Tissue Regenix
Group plc

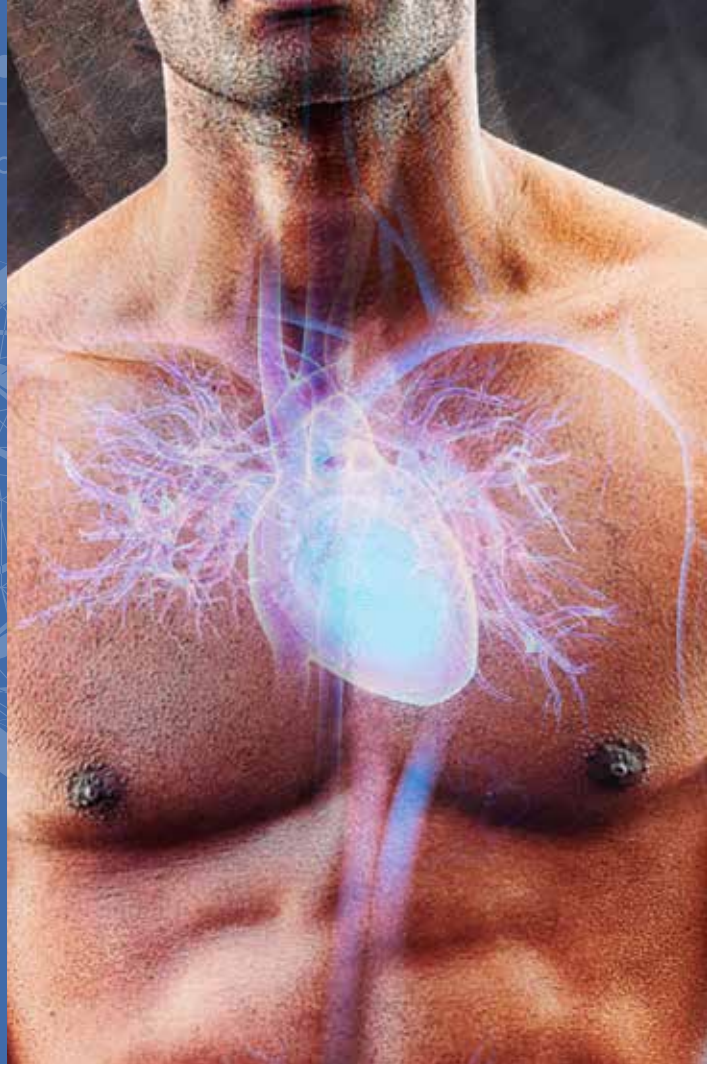
CARING
PROGRESSIVE
DYNAMIC

TISSUE REGENIX GROUP PLC
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Tissue Regenix Group plc

Who We Are

TISSUE REGENIX GROUP IS A PIONEERING, INTERNATIONAL MEDICAL TECHNOLOGY COMPANY, FOCUSING ON THE DEVELOPMENT OF REGENERATIVE PRODUCTS UTILISING OUR TWO PLATFORM TECHNOLOGIES, **DCELL®** TECHNOLOGY, ADDRESSING SOFT TISSUE NEEDS, AND CELLRIGHT'S **BIORINSE®**, PROVIDING INDUCTIVE BONE ALLOGRAFTS. WE ARE HELPING TO TRANSFORM THE TREATMENT OF PATIENTS IN FOUR KEY AREAS: BIOSURGERY, ORTHOPAEDICS (SPORTS MEDICINE/SPINE), DENTAL AND CARDIAC



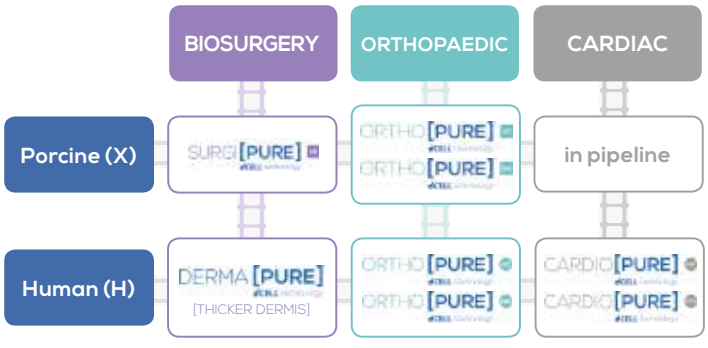
OUR VISION

To establish Tissue Regenix as a leader in the science and innovation of regenerative medicine and become clinicians' partner of choice to meet growing clinical needs, transform patient care and deliver favourable health economic outcomes.

OUR STRENGTHS

- Two complementary, proven regenerative medicine platforms addressing applications in both soft tissue and bone
- State-of-the-art in-house manufacturing capabilities in the UK, Europe and North America
- Multiple development and commercialisation opportunities
- Experienced and dedicated management and scientific teams.

dCELL® TISSUE STRATEGY



LEARN MORE ABOUT US

SCAN THE QR CODE TO LEARN MORE ABOUT OUR **dCELL TECHNOLOGY** IN THIS SHORT VIDEO

OR VISIT WWW.TISSUEREGENIX.COM/MEDIA/INNOVATIONS-IN-SOFT-TISSUE-REGENERATIVE-MEDICAL-TECHNOLOGY

SCAN THE QR CODE TO LEARN MORE ABOUT **CELLRIGHT TECHNOLOGIES** IN THIS SHORT VIDEO

OR VISIT WWW.TISSUEREGENIX.COM/MEDIA/HEALING-SKELETAL-DEFECTS-THROUGH-REGENERATIVE-MEDICINE

NAVIGATING THE REPORT

FOR FURTHER INFORMATION WITHIN THIS DOCUMENT AND RELEVANT PAGE NUMBERS

TICKER AIM: TRX
www.tissueregenix.com

"I AM VERY PLEASED WITH THE PROGRESS THE GROUP HAS MADE, DELIVERING AGAINST OUR STRATEGIC OBJECTIVES FOR THE YEAR...

FOR MORE INFORMATION SEE PAGE 02

Highlights

▷ GROUP SALES INCREASED TO £5,233K

- DermaPure® sales under TRX BioSurgery increased by 46% to £1,932K
- Increased sales from GBM-V to £1,135K
- Four months of CellRight contribution of £2,166K.

▷ GROUP LOSS FOR THE YEAR OF £9.4M

- Improvement from £9.9m (11 months to December 2016)
- Investment into research and development continues.

▷ COMPLETED ACQUISITION OF CELLRIGHT TECHNOLOGIES IN AUGUST 2017

- Successfully raised £40m gross of costs through an equity fundraising
- Provides complementary regenerative technology platform and world-class facility
- Operational integration on track, with initial synergies recognised.

▷ POST PERIOD HIGHLIGHTS

- Strategic distribution agreements with ARMS Medical for DermaPure®
- Long-term distribution agreement signed with Arthrex, Inc. for CellRights BioRinse portfolio.

Chairman's Statement

WE HAVE COMPLETED A TRANSFORMATIVE ACQUISITION, DELIVERED 46% GROWTH IN DERMAPURE® SALES AND EXPANDED THE CLINICAL APPLICATIONS OF OUR PRODUCTS TO ACCESS NEW HEALTHCARE PROFESSIONALS WHILST SUCCESSFULLY PROGRESSING INTEGRATION ACTIVITIES. WE NOW HAVE A MORE DIFFERENTIATED AND DIVERSE PRODUCT PORTFOLIO, ROBUST PIPELINE AND THE ROUTE TO MARKET FROM WHICH TO DRIVE SUSTAINABLE LONG-TERM GROWTH.

JOHN SAMUEL, EXECUTIVE CHAIRMAN

Our Business

The Group has performed well against our strategic milestones for the year. The acquisition of CellRight Technologies is a transformative opportunity for the Group, combining two innovative, regenerative platforms with large addressable markets and synergistic growth opportunities. With the appointment of Steve Couldwell as CEO, the Board is confident that it has the leadership in place to take the Company to the next stage and a comprehensive review of the development pipeline is ongoing. With our augmented, established product portfolio generating a growing level of sales, we have identified key development assets to focus our commercial resources behind, and we are confident that following final product validation and transfer of manufacturing in-house, the newly focused strategy will drive significant shareholder returns.

Financial Performance

Overall Group performance

The Group delivered revenues of £5,233K in the 12 months to 31 December 2017, a 263% increase when compared to the 11 month period to December 2016.

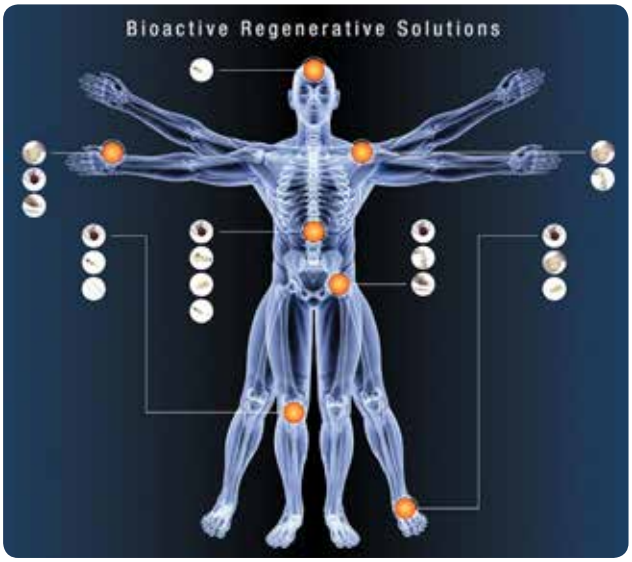
Organic DermaPure® sales grew 46% in the US to £1,932K, and the commercial traction of the European controlled joint venture continued with increased revenues to £1,135K.

Following the equity fundraising undertaken in August 2017, the Group has a robust cash position to fund the near term future of the enlarged Group and we maintain our expectation that the Group will be cash break-even during 2020.

Leadership

In November 2017, we announced the appointment of Steve Couldwell as CEO of the Group. Steve succeeds Antony Odell who stepped down in October 2017 after nine years leading the Group. We would like to thank Antony for his leadership during the Group's early years.

Steve has experience spanning over 25 years in the Medical Device space and a proven track record of delivering revenue and profit growth. He has had an extensive career including Smith & Nephew and more recently, Sanofi BioSurgery based in Boston, Massachusetts. Having held senior commercial positions in both the US and Europe, Steve has the necessary skill set to drive the next stages of the Group's commercial strategy required to deliver shareholder returns.



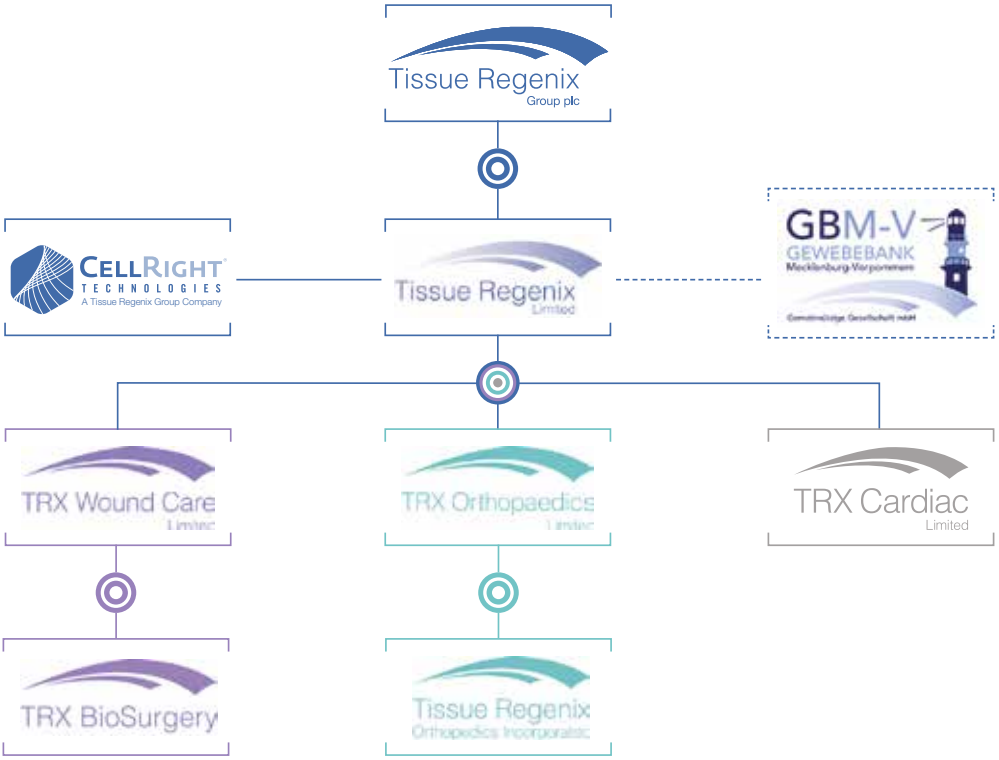
Following the resignation of Paul Devlin on 30 November, we have appointed an interim CFO and initiated a search for a permanent candidate.

Our People

The Board and I would like to extend our thanks to our employees and partners, especially throughout this year of significant change. With the integration of CellRight Technologies, we welcomed a new team in the US, led by CEO Jesus Hernandez, and the addition of their experience and the ongoing commitment of all our employees remain fundamental to our success.

FOR MORE INFORMATION ON OUR PERFORMANCE SEE PAGES 07 TO 18

Corporate Structure



CellRight Technologies
SAN ANTONIO, TEXAS

CellRight Technologies is based at a 13,650 sq ft FDA accredited facility in University City, San Antonio. Designed by CellRight CEO Jesus Hernandez in 2012, the state-of-the-art facility is now home to both CellRight Technologies and TRX BioSurgery (previously Tissue Regenix Wound Care Incorporated).

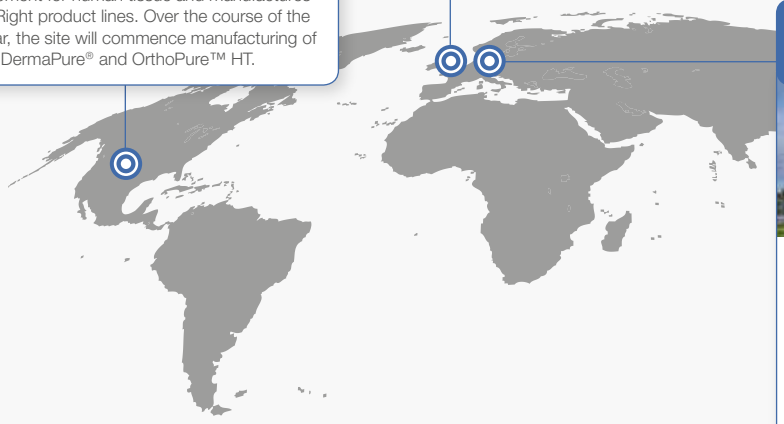
This facility acts as the global hub for research and development for human tissue and manufactures all CellRight product lines. Over the course of the next year, the site will commence manufacturing of DermaPure® and OrthoPure™ HT.

Tissue Regenix
LEEDS, UK

The Group's corporate headquarters sits within the Tissue Regenix UK base, situated in Leeds at a specially modified 18,000 sq ft facility.

Responsible for all porcine tissue manufacturing, this facility currently produces SurgiPure™ XD for export to the US, and also OrthoPure™ XT in preparation for the European launch following the CE mark approval anticipated later this year. With strong connections to the University of Leeds, this facility also acts as the research and development hub for future dCELL® applications.

The facility has submitted an approval application for a Human Tissue Authority licence allowing it to function as the European base for the import and distribution of CellRight's osteobiologics portfolio.



GBM-V ROSTOCK, GERMANY

Controlled joint venture GBM-V is based at a 135 sq ft facility in Rostock, Germany. Responsible for human tissue production within Europe, GBM-V is preparing for the introduction of the processing of allograft valves, CardioPure™, decellularized aortic and pulmonary allograft valves for the European market. GBM-V and CellRight are also working closely to facilitate the technology transfer of BioRinse® and dCELL® in the respective facilities to accommodate global processing opportunities.

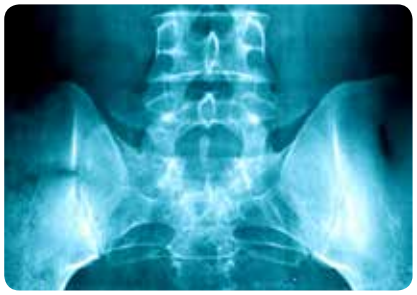
Who are CellRight Technologies?

CellRight Technologies
A Tissue Regenix Group Company

CELLRIGHT TECHNOLOGIES IS A NEWLY ACQUIRED SUBSIDIARY OF TISSUE REGENIX – A HIGH-GROWTH, PROFITABLE REGENERATIVE MEDICAL DEVICES BUSINESS WITH PROPRIETARY REGENERATIVE MEDICINE TECHNOLOGY, BIORINSE, THAT TRANSFORMS HUMAN BONE INTO A MOULDABLE MATRIX TO STIMULATE BONE GROWTH, WITH DISTINCTIVE CHARACTERISTICS WHEN COMPARED TO COMPETITOR PRODUCTS, MAINTAINING BONE MORPHOGENIC PROTEINS AND GROWTH FACTORS VERIFIED TO BE OSTEOINDUCTIVE.

