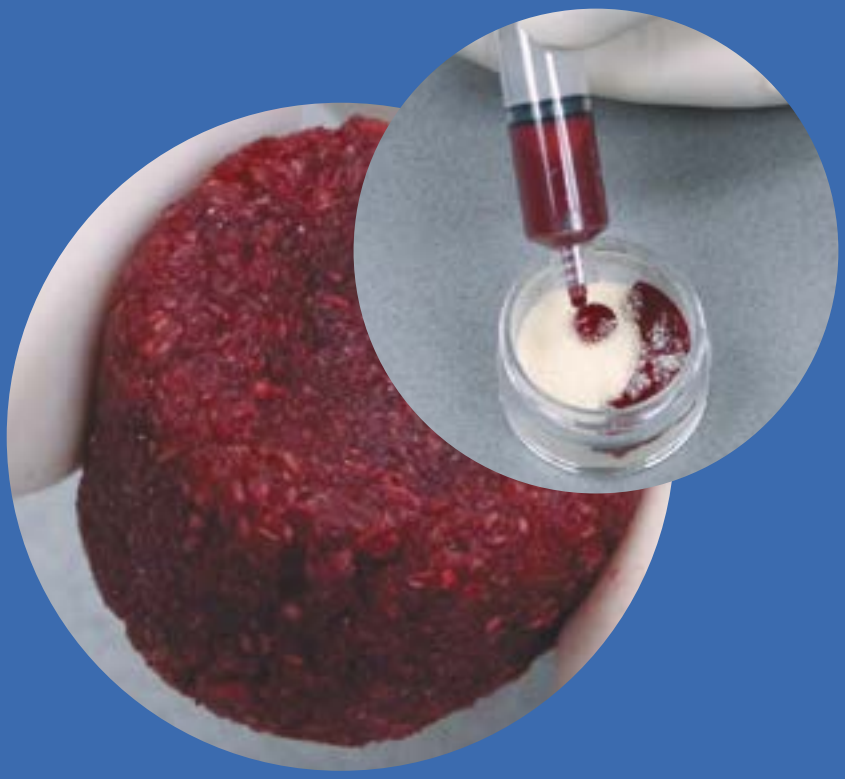
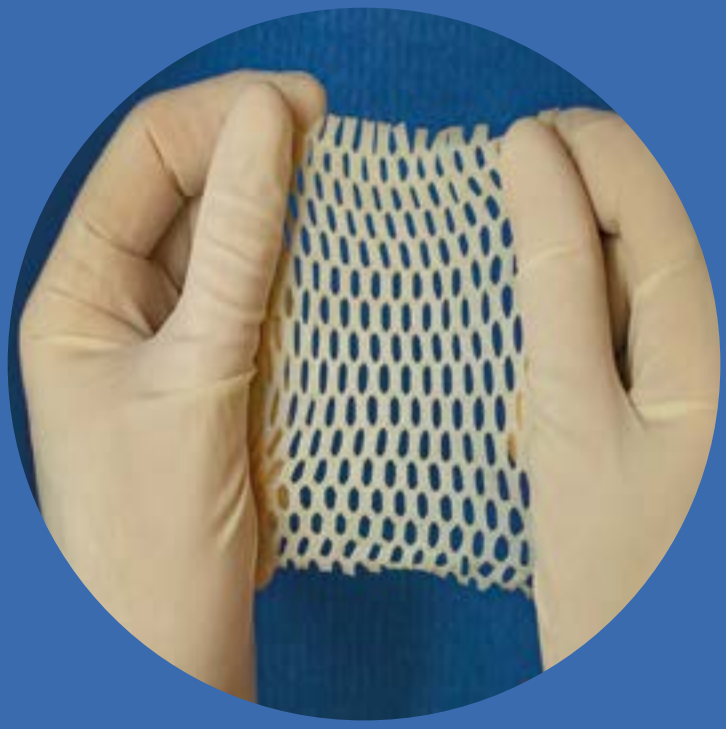
Tissue Regenix
Group plc

Annual Report and Financials

for year ended 31 December 2021





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Business Overview

Tissue Regenix Group plc (AIM: TRX) is an international, pioneering medical technology company in the field of regenerative medicine, focusing on the development of tissue engineering products using our two platform technologies, dCELL®, addressing soft tissue needs, and BioRinse®, providing sterile bone allografts.

We are currently helping to transform the treatment of patients in key surgical applications: BioSurgery, Orthopaedics (sports medicine/spine), Dental, General, Plastic Surgery, Urology/Gynaecology, and Ophthalmology.

More details on our platform technologies are contained below:

dCELL®

Our patented decellularisation (dCELL®) technology removes DNA and other cellular material from animal and human soft tissue leaving an acellular tissue scaffold which is not rejected by the patient's body and can then be used to repair diseased or damaged body parts. Current applications address many critical clinical needs, such as foot and ankle surgery, orthopedics, sports medicine, urological-gynaecological and wound care. This business segment operates primarily under the TRX BioSurgery brand.

BioRinse®

Our BioRinse® technology is primarily utilised to provide a natural bone filler solution, tested for osteoinductivity which can stimulate and regenerate native bone growth. This process has the potential to provide superior clinical outcomes as it contains 100% allograft bone, tested to demonstrate the presence of the key natural bone growth factors, and available in various physical forms. This business segment operates primarily under the CellRight Technologies brand.

The Group's main facility is in San Antonio, Texas, and is used for human tissue and processing dCELL® and BioRinse® products. As part of the Phase 1 expansion, completed in 2021, we relocated facilities designated for distribution and frozen tissue storage as well as adding two clean rooms at the existing San Antonio facility, bringing the total number of clean rooms to seven. We also have facilities in Leeds, UK, for processing porcine tissue and OrthoPure® XT, as well as our controlled joint venture GBM-v in Rostock Germany for our human tissue in the EU.

