. At the general meeting at which accounts are laid before shareholders, the Company is required to appoint auditors to hold office until the conclusion of the next such meeting. The Company has been notified by KPMG Audit Plc that, as part of a review of its structure, it has commenced a process of resigning as auditor from its clients and changing auditor appointments to its intermediate parent undertaking KPMG LLP. KPMG LLP will immediately be seeking appointment as statutory auditor. It is proposed that they are appointed auditors of the Company and will hold office from the conclusion of the next general meeting at which accounts are laid before the Company's shareholders.

As an auditor ceasing to hold office, KPMG Audit Plc has, in accordance with the Act, provided the Company with a statement confirming that it is ceasing to hold office as auditor of the Company.

Directors and Officers

Directors

John Samuel	(Chairman)
Antony Odell	(Chief Executive Officer)
Ian Jefferson	(Chief Financial Officer)
Alan Miller	(Non-Executive Director)
Alison Fielding	(Non-Executive Director)
Randeep Singh Grewal	(Non-Executive Director)
Steven Couldwell	(Non-Executive Director)

Company Secretary

Ian Jefferson

Company Website

www.tissueregenix.com

Company Number

5969271 (England & Wales)

Registered Office

The Biocentre
Innovation Way
Heslington
York
North Yorkshire YO10 5NY

Auditor

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds LS1 4DW

Nominated Adviser and Broker

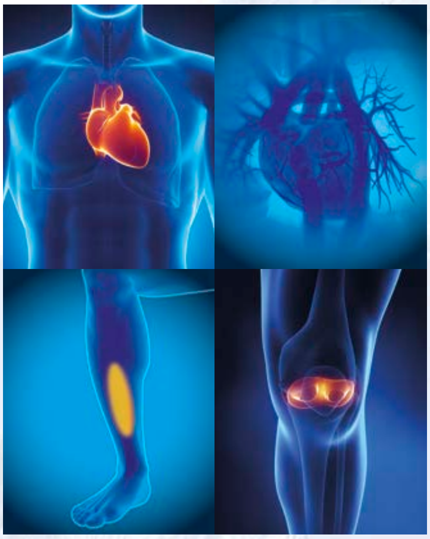
Jefferies International Ltd
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Registrar

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Legal Adviser

DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds LS1 4BY



Tissue Regenix Group plc

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