14 Products Launched Since 2012

- Key markets addressed: spine, orthopaedics, dental and general surgery
- Established distribution and private label agreements
- State-of-the-art tissue processing facility accredited by the FDA and AATB, based in San Antonio, Texas.



Benefits of the Combination

- Two synergistic technology platforms
- Complementary products and commercial channels
- Potential to leverage product through new/existing major distribution channels
- Adds allograft processing capabilities in the US to existing xenograft and allograft processing in Europe
- In-house production capabilities reduce technology transfer times and overhead expenditure
- Increased market presence in the US, EU, Canada and UK. CellRight products are also currently available in the Middle East, South America and South Korea.

Integration Highlights

- Growth momentum of CellRight portfolio maintained
- DermaPure® manufacturing transfer on track
- Financial control & governance framework implemented
- One company customer service and back office established
- Initial cross-selling opportunities being realised.

Expanded Market Opportunities

Expands commercial presence in the US

Cross-selling and distribution synergies in the orthopaedic market

Estimated that 60% of the global orthopaedic market is derived from sales in the US†

$

$3.7BN

MARKET OPPORTUNITY

Boosts position in:

$2BN*

North America orthopaedic soft tissue market in 2015

New entry into:

$1.7BN†

North America bone graft and substitutes market in 2016

* www.grandviewresearch.com/press-release/global-orthopedic-soft-tissue-repair-market
** www.beckersspine.com/orthopedic-a-spine-device-a-implant-news/item/35889-medtronic-depuy-synthes-stryker-lead-north-american-bone-grafts-substitutes-market-7-observations.html
† Orthoworld Annual Report 2016

What is Regenerative Medicine?

REGENERATIVE MEDICINE IS AN INNOVATIVE AND EXPANDING FIELD, RESEARCHING THE POTENTIAL OF TISSUE ENGINEERING TO OFFER A NATURAL RECOVERY BY TRIGGERING A RESPONSE THROUGH THE BODY'S OWN CELLS, TO ENABLE THE NATURAL REGENERATION OF THE PATIENT'S OWN TISSUES.

With the demand for less invasive, longer lasting treatment modalities, regenerative medicine is an increasingly important approach as it removes the need for synthetic (plastic or metal) replacements, and reduces the risk of rejection, while offering the potential for less time-consuming and more cost-effective treatments.

Tissue Regenix patented dCELL® Technology and CellRight's proprietary BioRinse® technology address unmet and growing clinical needs in the regenerative medicine market, due to increasing demographic demands and health economic pressures.

The Health Benefits of Regenerative Medicine

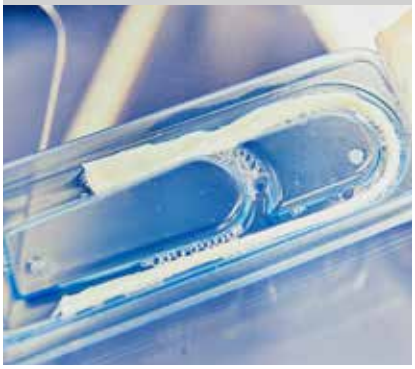
Regenerative medicine has been effective in multiple treatment areas, from skin and bone to even organ repair or replacement. Offering a solution with minimal risk of patient rejection, reducing the need for lifelong anticoagulation drugs and addressing the supply issue of suitable donated tissues, regenerative medicine has revolutionised the healthcare landscape.

With the potential for decellularized xenografts, soft tissue sourced from an animal different to the recipient, most commonly either porcine (pig) or bovine (cows), the need to source grafts either from donation following death, or in some situations from the patient themselves, can be completely removed in certain cases.

An example of this can be found in sports medicine. With an increasing percentage of the population living longer, the expectation to remain physically mobile and pain free has increased. Currently, the gold standard treatment for knee ligament repair is to extract a portion of the patient's own hamstring, permanently reducing the strength of the muscle and leaving the patient with two surgical sites to rehabilitate. Products such as Tissue Regenix OrthoPure™ XT, a decellularised porcine tendon, remove the need to harvest the patient's hamstring providing the surgeon with a room temperature, stable, off-the-shelf alternative proven to offer equivalent tensile strength, and due to the reduction of surgical sites, a simplified rehabilitation programme.

TOTAL MARKET VALUE OF

$6.5BN



What About Health Economics?

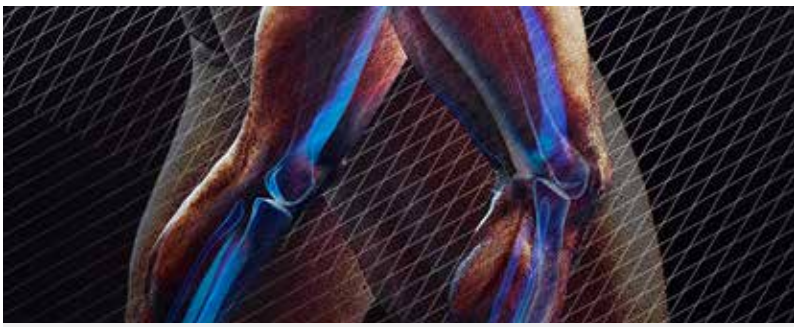
With the increasing demand on both private payor and nationalised health care services, health economics is central to all procurement decisions especially when related to new technologies and surgical techniques.

Adoption of new technologies will be dependent on delivering better patient outcomes while lowering the total treatment cost. Both of our platform technologies offer these benefits.

Complementary Platform Technologies

dCELL®

CellRight® TECHNOLOGIES
A Tissue Regenix Group Company



dCELL® Technology

dCELL® technology offers a unique approach to regenerative medicine. The dCELL® process is gentle, efficient, effective – and powerful. It can be applied to both donated human tissues (allografts), or animal tissues (xenografts). It results in allograft and xenograft tissue matrices that retain the tissues' native structure to allow repopulation and regeneration of the patient's own tissue.

The dCELL® process removes DNA and cellular material from biological tissues, through a series of gentle washes, leaving an intact acellular matrix upon which the patient's cells can populate and regenerate, creating new, native tissue, which is recognised and accepted by the body, significantly reducing the risk of rejection. dCELL® technology provides an enhanced healing environment, in terms of both natural, tissue-specific physical structure and bio-mechanical properties.

Tissue treated with dCELL® technology gives the patient a receptive scaffold that supports cell migration following implantation, while maintaining appropriate tissue strength. Once repopulation is complete, the regenerated tissue is effectively a natural part of the patient's own body. The potential applications of dCELL® are diverse and currently Tissue Regenix is focusing on addressing complex and unmet needs in three core clinical areas: Orthopaedics, BioSurgery and Cardiac.

BioRinse Technology

CellRight's proprietary Technology, BioRinse, offers a novel regenerative solution creating verified osteoinductive scaffolds for the treatment of bone defects caused by trauma or disease.

The BioRinse process transforms donated human bone into a mouldable matrix that preserves natural bone growth factors: Bone Morphogenic Proteins ("**BMPs**") and Growth Factors ("**GFs**"), needed to regenerate healthy bone post implantation. It has the ability to deliver malleable bone collagen scaffolds in different physical forms to meet various clinical requirements.

The bone matrices and putties that CellRight has developed have distinctive active characteristics verifying them to be osteoinductive and, moreover, due to the BioRinse process, key CellRight products contain 100% allograft bone, which has been clinically proven to produce a better clinical outcome.

2 Innovative technology platforms

4 KEY CLINICAL FOCUS AREAS:

TRX BioSurgery*

VALUED AT

$1.29BN

US Wound Biologics Market 2018 forecast

Orthopaedics**

VALUED AT

$1.7BN

Spine accounts for 18% of the market, orthobiologics 10%

Dental†

OFFERING A

$400m

MARKET OPPORTUNITY

in soft tissue and bone

Cardiac††

Potential to be game changing technology in

$3.1m

HEART VALVE MARKET

* US Wound Biologics Market BioMedGPS, LLC. www.smarttrak.net

** www.beckersspine.com/orthopedic-a-spine-device-a-implant-news/item/35889-medtronic-depuy-synthes-stryker-lead-north-american-bone-grafts-substitutes-market-7-observations.html

† IDATA and Straumann annual report

†† globenewswire.com/news-release/2017/05/05/979425/0/en/Global-Prosthetic-Heart-Valve-Market-will-reach-USD-5-302-1-Million-in-2021-Zion-Market-Research.html

CEO Operational Review

2017 WAS A TRANSFORMATIONAL YEAR FOR THE TISSUE REGENIX GROUP.THE ACQUISITION OF CELLRIGHT TECHNOLOGIES AND SUCCESSFUL EQUITY FUNDRAISE AUGMENTS OUR COMMERCIAL OPPORTUNITY, FINANCIAL POSITION AND DISTRIBUTION OUTREACH OF THE GROUP; COMBINING TWO COMPLEMENTARY PLATFORM TECHNOLOGIES ACROSS KEY CLINICAL MARKETS IN AN EXPANDING NUMBER OF TERRITORIES.

STEVEN COULDWELL, CHIEF EXECUTIVE OFFICER

Growth in our dCELL® Technology product portfolio was underpinned by a 46% increase in DermaPure® sales. With its first full year of sales, controlled joint venture GBM-V increased revenue by 8 fold to £1.1m. The contribution of CellRight Technologies acquired on 9 August 2017, included in the year end figure means we have increased overall Group revenue to over £5m.

Alongside the acquisition of CellRight Technologies we have commenced a review of the enlarged Group's product pipeline and opportunities to establish the best strategy to drive the Group forward.

BUSINESS DEVELOPMENTS AND PRODUCT PIPELINES

dCELL® Technology

TRX BioSurgery

(previous Tissue Regenix Wound Care, Inc)

DermaPure® has proven successful in a number of clinical applications outside of the traditional advanced wound care settings. With adoption by the acute surgical and wound reconstruction markets, due to its impressive clinical outcomes with a single application, DermaPure® has seen significant uptake in the orthopaedic trauma and urogynaecology arenas where treatment innovation has been in high demand.

Having identified an opportunity in this market, we have signed an exclusive distributor agreement with ARMS Medical, a specialist urogynaecology distributor in the United States to maximise this opportunity, leveraging their strong relationships with KOLs and surgeons. The partnership allows our direct sales force to remain focussed on the in-patient woundcare, plastics, orthopaedics and general surgery sales channels.

Alongside this, the addition of CellRight's advanced wound care products give the Group a wide product portfolio in this field, offering physicians access to DermaPure®, a room temperature stable, decellularized single application allograft, Matrix IQ, a frozen or freeze dried decellularised allograft, and AmnioWorks, derived from amniotic tissue.

Following the end of the period, Tissue Regenix Wound Care Inc. was rebranded as TRX BioSurgery.

FOR MORE INFORMATION ON OUR BIOSURGERY DIVISION SEE PAGE 12

CEO Operational Review
CONTINUED

dCELL® Orthopaedics

Changes to Medical Device Regulations have extended the timeline to receive CE mark approval for OrthoPure™ XT (xenograft tendon) within the EU. However, this has resulted in the opportunity to submit an extension to this application to include other ligament indications accelerating the broadening of the commercial opportunity. Subject to approval, this would allow OrthoPure™ XT to be utilised not only in primary and revision ACL reconstruction, but also procedures in small ligaments in the knee, expanding utilisation and broadening our label claims. We have commenced pre-launch activities and have engaged European distributors in selective key markets to facilitate a timely roll-out once country registrations have been received.

The OrthoPure™ XT clinical data collected at one year showed the implant to be comparable, and in some indications preferable, to the current gold standard treatment, an autograft harvested from the hamstring, and without the additional rehabilitation of an autograft procedure.

This clinical data has also been used to validate the potential for a pre-clinical trial in the US. As reported previously, we have been in discussions with the FDA and it is expected that this pre-clinical work will commence during 2018 with the support of our Orthopaedic Clinical Advisory Board.

The technology transfer for the production of OrthoPure™ HT (allograft ligament), at the CellRight facility continues according to plan and we expect the first product to be available in H2 2018. As this is a human tissue derived application, it can be approved under the HCT/P pathway for minimally manipulated tissue thus expediting the time to market. This would serve as a pathfinder validating the dCELL® Technology within the US Orthopaedic market.

FOR MORE ON OUR ORTHOPAEDIC DIVISION SEE PAGE 14

Cardiac and GBM-V

The regulatory submission for CardioPure™ dCELL® allograft pulmonary and aortic heart valves continues to progress through the German regulatory authorities. The clinical data generated by Dr Francisco da Costa, our clinician partner in Brazil, continues to demonstrate the clinical relevance and advantages of these transplants even after more than 10 years of follow-up. Subject to the regulatory process we anticipate that approval will be received for launch during 2019.

In addition to the preparation and commercialisation of CardioPure™, the controlled joint venture in Germany has captured a 12%[1] market share in its first year of operations with processed corneas. We expect to release further cryo-preserved tissues throughout the year.

FOR MORE ON OUR CARDIAC DIVISION AND GBM-V SEE PAGES 16-17

Orthopaedics and Dental – CellRight Technologies

CellRight Technologies officially became a part of the Tissue Regenix Group in August 2017.

Based around a proprietary processing technology 'BioRinse®', CellRight produces a portfolio of inductive, verified bone matrices in different physical forms to address clinical indications in the orthopaedic, spine, dental and general surgery procedures.

BioRinse® offers a complementary platform Technology to dCELL®, allowing the Group to address regenerative solutions for both soft tissue and bone.

DentalFix®, a portfolio of traditional as well as innovative dental biologics validated as being osteoinductive, was launched. The dental market is an area in which we see a significant opportunity for the Group with both dCELL® and BioRinse® products, and currently comprises around 20% of CellRight sales.

CellRight has reached several milestones since the completion of the acquisition. In October they commenced the production of AmnioWorks®, an advanced wound care product derived from human amniotic membrane. Alongside this, additional sizes of their frozen and freeze dried wound care product Matrix IQ were released to address larger surgical site procedures.

With no direct sales force, CellRight based their business model around establishing strategic partnerships for distribution of both their white label (OEM) as well as branded products. These partnerships have continued to gain traction and we expect to see further partnerships develop in the coming year.

CellRight delivered on their revenue expectations during 2017 and we continue to see increasing commercial traction and momentum. We expect to report positive advances with the CellRight portfolio during 2018.

FOR MORE ON CELLRIGHT SEE PAGE 15

Integration

The integration process has continued to progress according to plan and we expect the initial commercial and financial synergies to materialise in H1 2018.

The technology transfer for DermaPure® production has been initiated. The completion of residual DNA testing returned positive results, demonstrating over 99% removal of DNA from the tissue. We expect that this process will complete ahead of schedule with our first CellRight-processed DermaPure® becoming available during H1 2018. Having our own in-house source of DermaPure® manufactured in the US, for the US market, will support supply from our relationship with CTS, removing the risk of single sourcing and ensuring that our product inventory can align with customer demand.

In October, the Tissue Regenix Wound Care office, also based in San Antonio, TX, moved into the CellRight facility, allowing all US operations to be centralised in one location. A shared services infrastructure has been implemented and the advantages of a cross-selling distribution and partnership network are beginning to be realised.

[1] TRG estimate.

Post Period Developments

Following the reported period, the Group reached a number of regulatory and commercial milestones which will play an important part in the strategy and commercial success of the Group moving forward.

Fundamental to this was the announcement of a long-term, multi-year distribution agreement with Arthrex, Inc. for CellRight's osteobiologic products. Arthrex is one of the world's leading sports medicine businesses and a premier innovator of orthopaedic surgical solutions. This is the first agreement of this nature to be signed since completing the acquisition and paves the way for the Group to pursue relationships with other strategic partners.

In order to expedite a route to market in Europe for the CellRight products Tissue Regenix applied for a Human Tissue Authority licence and we expect this to be granted imminently, allowing for the import of CellRight's osteobiologics to the manufacturing facility in Leeds for direct distribution. It is expected that the first sales under this approval will commence in H2 2018.

Further to this, initial manufacturing for commercial distribution of SurgiPure™ XD has begun at the Leeds facility for export to the US where it is approved under the 510(k) market clearance pathway. We are in discussions with potential partners to determine the optimal route to market.

Outlook

The Group has reached a significant inflection point in terms of its development as a commercial entity. Having successfully completed the acquisition and integration of CellRight Technologies we now have two complementary and highly valuable regenerative technology platforms and a comprehensive product portfolio. Looking forward, we have a diverse distribution network, a strengthened commercial management team and significant opportunities to increase our commercial footprint both in the US, and international markets.