Chairman's Statement

Introduction

Despite the ongoing challenges posed by the COVID-19 pandemic, in 2021 we saw continued positive momentum in creating long-term sustainable shareholder value. The Group returned to double digit revenue growth, thanks largely to an exceptionally strong performance in the US.

I would like to extend my thanks to the Executive team and all our employees for what has been achieved over the last year. The Group has delivered robust financial and operational performances and ended the period in a strong financial position that supports the current business growth plan.

Clear strategy

Our ambition is to create a commercially focused global regenerative medicine company addressing soft tissues and bone, operating in a high-growth sector with a multi-billion-dollar addressable market. Through its platform technologies, the Group can commercialise its regenerative medicine products, helping to transform the treatment of patients in key surgical applications. The main focus of the Group's strategy is the commercialisation of its product portfolio.

2021 has seen significant delivery of our strategy within our four key areas of focus (Supply, Sales Revenue, Sustainability and Scale), providing clear strategic direction of the Group's ambitions and delivering shareholder value – The following are notable achievements in the period:

- **Accelerated market penetration in the US, the largest healthcare market in the world:**
  - The BioRinse® division performed strongly in 2021, aided by the completion of the first phase of the manufacturing expansion
  - The Group saw a strong comparative sales performance due to its diverse surgical specialties
- **New partnership agreements:**
  - During the year we identified and signed additional opportunities and distribution agreements that target products and therapeutic areas which are complementary to our current processing activities to diversify the Group's sales portfolio further
  - The Group was successful in signing new strategic partners and expanded its customer base following the acquisition of three of the Group's existing strategic partners by larger organisations, where we benefit from greater market penetration
  - The Group also secured additional donor sourcing agreements in the US
- **Phase 1 manufacturing facility expansion in San Antonio, Texas:**
  - Completed on time and on budget
  - The completion of the manufacturing expansion increases the Group's revenue generation potential and processing efficiency as well as providing additional donor storage capacity
- **Reorganisation of US dCELL® divisional operations:**
  - The Group completed restructuring of the operational and commercial activities for the dCELL® division which will provide an opportunity to increase new customer wins as well as increased penetration and upsell of existing accounts
- **Expansion of product portfolio and additional product line extensions:**
  - During the year, the Group successfully launched product line extensions in its dCELL® division; DermaPure® Meshed, VNEW™ and MatrixND™

Chairman's Statement

continued

Board

With confirmation of my appointment as Non-Executive Chairman in February 2021 and other Board appointments announced in the first quarter of 2021, we now have a strong, commercially focused Board and executive leadership in Danny Lee and David Cocke, collectively committed to creating long-term sustainable value and growth of the Group through an increased portfolio offering and market penetration.

In January 2021, Trevor Phillips and Brian Phillips (no relation) were appointed to the Board as Non-Executive Directors. Brian and Trevor bring a wealth of experience particularly regarding operations and corporate development in the life sciences industry and financial management, which have been key in driving the Group's success during 2021. Brian Phillips is Chair of the Audit Committee and Trevor Phillips is Chair of the Remuneration Committee.

Shortly following these appointments in January, David Cocke was appointed CFO of the Group alongside Danny Lee, CEO, based in San Antonio, Texas. David has 30 years' experience in senior finance and operations roles having previously been CFO at Aperion Biologics, Inc. and founding NuPak Medical Ltd. in 1997 which was later acquired by Katena Products, Inc. in 2017.

Financial overview

Trading in the year was robust with a return to double digit revenue growth and in line with management expectations despite the challenges of the COVID-19 pandemic. A particularly strong growth performance was seen by the BioRinse® division aided by the completion of the Phase 1 of the manufacturing expansion project. The Group's cash position at year end supports our current business growth plan.

2022 Outlook

Despite another year with continuing challenges posed by the pandemic and the postponement of elective surgeries across all specialties, we continue to make encouraging progress on our strategy, deliver revenue growth, expand our product portfolio and deliver operational efficiency. Importantly, while we recognise the ongoing challenges of COVID-19, we continue to see strong demand for our products and the Board is optimistic as we see a return to pre-pandemic conditions, this demand will drive sales revenue growth as the Group moves towards profitability.

On behalf of the Board, I would like to thank Danny and David for their excellent leadership along with the rest of our management team and employees for their hard work to achieve a strong recovery despite the external challenges over the year. We would also like to thank our shareholders, our business partners and suppliers for their continued support throughout 2021, and we look forward with optimism for the year ahead.

Jonathan Glenn
Chairman

14 March 2022

Chief Executive Officer's Statement

In my first full year as CEO of the Group, we have established a clear strategy, accelerated market penetration in the US and expanded our customer base and product portfolio whilst increasing our processing efficiency and donor storage capacity. These full year results reflect the progress we have made as we drive towards profitability.

I am pleased to report that the Group performed admirably during 2021 despite the ongoing global challenges posed by the pandemic when hospitals, governments and healthcare providers postponed elective surgeries across all specialties. Despite these challenges we continued to make progress and reinvigorate commercial growth. As our products experienced broader adoption, this growth was supported by the Group's dedicated and resilient employees.

Strategy

The tissue engineering market is anticipated to grow significantly and is projected to reach $6.8bn by 2027, growing at a 14% Compound Annual Growth Rate (CAGR) from 2020 owing to increases in the prevalence of chronic diseases and trauma emergencies, increased awareness of tissue engineering, and potential pipeline products. More detail on our markets and opportunities is contained in the Market Overview on page 12.