The Group is well positioned for future growth with a clearly defined strategy, strong leadership and a robust product portfolio and pipeline. The CellRight acquisition allows for acceleration of our route to market specifically for the dCELL® business, and offers an enhanced product portfolio, which strengthens our ability to increase our market adoption and penetration. This was demonstrated during Q1 2018 where we announced strategic distribution agreements with ARMS Medical, a specialist urogynaecology distributor for DermaPure®, and Arthrex, Inc. a world leader in orthopaedic sports medicine.

We are grateful for the continued support of our shareholders throughout the year. Their commitment enables us to continue to advance the strategic vision of the Group which we are confident will create significant value as we accelerate the commercialisation of our product portfolio.

Sales in both CellRight and BioSurgery have had a strong start to the year, including shipments under two significant distributor agreements. With the recent launch of the CellRight DentalFix portfolio and AmnioWorks product, the approval of the OrthoPure™ XT CE mark and additional BioSurgery product line extensions expected to come on stream throughout the year, 2018 is set to be a year of significant newsflow, increasing commercial traction and revenue growth.

Trading for 2018 remains in line with Board expectations.

Our Strategy

TISSUE REGENIX GROUP HAS ESTABLISHED A GROWING PORTFOLIO OF REGENERATIVE MEDICAL PRODUCTS TO ADDRESS CRITICAL AND GROWING CLINICAL NEEDS, TRANSFORMING PATIENT CARE AND PROVIDING FAVOURABLE HEALTH ECONOMIC OUTCOMES.

We aim to expand the adoption of our dCELL® and BioRinse Technologies and become a partner of choice for both clinicians and strategic partners. Our commercial model employs both a direct and indirect sales approach, aiming to optimize the adoption of our technology and driving additional revenues more rapidly.

The foundation of our strategy is built upon our two Regenerative Technologies:

- **dCELL® Technology – addressing multiple high need clinical areas in soft tissue regeneration**
- **BioRinse Technology – a verified osteoinductive allograft bone processing technology.**

FOR MORE INFORMATION ON OUR TECHNOLOGIES SEE PAGE 06

Our Strategic Focus is:

1 COMMERCIAL EXECUTION

- Direct sales force to deliver our differentiated scientific message to decision makers
- Build scale via Regional and National Distributor partners
- Accelerate coverage and reimbursement via IDN/GPO agreements.

2 STRATEGIC PARTNERSHIPS

- Build long-term scientific and commercial collaborations with industry leaders to drive accelerated adoption of our technologies
- Target potential partners in our 4 Strategic Focus areas: BioSurgery, Orthopaedics, Dental and Cardiac.

3 CLINICAL EVIDENCE

- Leverage Real World clinical outcomes data, our respected key opinion leaders, and compelling Health Economic rationale across our chosen surgical specialties.

4 GEOGRAPHIC EXPANSION

- Drive sales revenue in identified territories outside of US
- Leverage Human Tissue Authority approval to build volume of Human Tissue Portfolio in Europe
- Establish DermaPure® distribution opportunities outside USA.

5 PORTFOLIO DEVELOPMENT

- Focused investment behind priority development projects with clear commercial pathways.

Strategic Objectives

The Group's strategic objectives are targeted to meet its vision of becoming a Global leader in regenerative medicine, addressing critical and growing clinical needs, transforming patient care and providing favourable health economic outcomes, in order to build a business capable of generating attractive long term results for investors.

FOR MORE INFORMATION ON OUR RISKS SEE PAGE 19

	Objective	Measurement	Risk	Mitigation
COMMERCIAL	**EU launch of OrthoPure™ XT**	○ Launch scheduled for H2 2018 ○ Agent/Distributor agreements signed ○ Training completed.	○ Delay in Regulatory approval timeline ○ Potential for change in the clinical data required for approval.	○ Extension to application for revision/small ligaments submitted.
	Human Tissue Authority Licence Gaining of HTA licence allowing for the importation of CRT portfolio into UK	○ Approval of licence anticipated to be in H1 2018 ○ Conduct trial run to ensure smooth importation, transportation and storage ○ Commence commercial importation for distribution to partners.	○ Delay in approval timeline ○ Sourcing of tissue.	○ Submission has been made to Authority ○ Internal audit completed to ensure compliance and necessary infrastructure is in place.
INTEGRATION	**CellRight Integration into the Tissue Regenix Group**	○ Implementation of shared services and back office functions ○ Standardized operational reporting.	○ Delay in IT systems/ financial reporting.	○ Migration onto one financial system allows greater financial visibility and control ○ Physical integration of companies' offices provides operational efficiencies.
	DermaPure® Manufacture in CellRight facility	○ Build inventory levels to ensure demand is met ○ Begin processing of larger sizes to address additional clinical areas.	○ Sourcing of Tissue ○ Capacity of CRT facility.	○ Completion of validation batches ○ Additional donor sourcing identified ○ Additional shift patterns identified.
DEVELOPMENT	**Global portfolio review** Driving investment to maximise financial ROI and resources	○ Financial and commercial review of existing portfolio ongoing ○ Implementation of new 'stage & gate' onboarding review.		○ Regular review of assumptions allowing for course correction ○ Monitoring of market landscape to ensure development meets market demands and opportunities identified.
CORPORATE	Build collaborative partnerships with strategic multinational organisations	○ Announcement of strategic distribution agreements ○ Potential partnerships identified within each key market area ○ Ongoing analysis and identification of Tissue Regenix value drivers for a partner portfolio.	○ Inability to supply increased demand ○ Reliance on single partner.	○ Early identification of capacity and inventory planning ○ Multiple alternative partners identified in each specialty.
	Investor Relations programme and communication	○ Frequent, scheduled updates provided to all Stakeholders ○ Timely and relevant analyst notes issued .		

OPERATIONS REPORT SECTION

The Group is organised into three divisions for internal management, reporting and decision-making – TRX Biosurgery, Orthopaedics & Dental, and Cardiac. CellRight is included within Orthopaedics & Dental. GBM-V, the 50% controlled joint venture with GTM-V, operates non-core activities to offset the costs of facilities which were established to process dCELL® products in Germany. Its results are consolidated, as the Group has a controlling interest. The following sections report an overview of each division in more detail.

Tissue Regenix Group plc

DIVISIONAL OVERVIEW
TRX BioSurgery

(formerly Tissue Regenix Wound Care, Inc.)

DERMAPURE® SALES INCREASED BY 30%, WITH AN EXPANSION OF CLINICAL USES AND ADDITIONAL PRODUCT SIZES. PROGRESSING FROM TRADITIONAL WOUND CARE CLINICAL SETTINGS TO SURGICAL APPLICATIONS IS A NATURAL EVOLUTION FOR DERMAPURE®.

JOEL PICKERING, PRESIDENT, TRX BIOSURGERY

Financial Performance

TRX BioSurgery reported revenues of £1,932K for the 12-month period (11 month period to December 2016: £1,322K), an increase of 46%.

Gross margin for the 12 month period was 53%, in line with prior year (11 month period to December 2016: 50%), and reflects the continued programme of providing evaluation units and improving market penetration. Gross margins are stated after deducting cost of external commissions (previously expensed as administration expenses) in order to provide a clearer view of costs directly associated with generating revenue. External commissions paid in the year were £588K (11 months to December 2016: £376K).

Clinical uses of the product expanded throughout the year, with the move to a more in-patient focus, addressing the surgical, wound reconstruction and orthopaedic trauma application areas. In order to address these new clinical uses, sales and marketing costs of £64K were incurred in the period (11 month period to December 2016: £79K), which are expected to yield revenue benefits in FY18.

Business Review

2017 was another successful year for DermaPure® as we continue to establish momentum and sales traction. The GPO agreements with Premier and Vizient have now been in place for a full year and allowed us to access a new quota of hospitals. During 2017, over 30 DermaPure® evaluations were undertaken, and over another 25 initiated due to complete during 2018. Our clinical affairs team continue to identify and monitor relevant case studies with 13 in-patient cases followed highlighting DermaPure®'s positive clinical outcome for replacing tissue and in providing structural support.

Throughout the year, the uses of DermaPure® expanded into new clinical areas with particular focus on urological and gynaecological applications. This was in part led by the need for innovation in this area, with the increasing scrutiny and reluctance to use mesh based products to treat cases of pelvic organ prolapse. DermaPure® has proven to be an optimal treatment solution in these cases.

Our sales teams continue to convert large integrated delivery networks (IDN) and larger hospital accounts, with significant approvals from the Memorial Hermann and Cleveland Clinic Health System. Moving forward, with the acceptance of DermaPure® in surgical and trauma cases, we will focus on targeting large volume accounts driving advocacy for DermaPure®'s use in a broader range of clinical settings.

To expand the opportunity, we signed an exclusive distributor agreement with ARMS Medical, a specialist urogynaecology distributor. The agreement provides rights to distribute DermaPure® to hospitals and surgeons throughout the United States for use in urology and gynaecology procedures from February 2018. Our partnership with ARMS Medical allows us to leverage their strong relationships with Key Opinion Leaders in the urogynaecology space, allowing us to further penetrate this market segment without losing any of our commercial traction and focus in other target market segments.

Outlook and Business Developments

We view 2018 as a significant year for TRX BioSurgery.

In February 2018, Tissue Regenix Wound care, Inc. began trading under the name TRX BioSurgery, addressing the progression of the division from a pure wound care focus.

We continue to pursue our hybrid sales model, utilising both direct reps and distributors thereby allowing us to maintain our focus in the original wound care settings, while also driving awareness and education in new clinical areas of Orthopaedic Trauma, Plastics and General Surgery.

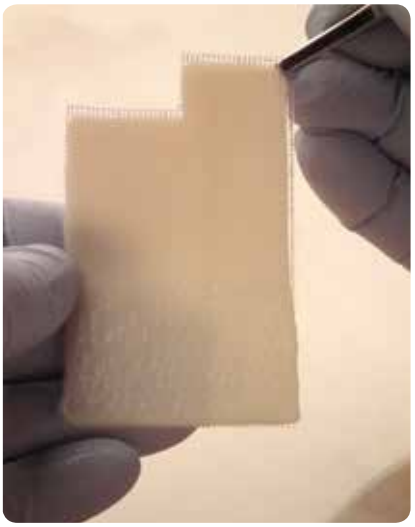
DermaPure® continues to offer a cost-effective solution to healthcare providers and with the insourcing of manufacturing at the CellRight facility, we intend to launch additional line extensions to address these new surgical application areas.

We have also expanded our clinical affairs teams to augment our sales reps and strengthen our clinical argument and engagement. With the growing importance of real world clinical data, we will commence a prospective observational study at four centres situated around the US to enhance our health economic argument.

The US national account team and the field sales force continue to leverage our 'Innovative Technology' awards with the Premier and Vizient Group Purchasing Organisations, provide coverage for approximately 75% of patient beds in the US, and focus on driving usage with ongoing contract negotiations and evaluations. Securing these partnerships will have a positive influence on contracting decisions as well as driving awareness.

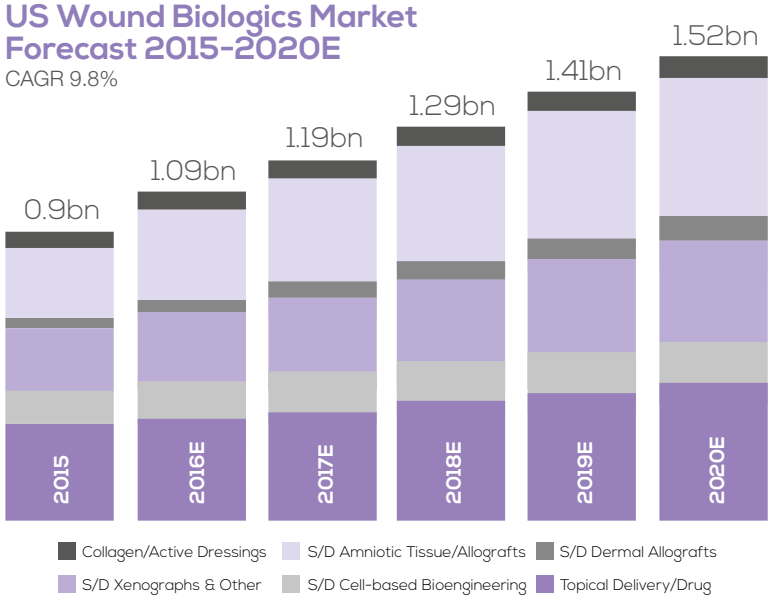
SurgiPure™ XD, a decellularized porcine dermis for use in hernia repair, has entered at the Tissue Regenix facility in the UK. Approved under the 510(k) market clearance route, we will continue to seek out relevant partnerships for the commercialization of this product.

With growing clinical advocacy throughout the hospital groups, we expect positive uptake of our products to continue, and with a bolstered product portfolio and partnership opportunities, we expect to report many positive inflection points throughout 2018.



US Wound Biologics Market Forecast 2015-2020E

CAGR 9.8%



Tissue Regenix Group plc

DIVISIONAL OVERVIEW
Orthopaedics and Dental

DURING 2017 WE MADE SIGNIFICANT PROGRESS WITH BOTH REGULATORY AND OUR 'GO TO MARKET' PLANNING FOR OUR DCELL® ORTHOPAEDIC APPLICATIONS. THE ADDITION OF THE MANY CELLRIGHT TECHNOLOGY PRODUCTS OFFERS BROAD EXPANSION INTO NEW MARKET AREAS WITHIN THE ORTHOPAEDIC, SPINE AND SPORTS MEDICINE MARKETS.

DREW DISTIN, PRESIDENT, TRX ORTHOPAEDICS

Financial Overview

Investment continued in the period with development costs of £894K (11 months to December 2016: £1,221K). Marketing costs have also been incurred in advance of the OrthoPure™ XT EU launch currently, expected to be launched during 2018 subject to CE mark approval. With ongoing business development in the US, initial costs around a FDA approved pre-clinical trial for OrthoPure™ XT have been incurred. We expect to see the first revenues from our orthopaedic dCELL® products during FY18.

Business Review

OrthoPure™ XT, to address primary and revision ACL reconstruction, continues to progress through the regulatory body for CE mark approval. With positive clinical data being reported at 1 year we have developed additional indications to also encompass extra-articular knee reconstruction procedures. Pre-launch marketing activities continue and we expect that we will receive approval and begin commercialization during 2018. Initially we will target 4 key European countries where we have developed distributor relationships and where we believe market demand and clinical uptake will be achieved.

This data has also been used to validate the application made to the FDA to commence a pilot trial in the US. With the support of our clinical advisory board, we have appointed approved centres to take part in this study and our aim is to commence and enrol all patients by the end of 2018.

The pilot trial is the initial step needed to apply for a pivotal study which in turn would facilitate a Pre-Market Approval application for US market clearance. We are currently investigating potential go to market strategies for this opportunity to allow the buildout of a long-term strategy around our presence in the US Orthopaedic market.

In tandem with this, the technology transfer to produce OrthoPure™ HT, a decellularized human tendon at the CellRight facility has commenced. This will allow us to build clinical advocacy around dCELL® applications whilst the clinical trial for OrthoPure™ XT is undertaken.

Throughout the year we also worked closely with our BioSurgery division to introduce DermaPure® into the orthopaedic soft tissue market where it could be used as a suitable option for tendon reinforcement, rotator cuff repair, and other surgical procedures.

Outlook and Business Developments

We took significant steps in the commercialization of our dCELL® portfolio throughout 2017.

We are poised to commercialize OrthoPure™ XT in the EU market, subject to regulatory approval, and commence the processing of OrthoPure™ HT for the North American market.

Combining dCELL® (soft tissue) and BioRinse (Bone) technologies, our new portfolio allows us to be of greater interest to clinicians and potential strategic partners. During this year, we will attend a number of prestigious conferences as an enlarged company, including the American Academy of Orthopaedic Surgeons, the European Society of Sports Traumatology, knee surgery and Arthroscopy, and the North American Spine Society.

Our aim throughout 2018 is to drive clinical advocacy of the dCELL® and BioRinse applications and, working with our CellRight and BioSurgery colleagues, increase awareness of the versatility of our augmented product portfolio in various orthopaedic procedures.

DIVISIONAL OVERVIEW
CellRight Technologies

SINCE JOINING THE TISSUE REGENIX GROUP IN AUGUST 2017, WE HAVE MADE SIGNIFICANT PROGRESS AGAINST OUR COMMERCIAL MILESTONES, AND DELIVERED AGAINST OUR REVENUE EXPECTATION FOR THE PERIOD. THE INTEGRATION PROCESS HAS PROCEEDED WITH THE TRANSFER OF TECHNOLOGY COMMENCING AHEAD OF SCHEDULE, AND AN EXPANDED INFRASTRUCTURE IMPLEMENTED.