In 2021, we announced our 4S strategy as the foundation of how we operate and drive our growth:

- **Supply** – highlighted by the fundamental ability to source donor tissue and having the capacity to produce various graft products
- **Sales Revenue** – to distribute the finished grafts to the clinicians and institutions that need these products to treat patients
- **Sustainability** – to manage sales revenue along with expenses to be a profitable entity that does not need additional external capital to operate
- **Scale** – to utilise the first three S's to continue to invest and grow the business, license or acquire new products, technologies and companies

Our focus on the 4Ss across all divisions and departments provides a 360-degree approach and strategic direction for our future success. We believe this focus will allow the Group to achieve above-market growth rates, as we have demonstrated in 2021 with a 20% growth rate over 2020.

BioRinse® (Bone)

Orthopaedics and dental markets in the US reported a strong performance in 2021 and our 33% year-on-year growth we experienced in 2021 surpassed many others in this space. This is indicative of the continued confidence in our products, strong performance of our distributors and strategic partners, our participation in diverse surgical specialties and the addition of new distributors.

dCELL® (Soft Tissue)

A strategic review was performed on the dCELL® division with the objective of driving increased sales revenue momentum. This review indicated that a flatter, more customer-facing commercial organisation could yield enhanced customer penetration. As a result, we compressed three layers of management into one, pushing our commercial management closer to the end users and sales channel partners. In addition, in January 2021 we restructured the operations of this segment to become more efficient and reduce the overhead cost base by c. $700k on an annualised basis.

As the pandemic continued into 2021, distributors faced numerous challenges with the dCELL® product line due to the postponement of elective surgical procedures. As a result, sales in this division were flat year-on-year. However, the demand for our DermaPure® products increased in the urological/gynaecological sector driven by orders from ARMS Medical, which were up 24% from the previous year.

The EU and its member countries experienced volatility throughout 2021, especially in elective surgeries. OrthoPure® XT, the first non-human biologic graft available to the market, is used in the reconstruction of the Anterior Cruciate Ligament (ACL) and can be used following re-rupture, the reconstruction of other knee ligaments in multi-ligament procedures following trauma, and primary ACL procedures where the autograft is unavailable or inadequate.

In mid-2020 we received the CE Mark for OrthoPure® XT and in November 2020 launched the product into a limited number of European markets. However, the pandemic caused postponement of many elective ACL procedures, so we plan to relaunch in 2022 when more normal conditions resume. We expect to gain market traction in the UK and EU and remain confident that OrthoPure® XT will begin to add revenues in 2022.

The pandemic delayed our plans to expand the geographic outreach of our dCELL® and BioRinse® portfolios into new territories and we anticipate demand for our dCELL® products will resume as surgical procedures return to pre-pandemic levels. In 2022 we plan to establish a logistical partner and distributors in select European markets for our human tissue products which will be made possible by our increased processing capacity.

dCELL® product line extensions

We continued to pursue the commercialisation of products which utilise our core technology platforms, provide product line extensions that are fast to market and address a specific clinical or commercial need.

In 2021 we introduced three new products which utilise our dCELL® technology platform:

- **DermaPure® Meshed;** used to treat wounds where additional surface area coverage and wound drainage is needed (approximately 70,000 procedures in the US per annum) and eliminates time consuming manual meshing in the operating room. Targeted for use by general, plastic and trauma surgeons who treat patients with conditions that result in loss of integumental tissue (skin), requiring replacement, repair, or reconstruction
- **VNEW™**; a pre-cut dermal allograft that can be used in pelvic organ prolapse procedures (approximately 300,000 procedures in the US per annum) which are frequently performed in women post childbirth. ARMS Medical, our exclusive distributor for this product, placed their initial stocking order in August and re-ordered in December
- **Matrix ND™**; a dermal allograft designed for use in dental or oral and maxillofacial procedures for soft tissue repair coverage and augmentation which was developed to meet the need of our dental partners (approximately 400,000 procedures in the US per annum). A dental membrane is frequently used in conjunction with dental bone grafting procedures

Additional product line extensions and product improvements are anticipated during 2022 which will contribute to our organic growth and support the commercial efforts of our organisation and strategic partners.

GBM-v

Our controlled joint venture in Germany, GBM-v, grew 6% in 2021 despite continued impacts from the pandemic on elective procedures, specifically for corneal transplants in Germany. The demand for corneal tissue continues to outpace supply, but the market has been suppressed due to the postponement of elective surgeries with many patients electing to defer to avoid entering healthcare institutions. We expect this growth to continue and accelerate as more normalised conditions return.

New strategic partners and distributors

Despite the challenges of the pandemic, we continued to be successful in securing new strategic partners and distributors and saw a 36% increase in the units shipped in 2021. One partial explanation for this increase in shipments was the consolidation of several of our strategic partners. Three of these were acquired by larger entities that have a more significant presence in the marketplace and importantly more distribution outlets. As an example, one of our BioRinse® customers was acquired in 2021, and orders increased by 142% year-on-year under

the new ownership. We also signed new agreements with four strategic partners and distributors who target specialty markets such as spinal and dental.

Manufacturing facilities

In February 2021, San Antonio experienced an unprecedented snowstorm and freeze which impacted electrical and water services throughout the state of Texas. This temporarily affected our ability to process at the facility in San Antonio, but the power loss did not impact materials in storage in the ultra-low temperature freezers. We were unable to service customer demand the following week as delivery services had also been impacted and had limited capacity. During the weeks that followed, the team worked to catch up with demand and service all our customers. In the future, any impact to the Group due to a power grid failure will be partially addressed through a battery back-up system to be implemented in 2022.