JESUS HERNANDEZ, CEO, CELLRIGHT TECHNOLOGIES

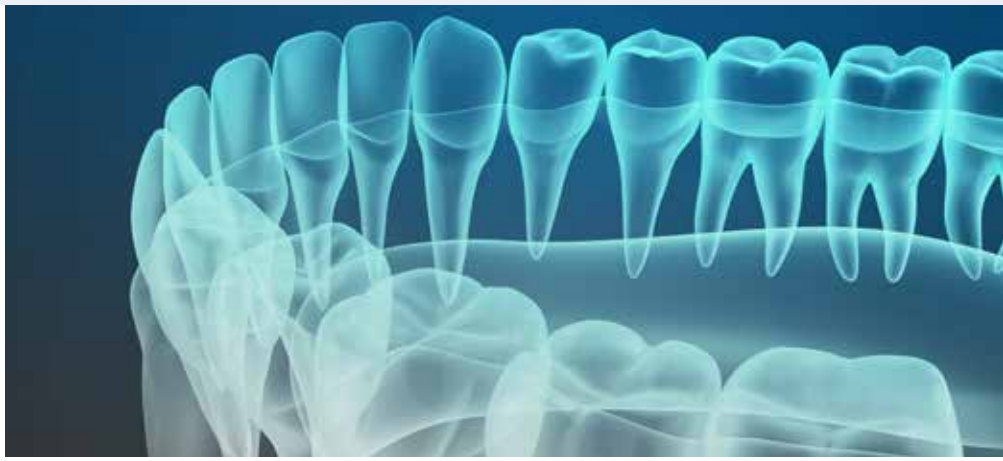
Financial Overview

In the period since acquisition, CellRight has contributed £2.2m to Group revenues and £277K profit to the overall Group operating loss.

Business Review

We initiated the integration with Tissue Regenix in August 2017 and looked at ways to quickly maximise our combined experience and facilities. The Tissue Regenix US office-based workforce moved into the CellRight facility to allow collaborative working and culture. The initial steps for the technology transfer of DermaPure® commenced, which will allow the Group to have an important second source supplier as demand increases, and we began to review the processing needs for the production of OrthoPure™ HT. Important business infrastructures were implemented to ensure compliance and standardisation across all functions including finance, human resources and marketing approval processes.

Historically, we have commercialised our products through a network of distributors and white label (OEM) agreements. This continued during 2017 as we signed our first distribution agreement for our Amnion product, targeting applications in orthopaedics and ophthalmology. However, we can now also directly access the physicians' offices under the Tissue Regenix direct sales reps, providing them an augmented product offering, expanding our distribution through independent and direct to customer channels. Alongside this, we signed agreements to be an OEM provider for 2 additional orthopaedic partners and added 2 dental partners.



Throughout the year we bolstered our product portfolio with the addition of DentalFix, a portfolio of regenerative products for specific use in periodontal procedures, larger sizes of Matrix IQ, our human dermis for reconstructive procedures, and AmnioWorks, an amniotic membrane with indications in orthopaedics and opthalmology.

In order to provide clinical advocacy and thought leadership we appointed a Board of Scientific Advisers who will provide relevant case studies offering real world clinical data and advising on future product developments. With the addition of Jeffrey Wood, MD as an adviser for spinal surgery, and Amir Hosseini, DDS as an adviser for dental surgery, we have the advantage of a well-rounded, experienced group of surgeons who will work closely with ourselves and the dCELL® Orthopaedic Clinical Advisory Board.

Outlook and Business Developments

In March 2018 we announced a distribution agreement with Arthrex, Inc. a premier innovator of orthopaedic surgical solutions. This multi-year agreement will provide physician access to the BioRinse portfolio through the expanded Arthrex network. This is a pivotal agreement for CellRight and the wider Tissue Regenix Group, signifying the first major strategic partnership for the Company. In order to facilitate this contract, work was undertaken to ensure inventory would be available and other revenue streams not under served.

The advantages of the synergies and opportunities provided by the acquisition are still being recognised. With the dCELL® Technology transfer tracking ahead of schedule we expect that we will be in a position to complete the validation worked needed for DermaPure® processing in H1 2018.

The application for a Human Tissue Authority licence for the UK facility based in Leeds would greatly expand the ability for the distribution of our BioRinse portfolio throughout the UK and the wider EU. We continue to establish the potential for cross-selling products and leveraging commercial partnerships, maximising the value of the combined product portfolios, and expect that we will develop further opportunities for collaborative development and market access throughout the year.

Tissue Regenix Group plc

DIVISIONAL OVERVIEW
Cardiac

WE CONTINUE TO GATHER CLINICAL DATA WHICH CLEARLY DEMONSTRATES THE EFFICACY AND PERFORMANCE OF CARDIOPURE™ HEART VALVES. WORKING CLOSELY WITH OUR RESEARCH PARTNERS IN BRAZIL, AND THE REGULATORY AND PROCESSING EXPERIENCE OF THE CONTROLLED JOINT VENTURE GBM-V, WE REMAIN CONFIDENT THAT WE WILL RECEIVE A MANUFACTURING LICENCE APPROVAL DURING 2018.

ANDREA RAUSCH, COMMERCIAL DIRECTOR, TISSUE REGENIX CARDIAC LIMITED

Financial Performance

Income relates to the licensing fees of £89.3K derived from the grant of the initial CardioPure™ licence in the EU. We are preparing for the market launch of CardioPure™. Subject to regulatory approval, we expect sales for this division to commence during FY19.

Business Review

Throughout the period we continued to globally promote the compelling clinical argument for CardioPure™, validated by ongoing accumulation of positive clinical results. As such, our clinical colleague Dr Fransisco da Costa presented his findings at prestigious conferences including the Heart Valve Society Meeting, the 25th Annual Meeting of the Asian Society for Cardiovascular and Thoracic Surgery and the 31st Annual Meeting of the European Association of Cardiothoracic Surgery, as well as publishing articles in two major peer reviewed cardiac journals. His impressive clinical results also play a significant role in the EU regulatory application process currently ongoing.

Outlook and Future Business Developments

We expect that the German regulatory submission for CardioPure™ pulmonary and aortic valves will complete allowing for commercial activity to commence during 2019. We will also continue to strengthen our clinical evidence by expanding into a multicentre paediatric follow-up study in Brazil and expect further publication of CardioPure™ pulmonary follow-up data and subanalysis in major peer reviewed US and EU journals.

With the search for an ideal pericardial valve ongoing, there is huge interest from particularly paediatric cardiac surgeons in this potential business development. This patch could also be used as a springboard for developing biological surgical, transcatheter and sutureless heart valves.

DIVISIONAL OVERVIEW
GBM-V

CONTROLLED JOINT VENTURE GBM-V CONTINUES TO MAKE SIGNIFICANT PROGRESS BOTH IN TERMS OF ITS COMMERCIAL FOOTPRINT AND R&D ACTIVITY. WORKING CLOSELY WITH OUR NEW TEAM AT CELLRIGHT TECHNOLOGIES, AND OUR RESEARCH PARTNERS AROUND THE WORLD, WE ARE UNIQUELY POSITIONED TO BRING TO MARKET A PORTFOLIO OF HUMAN TISSUE DERIVED CRYO-PRESERVED AND DECELLULARIZED APPLICATIONS.

GBM-V GEWEBEBANK Mecklenburg-Vorpommern Gemeinnützige Gesellschaft mbH

Financial Summary

Reported sales of £1,135K derived from the commercialisation of processed corneas. Continued Group investment of £247K in FY2017 relates to the EU commercialisation of DermaPure® and CardioPure™; we expect this to commence during FY19.

Business Review

During the year the focus was to gain traction with the processed corneas, establish solid and expanding partnerships with donor institutions and progress the regulatory application for CardioPure™ in the EU.

In our first full year of sales we grew to a 12%[1] market penetration of the German cornea market. Throughout the year we expanded our network of donor institutions and quickly established the sales traction we were expecting.

We have been working closely with our colleagues at CellRight Technologies establishing ways to collaborate and the potential for technology transfers between the sites to access new markets. Our relationship with Dr Francisco da Costa and his research associates in Brazil also remains fundamental as we progress with the EU regulatory application for the CardioPure™ decellularized heart valves. An application for a production licence for cryo-preserved valves and vessels was also submitted at the end of 2017 and we expect this to be granted during 2018.

We continue to work closely with our higher education research partners. A grant was won in partnership with the University of Rostock and GBM-V enabling the set-up of a laminar airflow system which will enhance the pre-treatment of the dCELL® products as well as allowing us to raise the first validation data.

[1] TRG estimate.

Outlook and Business Developments

Receiving market approval for cryo-preserved heart valves will allow us to take a first step into the EU Cardiac market and begin to pave the way for the introduction of the decellularized CardioPure™ heart valves expected in 2019.

The transfer of the DermaPure® technology will allow us to commence processing and distribute to the EU wound care and surgical markets, validated by the clinical data collected from DermaPure® use in the US. With the approval of the Human Tissue Authority Licence to import and distribute the portfolio CellRight's portfolio of BioRinse products, we continue to evaluate the opportunity to become a second source processor for the European market.

Financial Overview

NOTE: 2016 COMPARATIVES ARE FOR THE 11 MONTHS ENDED 31 DECEMBER 2016.

Sales

In the year ended 31 December 2017 revenue increased by 263% to £5,233K (2016: £1,443K). Revenue from existing businesses increased by 113% to £3,067K (2016: £1,443K). Revenue from CellRight was £2,166K (2016: £nil) since its acquisition on 09 August 2017.

Cost of Sales and Gross Profit

Cost of sales includes cost of product of £2,039K (2016: £354K) and third party commissions of £588K (2016: £376K). Gross profit increased by 265% to £2,606K (2016: £713K).

Trading Results

Administrative expenses increased by £1,649K from £11,773K to £13,422K. These included £1,098K of exceptional costs. Other costs increased by £551K. Overheads included staff costs (55%), sales and marketing (1%), research and development (11%), establishment and administration costs (33%). Operating loss was £10,816K (2016: £11,060K).

CellRight was acquired on 9 August 2017 and the operating profit of £277K for the period to 31 December 2017 is included within the consolidated result.

Exceptional Items

Non-recurring costs include the costs of acquisition of CellRight of £996K and £102K of legal costs in relation to the LifeNet litigation (see note 22) which were written off in arriving at the operating loss. A further £2,318K was set off against the share premium account arising on the issue of new shares.

Finance Income

Finance income of £47K (2016: £114K) represents interest earned on cash deposits.

Taxation

Net taxation was a credit of £1,348K (2016: credit £1,034K). The Group submits enhanced research and development tax claims and elects to exchange tax losses for a cash refund. The refund expected for the year ended 31 December 2017 is £799K. (2016: £875K); 2016 R&D tax credits were received in January 2018. Tax payable of £31K (2016: £Nil) represents corporation tax payable in the US on the profits of CellRight since acquisition.

Gross tax losses carried forward in the UK were £35,819K (2016: £32,037K). The Group does not currently pay tax in the UK. A deferred tax asset has not been recognised as the timing and recoverable value of the tax losses is uncertain.

Loss for the Year

Loss for the year was £9,421K (2016: £9,912K). The number of shares in issue during the year was 1,170,990,924 (2016: 760,124,264) resulting in a basic loss per share of (1.00p) (2016: (1.29p)).

Balance Sheet

Cash absorbed by operations was £9,786K (2016: £10,811K)

The Company issued shares by way of a placing and subscription of shares which were admitted to AIM on 9 August 2017. This raised proceeds of £40,000K which, after expenses of £2,318K, netted £37,682K.

On 9 August 2017 the Group acquired CellRight for a maximum consideration of £23,078K, of which £19,945K was paid to the vendors on the acquisition date and £3,133K is payable contingent upon achieving performance criteria. The fair value of the contingent consideration is assessed at £2,718K. The fair value of the assets acquired was assessed at £7,359K. This includes £4,374K attributed to intangible assets not previously recognised in the financial statements of CellRight. Goodwill on acquisition was £15,304K.

At 31 December 2017 the Group had net assets of £39,522K (2016: £11,536K) of which cash in hand totalled £16,423K (2016: £8,173K).

Going Concern

The Group's forecasts indicate it has sufficient resources until more than one year from the date of this report.

Current Trading and Prospects

There has been a strong start in sales of both CellRight and BioSurgery product, including shipments under two significant distributor agreements. The integration of CellRight is progressing well. 2018 promises to be a further year of revenue generation and product launch. Trading for 2018 remains in line with expectations.

Risks

THE BOARD CAREFULLY CONSIDERS THE RISKS FACING THE GROUP AND ENDEAVOURS TO MINIMISE THEIR IMPACT THROUGH THE NECESSARY MITIGATING ACTIONS. THE PROMINENT RISKS FACING THE GROUP AT THIS TIME ARE LISTED BELOW.

RISK AND IMPACT	MITIGATING FACTOR	TREND
Sourcing of Tissue This risk increased with the acquisition of CellRight whose product portfolio is entirely based upon the sourcing of high quality human allograft products. The dCELL® Technology portfolio continues to pursue a dual tissue strategy applying to both allograft and xenograft.	We have agreements in place with a number of registered donor recovery organisations. This ensures that we do not rely on a single source provider and can ensure to meet the increasing demand for suitable donated tissue.	↑
Intellectual Property The commercial success of the Group hinges on our ability to exploit our intellectual property across the identified market opportunities. We hold a number of process patents; however, these can be difficult to defend. Infringement of our IP could be financially costly, both in terms of litigation and profits.	We have a robust, global, IP portfolio protected through a number of patents which we monitor and contest accordingly. A number of processes are kept as "know-how" which offers further protection from infringement.	↑
Management of Cash The Company is currently consuming cash to fund working capital. While the Funds raised during 2017 are anticipated to provide funding for the foreseeable future there is no guarantee that the Company will not require additional funding in the future.	We have in place a top of the range accounting system to monitor all cash expenditure and measure this against the commercial budget and forecast. Our R&D and product pipeline is closely mapped to ensure that we pursue opportunities within our budget and have a clear strategy to provide a ROI.	↓
Clinical Trials and Regulatory Pathways We have a number of ongoing clinical trials for our porcine dCELL® Technology products. There is the potential for these applications to be lengthy due to the implementation of new directives. However, failure to comply with the necessary clinical and ethical work required by each territory would present a barrier to entry and could hold significant financial implications.	We plan our clinical trials to allow for the broadest use of the clinical data, and the fastest route to market in line with the country-specific clinical regulations.	↔
Transfer of Technology to Partners As our dCELL® human tissue products are processed by a third party partner, there is the potential for a leak of Intellectual Property.	Any transfer of Intellectual Property or "know-how" is done so under strict legal agreements and the Group looks to only undertake such arrangements with partners, and in territories where there is appropriate legal protection. With the acquisition of CellRight we also now have a manufacturing facility in which we can process human tissue products reducing the need for IP to transfer out of the Company.	↓

↑ UP ↓ DOWN ↔ CONTINUOUS

Risks CONTINUED

RISK AND IMPACT	MITIGATING FACTOR	TREND
Retention of Staff Our success is built on our ability to retain the most appropriate staff. We have a number of roles which require specialised knowledge of our Technology and the Company. In order to to undertake these roles the employee may be privy to sensitive IP information.	The Group ensures to incentivise staff through a range of benefits and share schemes. Employee development and training is one of the core fundamental beliefs of the Company and we encourage professional development and internal progression. We also continue to monitor the talent pool for relevant future recruitment. Staff who are privy to sensitive information are tied onto non-disclosure agreements and all clinical data for dCELL® Technology is owned and specific to the Tissue Regenix Group.	⇔
Damage to Manufacturing Facility There is the potential for a damaging incident, e.g. fire, to occur at our manufacturing facilities. This would have an impact on our ability to produce our products and therefore potential sales.	We have a comprehensive risk analysis procedure in place and a disaster management plan. Our facility is spit over separate buildings meaning that an incident can be contained within one area and should not affect all business activities.	⇔
Product Quality The Group operates in highly regulated environments with strict quality requirements. Failure ot meet these standards could results on the loss of reputation, loss of revenues, loss of customers, recall costs as well as sanctions from the regulator.	The Group operates a strictly controlled quality management system, and has in-house experts to ensure compliance with all regulatory requirements. We test the quality of our products in-house and verify these results externally. Every lot of CellRight products is independently verified for osteoinductivity.	⇔
Competition As the focus on regenerative medicine increases there may be products or companies that could be in direct competition with our product portfolio or decellularization technology which could potentially have a detrimental effect on the commercial success of the Company. This now includes to a much larger extend breakthroughs in modern technology.	We continually monitor the competitive landscape in order to adopt the best positioning for our products. As demonstrated by the acquisition of CellRight we also look to undertake relevant M&A opportunities and enter strategic partnerships to further bolster our commercial positioning.	⇔
Brexit It is currently unclear how the decision to leave the EU could affect the Company. For example, there may be changes implemented to the regulatory system under which our products are approved, import / export regulations could be affected and economic volatility and uncertainty may be possible.	The Group continues to monitor developments relating to Brexit and receives relevant updates from advisers to ensure any potential risks are understood and mitigating actions implemented if needed. With the establishment of a controlled joint venture in Germany, the Company holds a corporate position within the EU and would therefore maintain a presence in both the UK and EU following the final decision.	⇔

⇑ UP ⇓ DOWN ⇔ CONTINUOUS

Corporate Social Responsibility

TISSUE REGENIX'S VISION TO BECOME A LEADER IN REGENERATIVE MEDICINE IS UNDERPINNED BY ITS CORE VALUES TO MAINTAIN A SUSTAINABLE, ETHICAL AND RESPONSIBLE COMPANY. FUNDAMENTAL TO THIS IS OUR APPROACH TO SOCIAL, ENVIRONMENTAL AND POLITICAL ISSUES WHICH COULD AFFECT OUR ABILITY TO DELIVER OUR NOVEL PRODUCTS AND IMPROVE PATIENT CARE AND CLINICAL OUTCOMES.