The relocation in October 2020 of our operations in the UK to Garforth, Leeds and reinitiating the processing of the OrthoPure® XT product, required the product to be recertified for the CE Mark. The recommendation for certification of the facility to ISO 13485 was received in February 2021.

In mid-2021 we completed our Phase 1 capacity expansion programme in San Antonio on time and on budget. The Phase 1 expansion comprised of fitting out approximately half of a 21,000 sq. ft. building that is adjacent to our existing facility in San Antonio to provide improvements in key areas: donor storage, processing, production, and distribution.

We moved the bulk of our storage freezer space to the new facility in mid-March and added capacity through the purchase of new, more efficient ultra-low temperature freezers to triple our donor tissue storage capabilities which will meet demand over the next 3-5 years. The expansion also included a new distribution facility which consolidated this function and its personnel to one location. The anticipated labour and time savings in processing orders was realised in 2021 as we increased unit shipments by 36% with only one additional member of staff.

The move of freezer storage and personnel into the new building freed up space for processing and production in the existing facility. Two sterile packaging rooms were added in the existing facility, which brought the total number of clean rooms to seven. The new sterile packaging rooms and installation of additional processing equipment increased our BioRinse® portfolio processing capacity by c.50%. Space created by the move to the new building was also utilised to set up additional workspace for downstream production activities such as final product boxing and labelling.

When the Phase 1 expansion is up and running at full capacity, the Group's revenue generation potential will be c.$30m per year within the existing facility footprint. For Phase 2, it is our intention to build an additional ten clean rooms in the new facility, which will meet our capacity needs for the next 5–7 years as we grow our portfolio, markets, customer base and global presence.

The impact of COVID-19

The pandemic continued to stunt the surgical marketplace when hospitals, governments and health care providers halted elective procedures across all specialties. A partial return to normality occurred in the second quarter of 2021 before the Delta variant affected elective procedures in the third and early fourth quarter of 2021. These disruptions led to unpredictable demand for our products, however a healthy inventory meant we could respond as needed to changes in the marketplace.

We remained diligent at all our facilities and implemented the initiatives and guidelines necessary to minimise disruption. We had already expanded our donor sourcing efforts in 2020 and in 2021 these efforts were further expanded to other tissue processors for the procurement or disbursement of donor tissue. Tissue processors have the responsibility to be the stewards of the gift of tissue donation, so we need to consider all avenues for donor tissue to be utilised in meeting the donor families' wishes.

Chief Executive Officer's Statement

continued

Outlook

Our positive financial performance during such uncertain circumstances has set our trajectory to be even greater in 2022 as the Group and our partners expect to emerge from the pandemic. In 2021 we saw particularly strong growth in BioRinse® and with the completion of the manufacturing expansion we expect this solid performance to continue. As markets start to return to pre-pandemic levels the Group is well positioned to meet the demand now that we have the capacity and inventory in place to do so.

The implementation of a new commercialisation strategy for the dCELL® products is expected to enable greater market penetration and we look forward to increasing sales revenue momentum from this segment as well as our additional product line extensions in 2022.

I am confident in our growth strategy, our products and their potential to benefit patients in what will hopefully be a less unsettled year ahead. With the changes we have made in 2021 the business is well positioned to service our customers and drive shareholder value. I look forward to the continuing success of the Group in the coming year and as we move towards profitability.

Daniel Lee
Chief Executive Officer

14 March 2022

Financial Review

With effect from 1 January 2021, the Group's presentation currency changed from pounds sterling ("£") to United States dollar ("$") as the Directors considered the USD to be more representative of the geography in which the Group primarily operates.

Revenue

In the year ended 31 December 2021 revenue increased by 20% to $19,746k (2020: $16,473k).

The financial performance for the year was impacted at times by the ongoing coronavirus pandemic, as Q1 saw ongoing effects of the initial wave of the pandemic before widespread vaccine rollouts took place in the US, and the Q3 and early Q4 sales were affected by the Delta variant, before rebounding positively in November and December 2021.

The BioRinse® segment performed strongly in 2021, aided by the completion of the first phase of the expansion of the Group's manufacturing capacity in San Antonio, TX. This unit successfully grew top line sales by 33%, to $12,711k (2020: $9,562k) as the BioRinse® division used its strong relationships with strategic partners to take market share in the US.

Revenue from DermaPure®, under the DCell® division, was slower to respond to the easing of the pandemic and associated restrictions with 2021 sales flat at $4,246k (2020: $4,247k).

The Group's joint venture, GBM-v, based in Rostock, increased revenues 5% to $2,789k (2020: $2,664k) despite continued market disruptions from the pandemic that continued throughout 2021.

Cost of sales and gross profit

Gross profit for the year was $8,476k (2020: $7,570k). Gross margin percentage decreased to 43% (2020: 46%). In 2021 the Group transferred certain excess tissues at a reduced margin in order to honour the gift of tissue donation and prudently manage the statement of financial position by reducing slow moving inventory. Those transfers will not recur in future periods. In addition, the Group experienced supply chain driven price increases in the period. A price increase was put in place in the BioRinse® division to address the cost pressures.

Included in costs of sales is cost of product $10,348k (2020: $7,699k) and third-party commissions $922k (2020: $ 1,204k).

Administrative expenses

During 2021 administrative expenses before exceptional items decreased by $351k to $12,574k (2020: $12,925k).

Exceptional items

Exceptional items decreased by $7,969k to $355k primarily driven by the impairment charge in 2020 (2020: $8,324k). Restructuring costs of $52k related to a redundancy in the Central segment were charged in the year.