Corporate

Tissue Regenix recognises that it holds a corporate responsibility to its employees, customers, partners, suppliers and shareholders. To this end, the Group ensures to set and maintain the highest working, ethical and management standards.

The Group employs a strict corporate governance code and relies on its experienced management team to ensure that all regulatory requirements across all business functions are met.

Ethical

Operating in an industry based upon the processing of human and animal derived tissues demands the highest ethical standards. The Group aspires to maintain the highest ethical standards across all business functions and relations. The Group undertakes regular audit checks to ensure that partners, suppliers and employees comply with the ethical standards and operate to meet our expectations.

Employees

The Group employees almost 100 people based in three geographical locations. We employ a strict policy of equal opportunities and do not discriminate against age, gender, gender identity, colour, disability, ethnic or national origin, sexual orientation, marital status, religious or political views.

The Group supports the development and further training of all employees and will, where possible, encourage internal promotion. The Group values the retention of staff and offers a comprehensive incentive and benefits package to encourage employee loyalty. We also recognise the importance of employee engagement and offer a range of employee communication opportunities to ensure that feedback is collated and actioned, maintaining an open and respectful company culture.

Health and Safety

The Group recognises that health and safety of its employees, partners and at its manufacturing facilities is of paramount importance to ensure the smooth and continuing functionality of the business. The Group aims to identify and control any risks through continual monitoring of the working environment and ensure continuing improvement to our health and safety policies.

Profile of the current 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, and VernaCare Group Ltd.

Steven Couldwell

CHIEF EXECUTIVE OFFICER

Steve Couldwell has a proven international track record in driving revenues and profit growth in both the Medical Device and Pharma industries for over 20 years. Steve was formerly Vice President and Head of Global Biosurgery at Sanofi in Boston, MA. Previous roles include Vice President and General Manager of Covance Laboratories Europe, and almost 20 years for Smith & Nephew in a number of senior positions: President Orthopaedics (Europe), Senior VP Sales and Marketing for Smith & Nephew's Advanced Wound Management business and VP Innovation and Business Development. Steve was appointed CEO of Tissue Regenix in November 2017 having served as a Non-Executive Director for four years.

Jonathan Glenn

NON-EXECUTIVE DIRECTOR

Jonathan was Group Finance Director of Consort Medical plc from September 2006 to December 2007 until he took up the position of Chief Executive Officer in December 2007. Prior to joining Consort Medical plc, Jonathan was global Head of Finance at Celltech Group plc and later Chief Financial Officer of Akubio Ltd, a Cambridge-based developer of instrumentation for the Life Sciences industry. Mr Glenn is a member of the Institute of Chartered Accountants in England and Wales.

Committees: Audit Committee, Remuneration Committee

Alan Miller

NON-EXECUTIVE DIRECTOR

Alan Miller is the Chief Investment Officer and a Founding Partner of SCM Direct, an online 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, Alan 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 and alumnus of the London Business School.

Committees: Audit Committee (Chair), Remuneration Committee

Randeep Singh Grewal

NON-EXECUTIVE DIRECTOR

Randeep Grewal is a fund manager at Trium Capital LLP. He has 17 years of experience in institutional investing, having worked at F&C Asset Management, ICAP Equities and Tudor Capital, where he spent ten years covering and investing in healthcare companies. He is also a non-executive director of BB Healthcare Investment Trust, listed on the London Stock Exchange, since December 2016. Randeep has been involved in a number of start-up and early stage companies both personally and as an investor. He read medicine at the University of Cambridge and trained in the NHS as a vascular surgeon for eight years.

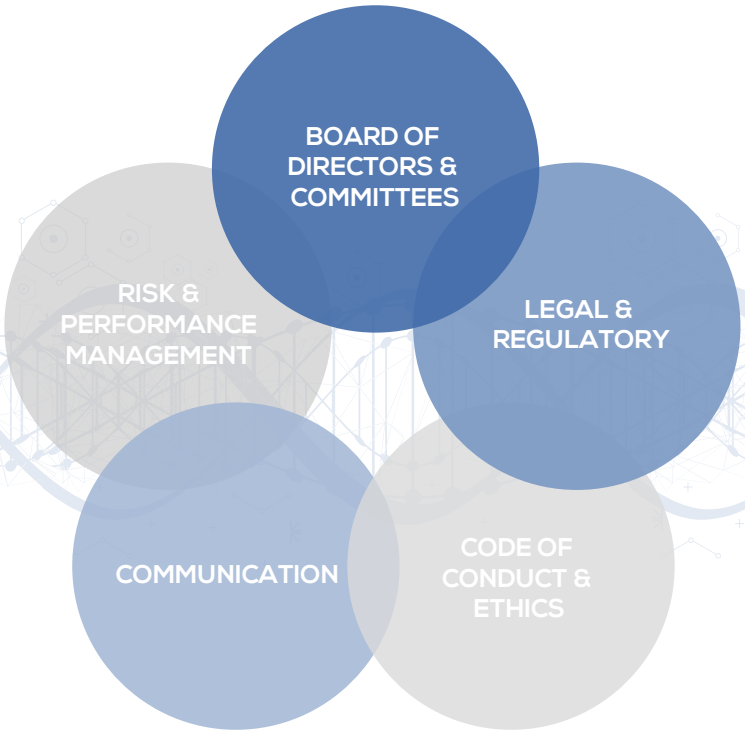
Committees: Remuneration Committee (Chair), Audit Committee

Shervanthi Homer-Vanniasinkam

NON-EXECUTIVE DIRECTOR

Shervanthi Homer-Vanniasinkam graduated with an MBBS from Mysore University in India in 1981. She became a Fellow of the Royal College of Surgeons of Edinburgh in 1989, and a Fellow of the Royal College of Surgeons of England in 1998. She was appointed Consultant Vascular Surgeon at Leeds General Infirmary in 1995, a post she continues to hold. Shervanthi also holds a number of appointments with national academic institutions and health trusts; she is Clinical Sub-Dean of the University of Leeds Medical School, Professor of Surgery (Founding), University of Warwick Medical School & University Hospitals Coventry and Warwickshire NHS Trust, and Professor of Engineering and Surgery, University College London. In 2017, Shervanthi was appointed a Visiting Scholar at Harvard University.

Governance Framework

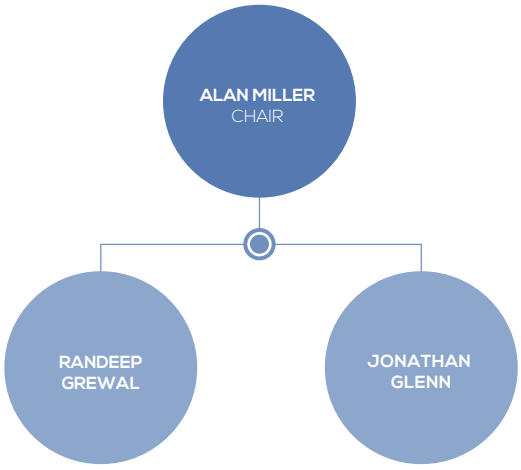


THE COMPANY EMPLOYS SEVERAL LEVELS OF CORPORATE GOVERNANCE MANAGEMENT IN ORDER TO MINIMISE RISK, AND ENSURE COMPLIANCE AND STRATEGIC ALIGNMENT THROUGHOUT ALL MEMBERS OF THE GROUP AND ITS SUBSIDIARY COMPANIES.

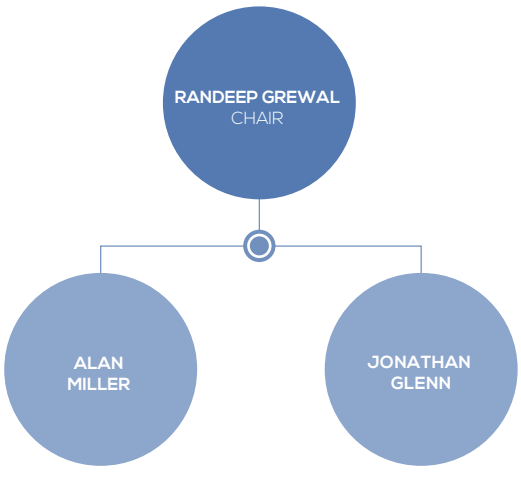
The Board of Directors & Committees

Monitor the internal control system, reviewing accounting information, potential business risks, employee policies and market communications. The Board also operates two subcommittees, namely Audit and Remuneration Committees, to ensure compliance with market regulations:

Audit Committee:



Remuneration Committee:



Legal & Regulatory

We employ a number of legal and regulatory advisers, for both our stock exchange listing and also validation of our products and clinical trial pathways.

Business Practices & Ethics

As a company that operates in a highly regulated and sensitive environment, we ensure that we operate with a vigorous code of conduct and ethics. We also monitor any existing and potential partners to ensure that they align with our Company values.

Risk & Performance Management

As a company we are well aware of, and continually monitor, the primary risks to our business, and any external developments that occur that could have a detrimental effect on the performance of the Company and look to take the necessary actions to mitigate any impact that these could have on our performance. Internally, we report our monthly performance against a number of objectives and COGs allowing us to track performance management, and identify any potential improvements to our structure and operational efficiencies.

Communications

We communicate any relevant Company news to external stakeholders in the most timely manner possible through the necessary news flow outlets. The Board reviews all relevant information to ensure that the correct information is adequately explained to offer transparency and a true reflection of the Company. Internal and cross company communications are equally as valued and we have a number of staff engagement initiatives in order to keep knowledge and alignment with the Corporate positioning, values and progress high.

Corporate Governance

The Directors recognise the importance of sound corporate governance and have observed the principles 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 one Executive Director, a Non-Executive Chairman, 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 Company's Auditor relating to the accounting and internal controls and to make recommendations relating to the appointment of the external Auditor.

The Audit Committee comprises Alan Miller, who acts as chairman of the committee, Jonathan Glenn 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 December 2017, the Group had £16.4m of cash and cash equivalents available to it, with an updated balance of £16.0m at 28 February 2018.

The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it. They have reviewed the current cash position, budget cash forecasts and assumptions as well as the main risk factors facing the Group as set out on page 19.

The Directors consider that the Group has sufficient funds to continue its activities for note less than 12 months from the date of the approval of these financial statements. These financial statements have therefore been prepared on the going concern basis.

Directors' Remuneration Report

Remuneration Policy

The Group's policy is to provide Executive Directors with a competitive market-based package in order to reward individual and Group performance and deliver outstanding shareholder returns. The Remuneration Committee is committed to ensuring that the Company's key executive team is incentivized to drive sustainable earnings growth and returns to shareholders, thereby creating a genuinely strong alignment of interests between management and investors.

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 comprised Steven Couldwell, who was chairman of the committee, Randeep Grewal, and Alan Miller until the appointment of Steve Couldwell as CEO on 2 November 2017. Subsequently Randeep Grewal assumed the chair of the committee and the other members comprised Alan Miller and Jonathan Glenn. 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

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.

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 deferral of the bonus. 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 Award 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 receive 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 Award unless shares price growth performance targets have been achieved and those price targets sustained for 30 consecutive days.

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.

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

Remuneration Policy for Non-Executive Directors

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

Directors' Remuneration

The remuneration of the main Board Directors of Tissue Regenix who served in the year to 31 December 2017 was:

	Salary & fees £000	Bonus £000	Benefits £000	Total up to December 2017 £000	Total up to December 2016 £000
Antony Odell * (resigned 1 November 2017)	323	–	20	343	293
John Samuel (Note 1)	110	–	–	110	99
Paul Devlin (resigned 30 November 2017)	177	–	8	185	–
Ian Jefferson	–	–	–	–	252
Randeep Grewal	28	–	–	28	18
Steven Couldwell	62	–	1	63	23
Jonathan Glenn	30	–	–	30	21
Alan Miller	33	–	–	33	23
Shervanthi Homer-Vanniasinkam	30	–	–	30	15
Total	793	–	29	822	744

Note 1. In addition, a certain Director holds employee share scheme interests in the Company.

* Included within this salary is £50,000 for exiting the business, and £85,500 payment in lieu of notice.

Directors' Shareholdings

Directors' interests in the shares of the Company, including family interests at 31 December 2017 were:

	Ordinary shares of 0.5p each			
	31 December 2017 Number	31 December 2017 %	31 December 2016 Number	31 December 2016 %
John Samuel (note 2)	26,276,928	2.22%	24,276,928	3.19%
Alan Miller	22,886,988	1.97%	21,886,988	2.88%
Paul Devlin	300,000	0.03%	–	–
Steven Couldwell	300,000	0.03%	–	–
Jonathan Glenn	600,000	0.06%	–	–
Shervanthi Homer-Vanniasinkam	250,000	0.02%	–	–

Note 2. Includes shares held jointly by the Director and EBT as set out overleaf.

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 December 2017 were:

	At 1 January 2017	Exercised during year	Lapsed during year	Granted during year	At 31 December 2017	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
Antony Odell (Note 3)	577,777	–	577,777	–	–	22.50 pence
Ian Jefferson (Note 4)	872,727	872,727	–	–	–	13.75 pence
Ian Jefferson (Note 3)	577,777	–	577,777	–	–	22.50 pence
John Samuel (Note 5)	2,400,000	–	–	–	2,400,000	5.00 pence
John Samuel (Note 3)	577,777	–	–	–	577,777	22.50 pence
Paul Devlin (Note 13)	–			2,272,727	2,272,727	11.00 pence
Unapproved scheme options						
Antony Odell (Note 6)	422,223	–	422,223	–	–	22.50 pence
Antony Odell (Note 8)	519,480	–	389,610		129,870	0.05 pence
Antony Odell (Note 10)	1,021,936	–	766,452	–	255,484	0.05 pence
Antony Odell (Note 12)			818,181	1,090,908	272,727	0.05 pence
Ian Jefferson (Note 6)	122,779	–	122,779	–	–	22.50 pence
Ian Jefferson (Note 7)	86,734	86,734	–	–	–	0.05 pence
Ian Jefferson (Note 9)	126,794	126,794	–	–	–	0.05 pence
Ian Jefferson (Note 11)	209,677	209,677	–	–	–	0.05 pence
John Samuel (Note 6)	88,890	–	–	–	88,890	22.50 pence
EBT scheme shares (note 14)						
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.

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 31 December 2017 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 577,777 options granted on 4 February 2014 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 30 pence per share, 40 pence per share and 50 pence per share by the respective three vesting dates. As at 31 December 2017 none of the performance conditions had been met and no options were eligible for exercise.

Note 4. 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 31 December 2017 all the performance conditions had been met and the options were eligible for exercise.

Note 5. 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 31 December 2017 all the performance conditions had been met and the options were eligible for exercise.

Note 6. There were employment period and performance conditions in relation to the 422,223, 122,779 and 88,890 options granted on 4 February 2014 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 30 pence per share, 40 pence per share and 50 pence per share by the respective three vesting dates. As at 31 January 2016 none of the performance conditions had been met and no options were eligible for exercise.

Note 7. There were employment period and performance conditions in relation to the 346,936 options granted on 20 May 2014 under the Company Deferred Annual Bonus plan. 86,734 options vest after three years and correspond to the amount of bonus deferred by the participant. The remaining 260,202 options which relate to the matching award vest in three equal proportions three years after the date of grant, subject to the Company's share price reaching 30 pence per share, 40 pence per share and 50 pence per share by the vesting dates. As at 31 December 2016 the matching award had lapsed due to resignation.

Note 8. There were employment period and performance conditions in relation to the 519,480 options granted on 12 May 2015 under the Company Deferred Annual Bonus plan. 129,870 options vest after three years and correspond to the amount of bonus deferred by the participant. The remaining 389,610 options which relate to the matching award vest in three equal proportions three years after the date of grant, subject to the Company's share price reaching 25 pence per share, 30 pence per share and 35 pence per share by the vesting dates. As at 31 December 2017 none of the performance conditions had been met and no options were eligible for exercise.

Note 9. There were employment period and performance conditions in relation to the 505,976 options granted on 12 May 2015 under the Company Deferred Annual Bonus plan. 126,494 options vest after three years and correspond to the amount of bonus deferred by the participant. The remaining 379,482 options which relate to the matching award vest in three equal proportions three years after the date of grant, subject to the Company's share price reaching 25 pence per share, 30 pence per share and 35 pence per share by the vesting dates. As at 31 December 2017 the matching award had lapsed due to resignation.