Restructuring costs of $183k were charged to the DCell® division as a result of a restructuring of that division in January 2021.

The February 2021 winter storm event in Texas resulted in a charge of $120k at the BioRinse® division relating to non-productive time and spoilage.

Finance income/charges

Finance income of $3k (2020: $3k) represented interest earned on cash deposits. Finance charges for the year were reported at $692k (2020: $571k) and related primarily to interest charges and associated costs for the MidCap loan arrangement.

Financial Review

continued

Loss for the year

The loss for the year was $4,985k (2020 loss: $12,465k) resulting in a basic loss per share of (0.07 cents) (2020 loss: 0.28 cents).

Taxation

The Group continues to invest in developing its product offering, and as such is eligible to submit enhanced research and development tax claims, enabling it to exchange tax losses for a cash refund. In the year to December 2021, a refund of $534k was receivable (2020: $1,120k). The year-on-year reduction was a result of the business continuing to move its resources away from research and development to more commercial activities.

Corporation tax payable in the US amounted to $0k (2020: $0k). A corporation tax credit of $157k (2020: $684k) was recognized in the period. Gross tax losses carried forward in the UK were $73,643k (2020: $69,399k). The Group does not currently pay tax in the UK. A deferred tax asset has not been recognised as the timing and recoverability of the tax losses remain uncertain.

Statement of Financial Position

At December 2021, the Group had net assets of $33,392k (2020: $37,817k) of which cash in hand totalled $7,709k (2020: $12,968k).

Inventory remained stable at $9,719k (2020: $9,604k) as the BioRinse® and DCell® segments managed stock levels closely to increase inventory turnover while also keeping adequate stock levels to meet customer demand.

Intangible assets increased slightly to $15,064k (2020: $14,845k) in the year. A further $497k of development costs were capitalised in the year. The balance of movements in this account relate to amortisation.

A full impairment test was performed on each of the Group's CGUs to determine whether the property, plant and equipment, right-of-use, or intangible assets have suffered an impairment loss. This assessment resulted in no indication of impairment and no charges were recognized for the year.

Working capital increased slightly in the year to $9,700k (2020: $9,992k), driven by an increase to inventory from continued growth in manufacturing activities. The statement of financial position included corporation tax receivable of $534k (2020: $1,120k) in respect of UK research and development tax credits.

Borrowings/Lease liability

Non-current liabilities include the $4,465k debt facility through MidCap and the $3,072k lease liability related to the Group's leasehold in San Antonio, TX (2020: $3,788k and $3,084k respectively). The MidCap debt facility includes $2,000k of the term loan and $2,465k of the revolving credit facility, net of $184k of capitalised debt issue costs. More information on these obligations is provided on page 63.

Dividend

No dividend has been proposed for the year to 31 December 2021 (2020: Nil).

Accounting policies

Following the departure from the EU, the Group's consolidated financial information has been prepared in accordance with UK adopted international accounting standards (UK adopted IAS). The Group's significant accounting policies, which have been applied consistently throughout the year, are set out on pages 43 to 50.

Going concern

The Group financial statements have been prepared on a going concern basis based on cash flow projections approved by the Board for the Group for the period to 31 December 2023 (the "Cash Flow Projections"). Funding requirements are reviewed on a regular basis by the Group's Chief Executive Officer and Chief Financial Officer

and are reported to the Board at each Board meeting, as well as on an ad hoc basis, if requested. The Cash Flow Projections show that the Group will continue to consume cash over the forecast period. Until sufficient cash is generated from its operations, the Group remains reliant on cash reserves of $7.7m at 31 December 2021 and the ongoing support of MidCap Financial Trust ("MidCap") (borrowings of $4.5m at 31 December 2021) to meet its working capital requirements, capital investment programme and other financial commitments. Repayment on the MidCap borrowings is scheduled to begin in July 2023.

The COVID-19 pandemic continued to affect most healthcare businesses in 2021, as the emergence of the Delta and Omicron variants extended the timeline for a return to normal healthcare procedure volumes. Given the uncertainty around the level and duration of disruption from COVID-19, it is difficult to determine how long the current situation may last, and the time taken to catch-up any postponed surgical procedures thereafter.

However, the Board, in compiling the Cash Flow Projections, has considered a downside scenario regarding the effect of reduced and delayed revenues due to COVID-19 and has undertaken market soundings regarding the likely timeframe for the recommencement of procedures. It has concluded that there will not be a significant long-lasting impact on the ability of the business to carry out its commercial activities. The Cash Flow Projections prepared by the Board, including the downside scenario, indicate that the Group will still have cash reserves at the end of the forecast period. The Group's Cash Flow Projections also assume that the MidCap facilities are available throughout the forecast period as the repayment is not due to start until H2 2023. The availability of these facilities is dependent upon compliance with a rolling twelve-month revenue covenant which is measured on a monthly basis. The Cash Flow Projections indicate compliance with this covenant throughout the forecast period. In summary, the Directors have considered their obligations in relation to the assessment of the going concern basis for preparation of the financial statements of the Group and have reviewed the Cash Flow Projections. On the basis of their assessment, they have concluded that the going concern basis remains appropriate for use in these financial statements.

Subsequent development

In January 2022 the Group elected to exercise its option to increase its current revolving credit facility from $3.0m to $5.0m. Although this financing is not dictated by the current business plan, which is fully funded by the Group's year end cash position, the additional liquidity is a prudent measure to provide additional cash resources in the face of future risks posed by COVID-19.

Future development

The emergence of the Omicron variant in late 2021 has caused disruptions in the US healthcare system and supply chains worldwide. Although Omicron appears to have milder complications than prior variants, it remains difficult to predict at what pace a return to pre-pandemic procedural levels will occur.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on page 12.