Note 10. There were employment period and performance conditions in relation to the 1,021,936 options granted on 29 June 2016 under the Company Deferred Annual Bonus plan. 255,484 options vest after three years and correspond to the amount of bonus deferred by the participant. The remaining 766,452 options which relate to the matching award vest in three equal proportions three years after the date of grant, subject to the Company's share price reaching 20 pence per share, 25 pence per share and 30 pence per share by the vesting dates. As at 31 December 2017 none of the performance conditions had been met and no options were eligible for exercise

Note 11. There were employment period and performance conditions in relation to the 838,708 options granted on 29 June 2016 under the Company Deferred Annual Bonus plan. 209,677 options vest after three years and correspond to the amount of bonus deferred by the participant. The remaining 629,031 options which relate to the matching award vest in three equal proportions three years after the date of grant, subject to the Company's share price reaching 20 pence per share, 25 pence per share and 30 pence per share by the vesting dates. As at 31 December 2017 the matching award had lapsed due to resignation

Note 12. There were employment period and performance conditions in relation to the 1,090,908 options granted on 21 July 2017 under the Company Deferred Annual Bonus plan. 272,727 options vest after three years and correspond to the amount of bonus deferred by the participant. The remaining 818,181 options which relate to the matching award vest in three equal proportions three years after the date of grant, subject to the Company's share price reaching 15 pence per share, 20 pence per share and 30 pence per share by the vesting dates. As at 31 December 2017 the matching award had lapsed due to resignation

Note 13. There were employment period and performance conditions in relation to the 2,272,727 options granted on 21 July 2017 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 30 pence per share by the respective three vesting dates. As at 31 December 2017 none of the performance conditions had been met and no options were eligible for exercise

Note 14. 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 agreements ("JOEs"). Subject to meeting the performance criteria conditions set out in the JOEs, 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 December 2017 was 9.25 pence per share, the highest and lowest prices during the year were 20.25 pence and 5.63 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

RANDEEP GREWAL
CHAIRMAN OF THE REMUNERATION COMMITTEE
26 March 2018

Directors' Report

The Directors present their report and consolidated financial statements for the year ended 31 December 2017.

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 Operational Review report on pages 02 and 07 to 09.

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 02 and 07 to 09. The loss for the 12 months attributable to equity holders was (£9,221K) (11 months to December 2016: £9,786K). The Directors do not recommend the payment of a dividend (2016: nil).

Share Capital and Funding

Full details of the Group and Company's share capital movements during the year are given in note 17 to the financial statements.

Directors and Their Interests

The following Directors held office in the year.

John Samuel
Antony Odell (resigned 1 November 2017)
Paul Devlin (resigned 30 November 2017)
Steve Couldwell
Jonathan Glenn
Shervanthi Homer-Vanniasinkam
Alan Miller
Randeep Singh Grewal

Directors' interests in the shares of the Company, including family interests, are included in the Remuneration Report on pages 26 to 29.

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.

Substantial Shareholders

As at 31 December 2017, 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	336,709,939	28.98
Woodford Investment Management Ltd	300,427,872	25.86
Techtran Group Ltd	103,042,837	8.87
Baillie Gifford & Co Ltd	70,764,595	6.09
Jupiter Asset Management	68,885,745	5.93
IP2ipo Limited	50,000,000	4.30
Director and Related Holdings(s)	50,313,916*	4.33

* 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 has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution to appoint KPMG LLP as Auditor will be made to members at the Annual General Meeting.

On behalf of the Board

STEVE COULDWELL
CHIEF EXECUTIVE OFFICER
26 MARCH 2018

Statement of Directors' Responsibilities

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company 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 the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the 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 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

TO THE MEMBERS OF TISSUE REGENIX GROUP PLC

1. Our opinion is unmodified

We have audited the financial statements of Tissue Regenix Group plc ("the Company") for the year ended 31 December 2017 which comprise the group statement of comprehensive income, group and parent company statement of changes in equity, the group and parent company statement of financial position, the group and company statement of cash flows, and the related notes, including the accounting policies in note 1.

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 December 2017 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: group financial statements as a whole	£250k (2016: £160k) 2.3% of loss before tax (2016: 1.2% of gross assets)	
Coverage	96% of group loss before tax (2016: 98% of group gross assets)	
Risks of material misstatement		**vs 2016**
Event driven	Business combinations accounting including valuation of acquired goodwill and acquired intangibles assets	▲
Recurring risks	Carrying value of investments and recoverability of intercompany debt (parent company risk)	◀ ▶
Recurring risks	Completeness of capitalised development costs	◀ ▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows: (2016: going concern and recoverability of trade debtors).

	THE RISK	OUR RESPONSE
Business combinations accounting including valuation of acquired goodwill and acquired intangible assets Acquired goodwill £15.3 million; Acquired intangible assets £4.4 million Refer to page 40 (accounting policy) and page 55 (financial disclosures).	**Subjective valuation** The Group acquired CellRight Technologies LLC in the year. The exercise to identify and recognise tangible and intangible assets acquired involves a significant degree of judgement on the inputs used to value the assets including future cash flows, discount rates and useful economic life and is a material estimate.	Our procedures included: ○ **Accounting analysis:** We assessed the judgements taken around fair value adjustments having regard to relevant accounting standards. Considering the separately identified intangible assets acquired through gaining an understanding of the business acquired and applying our professional experience and judgement; ○ **Assessing valuer's credentials:** We evaluated the competence and independence of the valuer through verification of experts credentials and qualifications; ○ **Benchmarking assumptions:** challenging the basis for the key assumptions used in the valuation such as discount rate, growth rates and customer churn rates applied in the valuation of acquired intangibles having regard to internal and external data; and ○ **Assessing transparency:** considering the adequacy of the Groups disclosures in respect of business combinations accounting

	THE RISK	OUR RESPONSE
Recoverability of parent company's investment in subsidiaries and loan due from group entities (Investments £12.9 million; 2016: £12.9 million, Intercompany loans balance £64.4 million; 2016 £36.5 million) Refer to page 64 (financial disclosures).	**Forecast-based valuation** The carrying amount of the parent company's investments in subsidiaries and group loan balance are significant and atrisk of not being recoverable, due to the continued losses made in some subsidiaries. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in thebudgets.	Our procedures included: ○ **Benchmarking assumptions:** Challenging the assumptions used in the cash flows included in the budgets including growth rates and discount rates to externally derived data; ○ **Sensitivity analysis:** Performing breakeven analysis on the assumptions noted above; ○ **Comparing valuations:** Comparing the sum of the of the discounted cash flow's to the Group's market capitalisation to assess reasonableness of those cash flows; and ○ **Assessing transparency:** Assessing the adequacy of the parent company's disclosures in respect of the investment in subsidiaries and group loan balance.
Completeness of capitalised development costs Development cost assets £0.6million (2016: £0.6million) Development costs expensed: £2.7 million (2016: £3.1million) Refer to page 42 (accounting policy) and page 51 (financial disclosures).	**Accounting treatment** Project development costs should be capitalised if they meet the relevant accounting standard. This requires, among other things, an assessment of the technical stage of the project and the future commercial outturn of the project. The costs are otherwise expensed as incurred. Due to the above, assessing whether the capitalisation criteria are met is inherently judgemental and there is a risk that the appropriate point in time for capitalisation is not identified appropriately and therefore costs continue to be expensed when they should be capitalised.	Our procedures included: ○ **Accounting analysis:** Assessing the nature of the items expensed and assessing the appropriateness of their classification as expenses, having regard to the relevant accounting standard; ○ **Test of detail:** Agreeing a sample of costs to supporting documentation; and ○ **Assessing transparency:** Assessing the adequacy of the Groups disclosures in respect of the judgements made.

We continue to perform procedures over going concern. However, following the equity placement in in the year we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year. We continue to perform procedures over trade debtors. However, following reduced aged debt in the year we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Independent Auditor's Report CONTINUED
TO THE MEMBERS OF TISSUE REGENIX GROUP PLC

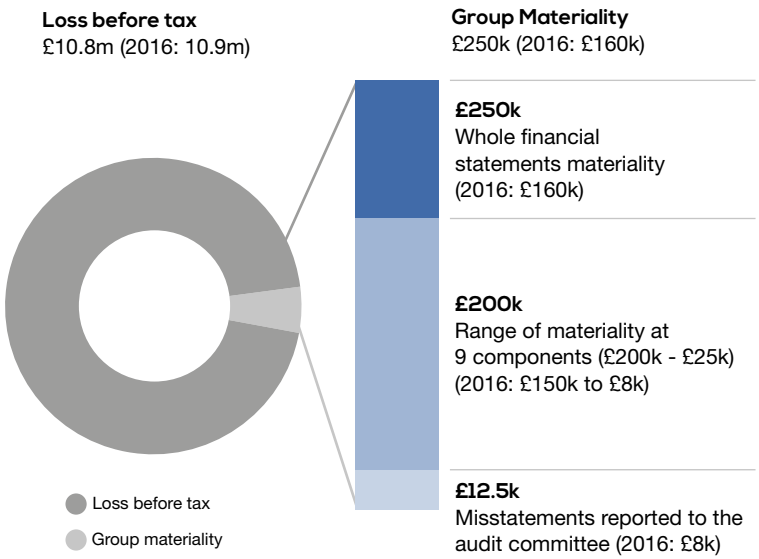
3. Our application of materiality and an overview of the scope of our audit

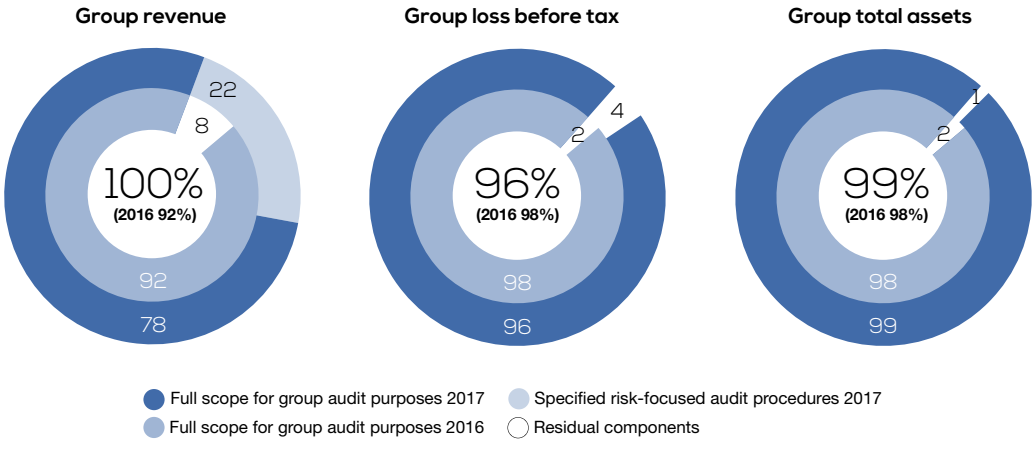
Materiality for the group financial statements as a whole was set at £250k (2016: £160k), determined with reference to a benchmark of loss before tax (of which it represents 2.3% (2016: 1.2%) of gross assets.) The change in benchmark is as a result of the acquisition in the year leading to increased income statement focus by the users of the accounts.

Materiality for the parent company financial statements as a whole was set at £200k (2016: £24k), determined with reference to a benchmark of company total assets, of which it represents 0.2% (2016: 1.5% of loss before tax). The change in benchmark is as a result of the acquisition in the year.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £12.5k, in addition to other identified misstatements that warranted reporting on qualitative grounds

Of the group's 12 (2016: 9) reporting components, we subjected 8 (2016: 7) to full scope audits for group purposes and 1 (2016: 0) to specified risk-focused audit procedures over revenue. The component for which we performed work other than audits for group reporting purposes was not individually significant but were included in the scope of our group reporting work in order to provide further coverage over the group's results.





4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 ouraudit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 31, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

IAN BEAUMONT
(SENIOR STATUTORY AUDITOR)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
26 March 2018

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
REVENUE	3	**5,233**	1,443
Cost of sales		**(2,627)**	(730)
GROSS PROFIT		**2,606**	713
Administrative expenses before exceptional items	3	**(12,324)**	(11,773)
Exceptional items	4	**(1,098)**	–
Total administrative expenses		**(13,422)**	(11,773)
OPERATING LOSS	4	**(10,816)**	(11,060)
Finance income	6	**47**	114
LOSS BEFORE TAXATION		**(10,769)**	(10,946)
Taxation	7	**1,348**	1,034
LOSS FOR YEAR		**(9,421)**	(9,912)
ATTRIBUTABLE TO:			
Equity holders of the parent		**(9,221)**	(9,786)
Non-controlling interests		**(200)**	(126)
		(9,421)	(9,912)
OTHER COMPREHENSIVE INCOME:			
Foreign currency translation differences – foreign operations		**(614)**	(1)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(10,035)**	(9,913)
ATTRIBUTABLE TO:			
Equity holders of the parent	8	**(9,835)**	(9,787)
Non-controlling interests		**(200)**	(126)
		(10,035)	(9,913)
LOSS PER SHARE			
Basic and diluted on loss attributable to equity holders of parent	8	**(1.00)p**	(1.29)p

The loss for the year arises from the Group's continuing operations.

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the parent									
	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	Non-controlling interests £000	Total equity £000
At 31 January 2016	3,801	50,461	10,884	(7,148)	(831)	946	(36,791)	21,322	(83)	21,239
Loss for the period	–	–	–	–	–	–	(9,786)	(9,786)	(126)	(9,912)
Other comprehensive expense	–	–	–	–	–	–	(1)	(1)	–	(1)
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(9,787)	(9,787)	(126)	(9,913)
Share based payment expense	–	–	–	–	–	210	–	210	–	210
At 31 December 2016	**3,801**	**50,461**	**10,884**	**(7,148)**	**(831)**	**1,156**	**(46,578)**	**11,745**	**(209)**	**11,536**
Loss for the period	–	–	–	–	–	–	(9,221)	(9,221)	(200)	(9,421)
Other comprehensive expense	–	–	–	–	–	–	(614)	(614)	–	(614)
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(9,835)	(9,835)	(200)	(10,035)
Issue of shares	2,000	38,000	–	–	–	–	–	40,000	–	40,000
Cost of issue of new equity	–	(2,318)	–	–	–	–	–	(2,318)	–	(2,318)
Exercise of share options	54	255	–	–	–	–	–	309	–	309
Share based payment expense	–	–	–	–	–	30	–	30	–	30
At 31 December 2017	**5,855**	**86,398**	**10,884**	**(7,148)**	**(831)**	**1,186**	**(56,413)**	**39,931**	**(409)**	**39,522**

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017

	Notes	31 December 2017 £000	31 December 2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**2,994**	1,087
Intangible assets	10	**19,305**	550
TOTAL NON-CURRENT ASSETS		**22,299**	1,637
Current assets			
Inventory	11	**2,872**	661
Trade and other receivables	12	**4,168**	3,130
Cash and cash equivalents	13	**16,423**	8,173
TOTAL CURRENT ASSETS		**23,463**	11,964
TOTAL ASSETS		**45,762**	13,601
LIABILITIES			
Non-current liabilities			
Other payables	14	**(635)**	–
TOTAL NON-CURRENT LIABILITIES		**(635)**	–
Current liabilities			
Trade and other payables	14	**(4,781)**	(2,065)
TOTAL CURRENT LIABILITIES		**(4,781)**	(2,065)
Provisions			
Deferred Tax	15	**(824)**	–
TOTAL PROVISION		**(824)**	–
TOTAL LIABILITIES		**(6,240)**	(2,065)
NET ASSETS		**39,522**	11,536
EQUITY			
Share capital	17	**5,855**	3,801
Share premium	17	**86,398**	50,461
Merger reserve	17	**10,884**	10,884
Reverse acquisition reserve	17	**(7,148)**	(7,148)
Reserve for own shares	18	**(831)**	(831)
Share based payment reserve	20	**1,186**	1,156
Retained earnings deficit	18	**(56,913)**	(46,578)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**39,931**	11,745
Non-controlling interests		**(409)**	(209)
TOTAL EQUITY		**39,522**	11,536

Approved by the Board of Directors and authorised for issue on 26 March 2018.

STEVEN COULDWELL
CHIEF EXECUTIVE OFFICER

Company number: 5969271

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
OPERATING ACTIVITIES			
Operating loss		**(10,816)**	(11,060)
Adjustment for:			
Depreciation of property, plant and equipment	9	**482**	301
Amortisation of intangible assets	19	**225**	–
Share based payments	20	**30**	210
Research tax credit received		**1,541**	319
Operating cash outflow		**(8,538)**	(10,230)
(Increase) in inventory	11	**(503)**	(597)
(Increase) in trade and other receivables		**(783)**	(90)
Increase in trade and other payables		**38**	106
Net cash outflow from operations		**(9,786)**	(10,811)
INVESTING ACTIVITIES			
Interest received	6	**47**	114
Purchases of property, plant and equipment	9	**(130)**	(487)
Capitalised development expenditure	10	**(93)**	(550)
Acquisition of subsidiary	16	**(19,945)**	–
Net cash (outflow) from investing activities		**(20,121)**	(923)
FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**37,682**	–
Proceeds from exercised share options		**309**	–
Net cash inflow from financing activities		**37,991**	–
Increase/(decrease) in cash and cash equivalents		**8,084**	(11,734)
Foreign exchange translation movement		**166**	–
Cash and cash equivalents at start of period		**8,173**	19,907
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**16,423**	8,173

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

1) BASIS OF PREPARATION

The financial statements of Tissue Regenix Group plc are audited consolidated financial statements for the year ended 31 December 2017. These include audited comparatives for the 11 month period ended 31 December 2016.

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

Going concern

As at 31 December 2017, the Group had £16.4m 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 19-20.

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. As is the nature of the business, the Directors acknowledge there will be further funding requirements before revenues have grown to the point of self sufficiency

Change in accounting presentation

Cost of sales in the Group's financial statements comprises cost of goods sold and external commissions payable. This is a change from previous years where external commissions were expensed as administration expenses. The change is because the Directors believe this presentation gives the users of the accounts a clearer view of the costs directly associated with generating revenue.

This change has increased Cost of sales by £376,000 from what was previously presented in the 11 months to December 2016 with a corresponding reduction in the administration expenses. The impact on the 2017 figure is an increase of £588,000 with a corresponding reduction in administration expenses. The loss before tax and earnings per share in both the current year and prior period are unaffected by this change.

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.

Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration payable and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Impairment of non-financial assets

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 in 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 stated 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
FOR THE YEAR ENDED 31 DECEMBER 2017

2) SIGNIFICANT ACCOUNTING POLICIES continued

Research and development

Research costs are charged to profit and 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 management 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 capitalisation 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.

Exceptional items

Items which are significant by virtue of their size or nature and/or which are considered non-recurring are classified as an exceptional operating items. Such items, which include for example costs relating to acquisitions, litigation charges etc, are included within the appropriate consolidated income statement category but are highlighted separately. Exceptional operating items are excluded from the profit measures used by the Directors to monitor underlying performance.

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:

Buildings over 39 years	Fixtures and fittings over 5 years
Laboratory equipment over 5 years	Land is not depreciated.
Computer equipment over 3 years	

Intangible assets

Intangible assets are stated at fair value. Amortisation is provided on all intangibles over its expected useful life.

Trademarks over 5 years	Process & IT technology over 5 years
Customer relationships over 10 years	Supplier agreements over 5 years

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

Share based payments

Share options

Equity settled share based payment transactions are measured with reference to the fair value at the date of grant, recognised on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. Fair value is measured using 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 share based payment reserve on a straight-line basis, over the vesting period.

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

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

2) SIGNIFICANT ACCOUNTING POLICIES continued

Controlled joint venture

Tissue Regenix Group entered a joint venture in January 2016 establishing GBM-V GmbH, a company in Germany. The results for this entity are consolidated within these accounts because the Group controls the majority of the voting rights.

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:

Estimates

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 period was £30,000 (2016: £210,000).

Business Combinations

Determining a value for assets acquired

Determining the fair value of acquired intangible assets and goodwill acquired in business combinations requires the use of estimates. The values are determined using discounted cash flows and based upon latest approved budgets which include estimates on future cash flows, attrition rates and discount rate.

Performing impairment tests

Subsequent impairment reviews also require the use of estimates to value the cash generating units to which goodwill and other intangible assets have been allocated. The value in use calculations, which are made on an annual basis for goodwill, or when there is an indicator of impairment for tangible and other intangible fixed assets, determine whether there is any impairment to the carrying value of assets arising from business combinations. More details of these estimates can be found in note 15.

Judgements

Deferred tax

The actual tax on the Company's profits is determined according to complex laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on profits which are recognised in the financial statements. The Company considers the estimates, assumptions and judgements to be reasonable, but this can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is a key judgement. During the year we capitalised development costs of £93,000 in respect of a product/products which we received US regulatory clearance to sell the product (510K approval). We deem this to be the point at which it becomes probable that future economic benefits will be received from the product and hence the criteria for capitalisation are met. If we had capitalised other product development costs, then there would have been a reduction of £2,687,000 to the loss reported in the income statement

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:

		Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts from customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IAS12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRIC 22	Foreign Currency Transactions and Advanced Consideration	TBC
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	TBC
Amendments to IFRS 2	Classification and Measurement of Share based Payment Transactions	TBC
Annual Improvements to	IFRS Standards 2014–2016 cycle	TBC

The following accounting standards that are due to be adopted in the next year will or may have an impact on the Group's future financial statements:

IFRS 15 – Revenue from contracts with customers

The Group is required to adopt IFRS 15 from 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Currently only IAS 18 Revenue applies to the Groups accounts.

In order to assess the impact of the implementation of the new revenue standard on the Group's consolidated financial statements, IFRS learning sessions will be organised incorporating representatives from finance, legal and commercial teams. Following from this a quantitative impact analysis will be developed and discussed in the first half of 2018. This has been delayed from 2017 due to the acquisition of CellRight in H2 2017 which makes up a significant element of the Group's revenue (42% of total Group revenue in FY17; if CellRight was acquired at the start of the year revenue would represent 61% of the total Group revenue in 2017).

While the impact still needs to be calculated, given the nature of invoicing revenue the Group does not believe the impact will be material.

IFRS 9 – Financial instruments

The Group has assessed the impact of IFRS 9 which uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing many different rules in IFRS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset.

The Group has considered the implications of IFRS 9 to have an immaterial impact.

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

3) SEGMENTAL REPORTING

The following table provides disclosure of the Group's revenue by geographical market based on location of the customer:

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
USA	**4,098**	1,322
Rest of world	**1,135**	121
	5,233	1,443

Notes to the Financial Statements CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

3) SEGMENTAL REPORTING continued

Analysis of revenue by customer

During the year ended 31 December 2017 the Group had two customers who individually exceeded 10% of revenue. These customers generated 13% and 11% of revenue respectively (2016:12% and 10%).

Operating segments

The Group is organised into BioSurgery, Orthopaedics & Dental, Cardiac and Other divisions for internal management, reporting and decision-making, based on the nature of the products of the Group's businesses. Managers have been appointed within these divisions, who report to the Chief Executive Officer. These are the reportable operating segments in accordance with IFRS 8 "Operating Segments". The Directors recognise that the operations of the Group are dynamic and therefore this position will be monitored as the Group develops.

In accordance with IFRS 8, the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker. The Group has identified the Chief Executive Officer as the Chief Operating Decision Maker as he is responsible for the allocation of resources to the operating segments and assessing their performance.

Central overheads, which primarily relate to operations of the Group function, are not allocated to the business unit.

	BioSurgery		Orthopaedics & Dental		Cardiac		Other		Central		Total	
	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000
Revenue	**1,932**	1,322	**2,166**	–	**–**	–	**1,135**	121	**–**	–	**5,233**	1,443
Cost of sales	**(916)**	(664)	**(829)**	–	**–**	–	**(882)**	(66)	**–**	–	**(2,627)**	(730)
Gross Profit	**1,016**	658	**1,337**	–	**–**	–	**253**	55	**–**	–	**2,606**	713
Administrative costs	**(4,737)**	(5,124)	**(3,297)**	(2,738)	**(481)**	(462)	**(484)**	(308)	**(3,325)**	(3,141)	**(12,324)**	(11,773)
Exceptional costs	**–**	–	**–**	–	**–**	–	**–**	–	**(1,098)**	–	**(1,098)**	–
Operating loss	**(3,721)**	(4,466)	**(1,960)**	(2,738)	**(481)**	(462)	**(231)**	(253)	**(4,423)**	(3,141)	**(10,816)**	(11,060)
Finance income	**–**	–	**3**	–	**–**	–	**–**	–	**44**	114	**47**	114
Loss before taxation	**(3,721)**	(4,466)	**(1,957)**	(2,738)	**(481)**	(462)	**(231)**	(253)	**(4,379)**	(3,027)	**(10,769)**	(10,946)
Taxation	**372**	323	**722**	600	**254**	111	**–**	–	**–**	–	**1,348**	1,034
Loss for the year	**(3,349)**	(4,143)	**(1,235)**	(2,138)	**(227)**	(351)	**(231)**	(253)	**(4,379)**	(3,027)	**(9,421)**	(9,912)

Administrative costs are broken down as follows:

	BioSurgery		Orthopaedics & Dental		Cardiac		Other		Central		Total	
	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000	Year to 31 Dec 2017 £000	11 Months to 31 Dec 2016 £000
Staff costs	**(3,343)**	(3,162)	**(1,837)**	(1,327)	**(281)**	(293)	**(181)**	(157)	**(1,135)**	(2,087)	**(6,777)**	(7,026)
Sales and marketing costs	**(64)**	(79)	**(17)**	(12)	**(4)**	(3)	**(21)**	(4)	**–**	–	**(106)**	(98)
Research and development	**(277)**	(388)	**(894)**	(1,221)	**(147)**	(70)	**(32)**	–	**–**	–	**(1,350)**	(1,679)
Establishment and administration costs	**(1,053)**	(1,495)	**(549)**	(178)	**(49)**	(96)	**(250)**	(147)	**(2,190)**	(1,054)	**(4,091)**	(2,970)
Administrative costs	**(4,737)**	(5,124)	**(3,297)**	(2,738)	**(481)**	(462)	**(484)**	(308)	**(3,325)**	(3,141)	**(12,324)**	(11,773)

4) LOSS FROM OPERATIONS

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Loss from operations is stated after charging:		
Depreciation of plant and equipment (see note 9)	**482**	301
Amortisation	**225**	–
Operating lease rentals – land and buildings	**85**	64
Staff costs (see note 5)	**6,777**	7,026
Foreign exchange (gains)/ losses	**264**	(115)
Research and development (inclusive of research and development staff costs)	**2,687**	3,127
Sales and marketing costs (inclusive of sales and marketing staff costs and commissions)	**5,787**	4,872
Exceptional items:		
Costs of acquisition of subsidiary	**996**	–
Litigation costs	**102**	–
Auditor remuneration:		
– fees payable to Company's Auditor for the audit of the parent Company and consolidated financial statements	**20**	11
– auditing the accounts of subsidiaries pursuant to legislation	**60**	20
Other services:		
– fees in relation to corporation tax	**32**	41
– fees in relation to other services	**161**	28
Total Auditors' remuneration	**273**	100

Notes to the Financial Statements CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

5) STAFF COSTS

	Year to 31 December 2017 Number	11 Months to 31 December 2016 Number
The average monthly number of persons (including Directors) employed by the Group during the period was:		
Directors	**7**	7
Laboratory and administration staff	**72**	73
	79	80

	£000	£000
The aggregate remuneration, including Directors, comprised:		
Wages and salaries	**6,035**	6,036
Share based expense (see note 16)	**30**	210
Social security, pension & healthcare costs	**712**	780
	6,777	7,026
Directors' remuneration included above comprised:		
Emoluments for qualifying services	**822**	744

Directors' emoluments disclosed above include £413,000 paid to the highest paid Director (2016: £293,000) as well as share based payments benefit of nil (2016: £35,000).

6) FINANCE INCOME

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Bank interest receivable	**47**	114

7) TAXATION
Tax on loss on ordinary activities

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Current tax:		
UK corporation tax credit on losses of period	**(1,348)**	(1,034)
	(1,348)	(1,034)
Deferred tax:		
Origination and reversal of temporary timing differences	**–**	–
Tax credit on loss on ordinary activities	**(1,348)**	(1,034)

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 main rate of corporation tax as explained below:

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £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	**(10,776)**	(10,946)
Tax at the standard rate of corporation tax 19.25% (FY16: 20%)	**(2,074)**	(2,189)
Effects of:		
Expenses not deductible for tax purposes	**–**	–
Research and development tax credits received	**(799)**	(875)
Surrender of research and development relief for repayable tax credit	**1,098**	1,249
Research and development enhancement	**(621)**	(706)
Prior period adjustment	**(549)**	(158)
Unutilised tax losses	**1,597**	1,645
Tax credit for the period	**(1,348)**	(1,034)

Deferred tax

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Tax losses		
Losses available to carry forward against future trading profits	**35,819**	32,037
Deferred tax asset – unrecognised*	**6,089**	5,767

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

Notes to the Financial Statements CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

8) LOSS PER SHARE (BASIC AND DILUTED)

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

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Total loss attributable to the equity holders of the parent	**(9,221)**	(9,786)
	No.	No.
Weighted average number of ordinary shares in issue during the year	**920,506,514**	760,124,264
Loss per share		
Basic and diluted on loss for the year	**(1.00)p**	(1.29)p

The Company has issued employee options over 243,105,607 ordinary shares and there are 16,112,800 jointly owned shares which are potentially dilutive. There is, however, no dilutive effect of these issued options as there is a loss for each of the periods concerned.

9) PROPERTY, PLANT AND EQUIPMENT

	Building & Land £000	Laboratory Equipment £000	Fixtures & Fittings £000	Computer Equipment £000	Total £000
Cost					
At 31 January 2016	–	940	410	289	1,639
Additions	–	158	124	205	487
At 31 December 2016	–	1,098	534	494	2,126
Additions	-	88	20	22	130
Additions form Acquisition	849	1,361	49	–	2,259
At 31 December 2017	**849**	**2,547**	**603**	**516**	**4,515**
Depreciation					
At 31 January 2016	–	506	102	130	738
Charge for the period	–	132	84	85	301
At 31 December 2016	–	638	186	215	1,039
Charge for the period	5	241	110	126	482
At 31 December 2017	**5**	**879**	**296**	**341**	**1,521**
Net book value					
At 31 December 2017	**844**	**1,668**	**307**	**175**	**2,994**
At 31 December 2016	–	460	348	279	1,087
At 31 January 2016	–	434	308	159	901

10) INTANGIBLE ASSETS

	Development costs £000	Goodwill £000	Customer relationships £000	Trademarks £000	Process Tech £000	Supplier agreements £000	Total £000
Cost							
At 31 January 2016		–		–	–	–	–
Additions	550	–		–	–	–	550
At 31 December 2016	550	–		–			550
Additions	93	14,504	2,234	592	1,112	445	18,980
At 31 December 2017	**643**	**14,504**	**2,234**	**592**	**1,112**	**445**	**19,530**
Amortisation							
At 31 January 2016	–	–		–	–	–	–
And 31 December 2016							
Charge for the period	–	–	92	49	46	38	225
At 31 December 2017	**–**	**–**	**92**	**49**	**46**	**38**	**225**
Net book value							
At 31 December 2017	**643**	**14,504**	**2,142**	**543**	**1,066**	**407**	**19,305**
At 31 December 2016	550	–	–	–	–	–	550
At 31 January 2016	–	–		–	–	–	–

11) INVENTORY

	2017 £000	2016 £000
Raw materials and consumables	**1,130**	126
Work in progress	**941**	74
Finished goods including goods for resale	**801**	461
Total	**2,872**	661

The replacement cost of stocks approximates to the value at which they are stated in the accounts.

12) TRADE AND OTHER RECEIVABLES

	At 31 December 2017 £000	At 31 December 2016 £000
Trade debtors	**1,466**	427
Other receivables	**2,194**	2,231
Prepayments and accrued income	**508**	472
	4,168	3,130

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

Trade debtors are shown net of provisions of £24,000 (2016: £90,000).

Notes to the Financial Statements CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

12) TRADE AND OTHER RECEIVABLES continued
Trade receivables, are analysed by the currencies of settlement below:

	At 31 December 2017 £000	At 31 December 2016 £000
US Dollars	**1,112**	339
Euros	**354**	88
Trade payables	**1,466**	427

13) RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES
The Group's activities expose it to a variety of financial risks: market risk, specifically interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group'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 Group 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 Group.