Cautionary statement

The strategic report, containing the strategic and financial reports of the Group contains forward-looking statements that are subject to risk factors associated with, amongst other things, economic and business circumstances occurring from time to time within the markets in which the Group operates. The expectations expressed within these statements are believed to be reasonable but could be affected by a wide variety of variables beyond the Group's control. These variables could cause the results to differ materially from current expectations. The forward-looking statements reflect the knowledge and information available at the time of preparation.

David Cocke
Chief Financial Officer

14 March 2022

Market Overview

Regenerative Medicine

Regenerative medicine is an interdisciplinary field which focuses on providing safe and reliable ways to repair, restore, or replace damaged tissues or organs. Tissue engineering is one of the main components of regenerative medicine. Tissue engineering applies principles of engineering and life sciences towards development of biological substitutes that restore, maintain, or improve tissue function. For this process, cells and biomolecules are combined with scaffolds. Scaffolds are artificial or natural structures that provide the foundation for the cells and biomolecules. Our products and technologies enable the Group to participate in the key areas of tissue engineering: scaffolds and biomolecules.

Global tissue engineering market

The tissue engineering market is anticipated to grow significantly and is projected to reach $6.8billion by 2027, growing at a 14% CAGR from 2020 owing to increases in prevalence of chronic diseases and trauma emergencies, rise in awareness related to tissue engineering, and potential pipeline products (source: https://reports.valuates.com/market-reports/ALLI-Auto-1B403/tissue-engineering). Furthermore, growth in the number of R&D activities coupled with the rise in awareness of tissue engineering in emerging economies are expected to support the market growth.

Principal risk and uncertainties

The Directors continually identify, monitor, and manage the risks and uncertainties of the Group. The Group maintains a comprehensive risk register that is regularly reviewed by the Board as part of these risk management responsibilities. Risk is inherent in all businesses and the Group acts to manage these risks. Set out below are certain risk factors which could have an impact on the Group's long-term performance and mitigating factors adopted to alleviate these risks. This list does not purport to be an exhaustive summary of the risks affecting the Group.

Commercial

Competition risk

Should there be a competitive product that outperforms one of the Group products we could lose customers and distribution opportunities. Should a competitor bring a product to market before us they could potentially have an advantage in gaining market share. We continually monitor the commercial and competitive landscape and look to stay ahead of the trend with innovative product development and line extensions. The Group works with partners to identify potential market opportunities. The Group also collects post-marketing clinical data to ensure that the product offering remains differentiated.

Customer Concentration

The Group has a number of key customers, however, should the Group be overdependent on a single customer and not maintain a diversified customer base, it could become exposed if that customer reduced their ordering pattern or move their business elsewhere. In this case, the Group could be subject to material sales revenue losses and also experience an excess of inventory that had been processed in line with expectations. The Group continues to augment its product portfolio with line extensions and new product launches providing diversified clinical applications. During 2021, the Group introduced three new products as line extensions for the dCELL® segment. The Group is able to reduce this risk with distribution of its products into multiple disciplines and in some cases with multiple customers in the same discipline and with a hybrid of strategic partners, distributors as well as direct sales.

Operational

Human resources

The Group has a high level of reliance on the skills and knowledge of its management and employees, many of whom have considerable sector experience or other specialist expertise, making them attractive to competitors and not always easy to replace. As the business continues to scale and to expand its market presence, our requirements for high-calibre people continue to increase. The loss of key staff could potentially weaken the Group's operational/management capabilities, potentially impeding its ability to grow or maintain

efficient operations. To mitigate this risk, the Group maintains competitive incentive and reward structures which are benchmarked against industry standards. The compensation levels are designed to be attractive to existing employees and enable us to continue to attract high quality applicants for new roles. As a regulated business, we have clearly defined roles and responsibilities, supported by documented systems and procedures, to provide a level of continuity in the event an employee leaves the Group. Finally, suitable legal agreements are in place with management and employees to include necessary confidentiality and non-compete clauses.

Tissue supply
As our products are based around human and animal tissues, failure to source good quality, ethically handled tissues could result in the inability to produce products in line with specifications and therefore incur lost sales revenue, reputational damage, customer dissatisfaction and potential regulatory breaches. To address this risk, we have an experienced donor services department in the US who has expanded the number of donor agencies that we work with in the US, whilst in the UK we have two suppliers for the required porcine tissues. All suppliers are comprehensively qualified to meet the Group's internal standards and those imposed by third party moderators.

Manufacturing capacity
Our commercial strategy is built around the establishment of successful strategic and distribution partnerships, which increase the demand on our production and manufacturing capabilities. If we are unable to expand in line with this demand this could result in a loss of business through customer dissatisfaction and reputational damage. To address this potential constraint, the Group completed a capacity expansion in H1 2021 which provides a c.50% increase in processing capacity. In addition, the group has a outsource agreement in place covering a portion of the dCELL® segment's production requirements.

Finance and IT

Finance
We require investment into our working capital and infrastructure to bring our product portfolio to market and service the increasing demand from our current and future customers. Without this, the Group will be unable to deliver the anticipated future revenue growth. The equity fundraise in June 2020 provided both investment and working capital, which is expected to fund the Group to profitability, however, the ongoing impact of COVID-19 on elective surgeries has, and may continue to, alter the timeline to profitability. The Group has elected to increase its revolving credit facility from $3.0m to $5.0m, which can provide non-dilutive financing. To the extent that additional funds are required, there are no assurances that these funds could be raised, and if they could, if those terms would be non-dilutive to current shareholders. To address these risks, the Board has oversight of all significant cash spends and a well-established control environment, which includes internal forecasting, monthly reporting and approval limits on all purchase orders. In order to maintain the cash position, the Company reviews business priorities and demands to ensure that funds are invested in the most appropriate manner to deliver a return on investment and grow the business.

Information technology
The Company is reliant upon information systems in all aspects of its operations. Any failure of systems could impact the Group's ability to process and distribute products, lead to a data security breach, loss of financial information and have potential financial implications. The Group was subject to a cyber security incident in January 2020. No ongoing material impact to the business was experienced, however, processing and production was temporarily halted at the San Antonio facility while the restoration and testing of systems was completed. The Group has since upgraded its IT service providers and implemented additional security procedures. These procedures are continually reviewed and updated as required. The Group has an established disaster recovery plan and ensures that secure backups are held off-site in case of a breach. Finally, a global cybersecurity insurance policy has been put in place to help offset the financial impact of a future breach.

Market Overview

continued

Clinical/Regulatory

Product liability risk
Should a product fail upon implantation or incur an adverse reaction due to the product properties, the Group would be at risk of legal action, potential loss of sales revenue through product retraction from the market and reputational damage. To address these risks, before commercialisation, a series of quality assurance, clinical and safety checks are run dependent on the nature of the product and comprehensive training is provided. In addition, the Group maintains quality management systems which are compliant with the local markets in which we operate. Product liability insurance is in place in case of adverse events.

Licensure/Accreditation
As the Group operates in a highly regulated environment, the loss of a license to manufacture or sell products within a territory would result in reputational and financial damage to the Company. The Group employs regulatory experts and consultants for each territory in which manufacturing takes place, or where the Group looks to navigate a regulatory clearance for a product. The Group maintains quality management systems and has a track record of positive feedback following external audits and operates in established controlled environments to minimize potential process variations.

Impact of regulatory changes
In line with licensure and accreditation, the Group operates in a highly regulated environment. Biologics is an area of high growth and additional regulatory standards and requirements are subject to change in any market in which we participate. Internally and with the help of regulatory experts, we seek to understand and review our compliance with any pending regulatory changes. As an example, May 2021 marked the end of the discretionary compliance and enforcement Policy for Certain Human Cells, Tissues, or Cellular or Tissue-based Products (HCT/Ps) by the U.S. Food and Drug Administration. This did not require any changes for our Group at this time.

Political and economic risk
Group performance could be adversely impacted by factors beyond our control such as the economic conditions in key markets and political uncertainty. The macroeconomic climate and continued uncertainty surrounding the impact of Brexit on the UK economy and the US political and economic landscape could negatively affect the Group's ability to commercialize its products. An economic downturn, fiscal or monetary policy changes, or unexpected developments linked to worsening economic conditions may have a negative impact on sales revenue and profit. The Group monitors macroeconomic developments to ensure that it responds swiftly as they materialise.

COVID-19

The global economy continues to face uncertainty due to the COVID-19 pandemic, which has, and may continue to have, a significant impact on global healthcare procedures, supply chains, capital markets and commodity prices as well as effects at the Group level with respect to staffing shortages and supply shortages. In 2021 the Group remained flexible and proactive in responding to and addressing its needs by enacting enhanced virus safety protocols and expanding its supply chain while still growing the sales line.

Financial risk management

The Group has instigated certain risk management policies covering financial assets and liabilities which are set out in note 17 to the financial statements.

Market Overview

continued

Key performance indicators

The Group's KPIs include a range of financial and non-financial measures. The Board considers the main financial KPIs for the Group to be sales revenue growth and cash resources (see Chief Executive Officer's operational review on page 5). The Board also considers non-financial KPIs such as new distribution agreements signed, measuring clinical data collection, new account wins, improving the product development portfolio, and increasing manufacturing capacity and supply.

Section 172 statement

The Directors acknowledge their duty under S.172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard (amongst other matters) to:

the likely consequences of any decision in the long term. The Group's long-term strategy is outlined on page 1 of this report. The principal risks and uncertainties are discussed on page 12 of this report. Throughout the year, management and Directors look to meet with, and update, institutional and retail investors through a variety of platforms, whether it be by face-to-face meeting, telephone conversation, annual general meeting, retail investor forum, website, social media, or news announcements. Key topics of engagement for investors throughout the year were around: The changes to the Executive management team, changes to the Non-Executive Directors, completion of the Phase 1 expansion in the BioRinse® segment, the response and implications of the ongoing COVID-19 pandemic, and full year and interim financial results and reports.

the interests of the Group's employees. The long-term success of the Group is built around our highly skilled and experienced workforce. Our technicians are highly specialised, and we have world class processing and development expertise at all facilities. We look to create an environment where all employees can excel and value both practical experience as well as academic qualifications. We believe in investing in our workforce to maintain a low turnover rate and build an agile and adaptive workforce who can successfully navigate the ever-evolving industry landscape to maintain our competitive positioning. We support employees with further education and qualifications and provide a remuneration and benefits framework that supports a healthy work/life balance and is competitive with industry standards. Key topics of engagement for employees throughout the year were around: the response to the ongoing COVID-19 pandemic and the completion of the capacity expansion project in San Antonio.