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:

	December 2017		
	Fixed rate £000	Floating rate £000	Total £000
Cash and cash equivalents	**15,007**	**1,416**	**16,423**

	December 2016		
	Fixed rate £000	Floating rate £000	Total £000
Cash and cash equivalents	7,654	519	8,173

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

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

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

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

Management of liquidity risk

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

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Cash and cash equivalents		
AA-	**–**	16
A+	**5,092**	–
A	**10,248**	7,654
BBB+	**1,083**	503
	16,423	8,173

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

The capital structure of the Group consists of equity attributable to the owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in note 17 and 18 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	Financial liabilities held at fair value £000	Total £000
At 31 December 2017				
Trade and other receivables	**3,660**	**–**	**–**	**3,660**
Cash and cash equivalents	**16,423**	**–**	**–**	**16,423**
Trade and other payables	**–**	**(1,672)**	**(2,637)**	**(4,309)**
	20,083	**(1,672)**	**(2,637)**	**15,774**

Notes to the Financial Statements CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

13) RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES continued
Financial assets/(liabilities)

	Loans and receivables £000	Financial liabilities at amortised cost £000	Financial liabilities held at fair value £000	Total £000
At 31 December 2016				
Trade and other receivables	2,658	–	–	2,658
Cash and cash equivalents	8,173	–	–	8,173
Trade and other payables	–	(765)	–	(765)
	10,831	(765)	–	10,066

14) TRADE AND OTHER PAYABLES

	At 31 December 2017 £000	At 31 December 2016 £000
Trade payables	**1,519**	618
Taxes and social security	**152**	147
Accruals	**1,108**	1,300
Contingent consideration (of which £635,000 is due after 1 year)	**2,637**	–
	5,416	2,065

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

Trade payables are analysed by the currencies of settlement below:

	At 31 December 2017 £000	At 31 December 2016 £000
Sterling	**262**	150
US Dollars	**963**	332
Euros	**294**	136
Trade payables	**1,519**	618

15) PROVISION

	At 31 December 2017 £000	At 31 December 2016 £000
Deferred tax liability	824	–
	824	–

16) BUSINESS COMBINATION

Acquisition of CellRight Technologies

On 09 August 2017, the Group acquired 100% of the voting equity instruments of CellRight Technologies LLC. This acquisition was made as the first part of the expansion plan for the US group to process in-house human tissue products in the US. The Group anticipated the close relationship between CellRight and Tissue Regenix businesses will be mutually beneficial including shared resources in manufacturing, sales, marketing and accounting.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Net assets	Book value £'000	Adjustments £'000	Fair value £'000
Intangible assets	–	4,374	4,374
Inventory	2,298	(598)	1,700
Property and land	643	237	880
Plant and equipment	1,574	(113)	1,461
Trade and other receivables	448	–	448
Trade and other payables	(551)	–	(551)
Deferred tax liability	–	(953)	(953)
Total fair value	4,412	2,947	7,359
Consideration	23,078	(415)	22,663
Goodwill			15,304

Deferred tax has been calculated on the value of the asset acquired at a US corporation tax rate of 21%.

Fair value of consideration

	£000
Cash	19,945
Contingent consideration	2,718
Total consideration	22,663

Contingent consideration

The Group has agreed to pay the contingent consideration if Gross Revenue during the first year after acquisition equals or exceeds seven million dollars ($7,000,000), in an amount equal to $2,036,201.46.

The Group has agreed to a milestone advance payment of an amount equal to one million dollars ($1,000,000) in addition to the milestone payment earned, if Gross Revenue during the first milestone period equals or exceeds ten million dollars ($10,000,000),

The Group has agreed to pay a second milestone if Gross Revenue during the second annual period equals or exceeds twelve million five hundred thousand dollars ($12,500,000) an amount equal to $2,036,201.46 less the amount of the milestone advance payment, if any.

Notes to the Financial Statements CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

16) BUSINESS COMBINATION continued

Acquisition-related costs

Acquisition costs relating to this transaction amounted to £996,000 and have been disclosed within the exceptional costs in the statement of comprehensive income.

Since the acquisition date, CellRight has contributed £2,166,000 to Group revenues and a profit of £277,000 to Group income. If the acquisition had occurred on 1 January 2017, Group Revenue would have increased by £2,930,000 and Group income for the period would have increased by £702,000.

Measurements of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	*Relief-from-royalty method and multi-period excess earnings method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Inventories	*Net realisable value:* The fair value is determined based on the actual cost of the inventory items.

The trade receivables comprise gross contractual amounts due of £713k, which was acquired with a provision of £265k which was expected to be uncollectible at the date of acquisition to give a net value of £448k.

17) 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 2016	760,124,264	3,801	50,461	10,884	(7,148)	57,998
Issue of shares						
Share options exercised	–	–	–	–	–	–
Total Ordinary shares of 0.5p each as at 31 December 2016	760,124,264	3,801	50,461	10,884	(7,148)	57,998
Issue of shares	400,000,000	2,000	35,682	–	–	37,682
Share options exercised	10,866,660	54	235	–	–	309
Total Ordinary shares of 0.5p each as at 31 December 2017	**1,170,990,924**	**5,855**	**86,398**	**10,884**	**(7,148)**	**95,989**

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

18) MOVEMENT IN RETAINED EARNINGS AND RESERVE FOR OWN SHARES

	Retained earnings deficit £000	Reserve for own shares £000
At 31 December 2016	(46,578)	(831)
Loss for the period	(9,421)	–
Foreign translation movement	(614)	–
Minority Interest	200	–
At 31 December 2017	**(56,413)**	**(831)**

19) 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:

	As at 31 December 2017 £000	As at 31 December 2016 £000
Land and buildings:		
Amounts due within one year	**85**	64
Amounts due between 1 – 5 years	**61**	–
Total	**146**	64

20) 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 ("JOEs"). Subject to meeting the performance criteria conditions set out in the JOEs, 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
FOR THE YEAR ENDED 31 DECEMBER 2017

20) SHARE BASED PAYMENTS 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	SAYE options	Total	
At 31 January 2016	17,087,380	7,456,473	16,940,386		41,484,239	0.0657
Exercised in the period	–	–	–		–	–
Lapsed during period	(160,008)	(1,431,905)	–		(1,591,913)	0.0368
Issued in the period	–	5,094,124	–	1,510,557	6,604,681	0.0507
At 31 December 2016	16,927,372	11,118,692	16,940,386	1,510,557	46,497,007	0.0650
Exercised in the period	(9,180,335)	(1,809,494)	(827,586)	–	(11,817,415)	0.0473
Lapsed during year	(1,408,719)	(3,113,324)	–	(1,419,331)	(5,941,374)	0.0913
Issued in the year	4,863,634	4,868,608	–	1,838,855	11,571,097	0.0965
At 31 December 2017	**11,201,952**	**11,064,482**	**16,112,800**	**1,930,081**	**40,309,315**	**0.0842**

There were 7,499,918 share options outstanding at 31 December 2017 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 December 2017.

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 16,112,800 of the jointly held EBT shares which were eligible to vest as at 31 December 2017. The remaining shares were not eligible to vest because the related employment period conditions and some of the performance conditions under the JOEs 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 benefits received on EBT shares are 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 December 2017	EBT shares Granted year to 31 December 2017	Options Granted year to 31 December 2016
Dividend yield	–	–	–
Expected volatility	46%	–	45%
Risk free interest rate (%)	1	–	0.9
Expected vesting life of EBT shares and options (years)	4	–	4
Weighted average share price (£)	0.0823	–	0.0507

Share options issues under the DAB scheme which are not exercised within 4 years from the date of grant will expire. Any other share options and employee interests in jointly owned EBT shares which are not exercised within 10 years from the date of grant will expire.

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

	Share based payment £000
At 31 January 2016	946
Charge in the period	210
At 31 December 2016	1,156
Charge in the period	30
At 31 December 2017	**1,186**

21) RELATED PARTY TRANSACTIONS

Transactions with key management personnel

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

During the year the Group entered into the following transactions in which the Directors had an interest:

Directors' remuneration:

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

	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Short-term employment benefits	**822**	744

During the year ended 31 December 2017, the Company entered into numerous transactions with its subsidiary company which net off on consolidation – these have not been shown above.

22) CONTINGENT LIABILITIES

The Group has been served notification of IP infringement from LifeNet; this is currently going through the discovery stages and the duration, timing and outcome of this litigation is currently unknown. Should the Company be found liable for the IP infringement (which has not been indicated) it is possible it would have to make a settlement payment, the size and timing of which are unknown due to the early stages of the discovery process.

23) ULTIMATE CONTROLLING PARTY

The Directors believe that there is no ultimate controlling party.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to the equity holders of the Company					
	Share capital £000	Share premium £000	Merger reserve £000	Share based payment reserve £000	Retained earnings reserve £000	Total £000
At 31 January 2016	3,801	50,461	10,884	873	(7,527)	58,492
Total expense and other comprehensive loss for the period	–	–	–	–	(1,701)	(1,701)
Share based payment expense	–	–	–	210	–	210
At 31 December 2016	**3,801**	**50,461**	**10,884**	**1,083**	**(9,228)**	**57,001**
Total expense and other comprehensive loss for the period	–	–	–	–	(1,793)	(1,793)
Issue of shares	2,000	40,000	–	–	–	40,000
Cost of issue of new equity	–	(2,318)				(2,318)
Share options exercised	54	255	–	–	–	309
Share based payment expense	–	–	–	30	–	30
At 31 December 2017	**5,855**	**86,398**	**10,884**	**1,113**	**(11,021)**	**93,229**

Company Statement of Financial Position

AS AT 31 DECEMBER 2017

	Notes	At 31 December 2017 £000	At 31 December 2016 £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	**250**	63
Intercompany loan balance	C5	**64,390**	36,531
Cash and cash equivalents		**15,949**	7,819
		80,589	44,413
TOTAL ASSETS		**93,511**	57,335
LIABILITIES			
Current liabilities			
Trade and other payables	C6	**(384)**	(334)
TOTAL LIABILITIES		**(384)**	(334)
NET ASSETS		**93,127**	57,001
EQUITY			
Share capital	17	**5,855**	3,801
Share premium	17	**86,398**	50,461
Merger reserve	17	**10,884**	10,884
Share based payment reserve	20	**1,113**	1,083
Retained earnings deficit		**(11,123)**	(9,228)
TOTAL EQUITY		**93,127**	57,001

Approved by the Board of Directors and authorised for issue on 26 March 2018.

STEVEN COULDWELL
CHIEF EXECUTIVE OFFICER

Company number: 5969271

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year to 31 December 2017 £000	11 Months to 31 December 2016 £000
Operating activities			
Loss before interest and tax		**(1,837)**	(1,815)
Adjustment for non-cash items:			
Share based payments	20	**30**	210
Operating cash outflow		**(1,807)**	(1,605)
(Increase) in trade and other receivables		**(187)**	(3)
(Decrease)/Increase in trade and other payables		**(52)**	16
Net cash absorbed by operations		**(2,046)**	(1,592)
INVESTING ACTIVITIES			
Interest received		**44**	114
Loan to subsidiary undertaking	C5	**(27,859)**	(10,301)
Net cash used in investing activities		**(29,861)**	(10,187)
FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**37,682**	–
Proceeds from exercise of share options	17	**309**	–
Net cash generated from financing activities		**37,991**	–
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8,130**	(11,779)
Cash and cash equivalents at start of period		**7,819**	19,598
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**15,949**	7,819

Notes to the Company Information

FOR THE YEAR ENDED 31 DECEMBER 2017

C1. Principal accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006 and in accordance with International Financial Reporting Standards as adopted by the EU.

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 period ended 31 December 2017 was a loss of £1,793,000 (2016: £1,701,000).

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

C3. Investment in subsidiary companies

At 31 December 2017, the Company held the following investments in subsidiaries:

		Share of issued capital and voting rights	
Undertaking	**Sector**	**2017**	**2016**
Tissue Regenix Limited	Regenerative medicine	**100%**	100%
TRx Wound Care Limited	Regenerative medicine	**100%**	100%
TRx Orthopedics 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%
Tissue Regenix Orthopedics Inc†	Regenerative medicine	**100%**	100%
Tissue Regenix Holdings Limited	Holding company	**100%**	–
Tissue Regenix Holdings Inc	Holding company	**100%**	–
CellRight Technologies LLC		**100%**	100%
GBM-V GmbH	Regenerative medicine	**50%**	50%

* Held through TRX Wound Care Limited.
† Held through TRX Orthopaedics Limited.

Registered Addresses:
Tissue Regenix Limited, TRX Wound Care Limited, TRX Orthopaedics Limited, TRX Cardiac Limited, TRX Vascular Limited:
Unit 1&2, Astley Way, Astley Lane Industrial Estate, Swillington, Leeds, LS26 8XT.

Tissue Regenix Wound Care Inc, TRX Orthopedics Inc, CellRight Technologies LLC:
1808 Universal City Boulevard, Universal City Texas, 78148.

GBM-V Gmbh:
Wilhelm-Kulz-Platz 3. 18055 Rostock.

Notes to the Company Information

FOR THE YEAR ENDED 31 DECEMBER 2017

C3. Investment in subsidiary companies continued

	31 December 2017 £000	31 December 2016 £000
Cost	**14,707**	14,707
Impairment	**(1,785)**	(1,785)
Carrying value at 31 December 2017	**12,922**	12,922

C4. Trade and other receivables

	At 31 December 2017 £000	At 31 December 2016 £000
Prepayments & accrued income	**42**	39
Other debtors	**208**	24
	250	63

C5. Current assets

	As at 31 December 2017 £000	As at 31 December 2016 £000
Intercompany loans	**64,383**	36,531

A loan of £64,383 was advanced to other subsidiary companies in the period. No interest was payable on the loan and the loan is repayable on demand.

C6. Trade and other payables

	At 31 December 2017 £000	At 31 December 2016 £000
Trade creditors	**91**	58
Taxes & social security	**108**	88
Accruals	**185**	188
	384	334

C7. Critical accounting estimates

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

Investment in subsidiaries and intercompany loans

Investments in subsidiaries and intercompany loans receivable include some that, as is the nature of the business, relate to investments that have not yet reached profitability. Accordingly, where material, recoverability has been tested against value in use by reference to business projections. The assumptions used comprise Board-approved five year business plans, together with terminal growth of 3%, discounted at a weighted average cost of capital estimated at 11%.

Notice of Annual General Meeting

Notice is given that the 2018 Annual General Meeting of Tissue Regenix Group plc ("**Company**") will be held at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY on 24 May 2018 at 10.00 a.m. 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 Auditor's reports for the year ended 31 December 2017.
2. To reappoint Shervanthi Homer-Vanniasinkam who retires by rotation, as a Director of the Company.
3. To reappoint Jonathan Glenn, who retires by rotation, as a Director of the Company.
4. To reappoint KPMG LLP as Auditor of the Company.
5. To authorise the Directors to determine the remuneration of the Auditor.
6. That, pursuant to section 551 of the Companies Act 2006 ("**Act**"), the Directors be generally and unconditionally authorised to allot Relevant Securities:

6.1 up to an aggregate nominal amount of £1,951,652; and

6.2 comprising equity securities (as defined in section 560(1) of the Act) up to a further aggregate nominal amount of £1,951,652 in connection with an offer by way of a rights issue:

6.2.1 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

6.2.2 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, provided that these authorities shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 24 August 2019 (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).

Notice of Annual General Meeting CONTINUED

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

7. That, subject to the passing of resolution 6 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 authority granted by resolution 6 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

7.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

7.1.1 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

7.1.2 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

7.2 otherwise than pursuant to paragraph 7.1 of this resolution up to an aggregate nominal amount of £585,495,

and this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 24 August 2019 (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).

8. 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:

8.1 the maximum aggregate number of Shares which may be purchased is 117,099,024;

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

8.3 the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105% 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 24 August 2019 (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

PAUL BELOW
SECRETARY
2018

Registered office

Units 1 & 2, Astley Way
Astley Way Industrial Estate
Swillington
Leeds
LS26 8XT

Registered in England and Wales No. 05969271

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 6:00 p.m. on 22 May 2018 (or, if the meeting is adjourned, 6:00 p.m. 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 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. The Company's registrar is open between 9:00 a.m. - 17:30 p.m. Monday to Friday excluding public holidays in England and Wales) 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, Link Asset Services PXS 1, 34 Beckenham Road, Beckenham BR3 4TU, no later than 10:00 a.m. on 22 May 2018 (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 Link Asset Services (ID RA10) no later than 10:00 a.m. on 22 May 2018 (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 Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

Notice of Annual General Meeting CONTINUED

Corporate representatives

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

Documents available for inspection

6. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends.

6.1 Copies of the service contracts of the Executive Directors.

6.2 Copies of the letters of appointment of the Non-Executive Directors.

Biographical details of Directors

7. Biographical details of all those Directors who are offering themselves for reappointment at the meeting are set out on pages 22 and 22 of the enclosed annual report and accounts.

Directors and Officers

DIRECTORS

John Samuel	(Chairman)
Steven Couldwell	(Chief Executive Officer)
Jonathan Glenn	(Non-Executive Director)
Alan Miller	(Non-Executive Director)
Randeep Singh Grewal	(Non-Executive Director)
Shervanthi Homer-Vanniasinkam	(Non-Executive Director)

COMPANY SECRETARY

Paul Below

COMPANY WEBSITE

www.tissueregenix.com

COMPANY NUMBER

05969271 (England & Wales)

REGISTERED OFFICE

Unit 1 & 2
Astley Way
Astley Lane Industrial Estate
Leeds
West Yorkshire
LS26 8XT

REGISTRAR

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

AUDITOR

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

LEGAL ADVISER

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

NOMINATED ADVISER AND BROKER

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

TISSUE REGENIX GROUP PLC
UNIT 1 AND 2
ASTLEY WAY
ASTLEY LANE INDUSTRIAL ESTATE
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