the need to foster the Group's business relationships with suppliers, customers and others. Suppliers are fundamental to the Group's ability to source high-quality raw materials and ethically sourced and handled tissues. We look to partner with suppliers who can augment our internal capabilities and build long-term relationships. Key topics of engagement for suppliers throughout the year were around: The implication of the COVID-19 pandemic, availability of supplies, and any variances to payment practices. In addition, relationships with donor sources were expanded to include tissue types not commercially distributed by the Group, thereby maximizing the gift of tissue donation. With respect to customers, they include prestigious key opinion leaders whose expertise assists with driving the clinical discussion around the differentiating properties of our product portfolio. This type of engagement and clinical advocacy is crucial as we work to grow our clinical data portfolio, improve product and brand recognition and increase the number of patients who can benefit from our portfolio. The needs of customers of the dCELL® division were considered in its reorganisation strategy, as the new approach puts commercial management closer and therefore more responsive to customer needs. Key topics of engagement for customers and opinion leaders throughout the year were around: changing practices and expectations regarding performance of our clinical solutions and new product development opportunities.

the impact of the Group's operations on the community and the environment. The Board is mindful of the potential social and environmental impacts of the Group's activities. The Board is committed to minimising the environmental effect of the Group's activities wherever possible and seeks rigorous compliance with relevant legislation. More discussion on the Group's environmental initiatives is contained in the Corporate Governance Statement on page 21. The Group also looks to engage with the local communities and support relevant charities wherever possible.

the desirability of the Group maintaining a reputation for high standards of business conduct. Our intention is to behave in a responsible manner, operating within the high standard of business conduct and good corporate governance, as highlighted in the Corporate Governance Statement on page 21.

the need to act fairly as between members of the Group. The Group's intention is to behave responsibly towards all its shareholders and treat them fairly and equally, so that they too may benefit from the successful delivery of the Group's strategic objectives. The Group's website https://www.tissueregenix.com. has a section dedicated to investor matters that details, amongst other things, all financial reports, press releases and other regulatory filings.

The Strategic Report on pages 3 to 16 was approved by the Board on 14 March 2022

On behalf of the Board

Daniel Lee
Chief Executive Officer

14 March 2022

Governance

Management team

We have a senior management team with extensive experience in the healthcare industry. They are challenged and supported by an experienced and well-balanced Board of Non-Executive Directors, together with the teams of employees that they lead.

Daniel Lee
Chief Executive Officer (CEO)

Daniel Lee has 30 years' experience in the medical device and biologics industry, ranging from product innovation to commercialisation to corporate management. Daniel was appointed CEO in November 2020 after initially joining the Group as President of U.S. Operations in January 2019. Prior to this, Danny was the Chief Executive Officer for Scaffold Biologics and Aperion Biologics. His previous senior management roles include global marketing for OsteoBiologics (acquired by Smith & Nephew Endoscopy in 1996) and marketing activities for Regeneration Technologies (now RTI Surgical), a leading allograft tissue processor.

Danny spent the first 10 years of his career in R&D with the U.S. Surgical Corporation (now Medtronic). Danny received his B.E.S. degree in Materials Science and Engineering from the Johns Hopkins University, and his M.S. in Biomedical Engineering from the University of Alabama at Birmingham. He has 13 patents on implants and instruments used in orthopaedic and general surgery.

Danny is also a Certified Tissue Bank Specialist (CTBS) from the American Association of Tissue Banks (AATB).

David Cocke
Chief Financial Officer (CFO)

David Cocke has 30 years of experience in the medical device industry holding senior finance and operations positions. In 1997, David was a founding partner of NuPak Medical, Ltd., an ISO-certified contract manufacturer of sterile disposable medical devices. NuPak Medical, Ltd. was acquired by Katena Products, Inc. in 2017 and David remained with the business post-acquisition until joining the Group in January 2021. David was also Chief Financial Officer at Aperion Biologics from 2008-2017. Prior to this, David was Senior Director for Finance and Operations at Kinetic Concepts from 1993-1996.

David began his career in the corporate finance sector, working at GE Capital in its Corporate Finance Group and at Salomon Brothers Inc in its Investment Banking Group.

David received his B.B.A in Business Honors (magna cum laude) from the University of Texas at Austin and his M.B.A from the University of Virginia's Darden Graduate School of Business Administration. He has two patents covering medical devices.

Gerald Sharpe
Vice President – Strategic Partnerships

Gerald Sharpe has over 11 years' experience in the orthobiologics industry, working for two differentiated allograft tissue processors. His focus is commercialisation and business development. He joined CellRight Technologies as Regional Sales Manager in September 2014, before being appointed as Vice President - Strategic Partnerships in January 2019. Gerald is proficient in the spine, sports medicine, foot and ankle, dental, and ocular markets of the business.

Prior to joining CellRight, Gerald was Regional Sales Manager and Director of Client Services for TissueNet. His previous sales roles include Vice President of Business Development for SolomonFX.

Gerald received his Bachelor of Science degree in Marketing from the University of Central Florida.

Christine Rowley
Technical and Operations Director, UK

Christine has over 17 years' experience in the medical device biologics industry, joining Tissue Regenix in 2010. She has worked in all areas of product development and commercialisation, and has led the development of the OrthoPure® XT device from product feasibility through to market approval and launch. Christine's experience covers a wide range of activities, including new product development, process optimisation and design transfer, design verification and validation, clinical trial design and execution, regulatory submissions, and quality control, almost exclusively working with class III xenograft implants.

Christine has held leadership roles within the product development, regulatory, clinical and quality sectors, and has achieved market clearance of xenograft medical devices in multiple countries worldwide. Christine has several patents associated with the decellularisation and manipulation of collagenous tissues for potential health care benefits. Christine has a Bachelor of Science degree in Biological Sciences from the University of Exeter (UK).

Tina Trimble
VP, Donor Services, US

Tina Trimble has over 30 years of tissue banking industry experience and joined CellRight Technologies as VP, Donor Services in March 2019. Tina has worked with other tissue banks in leadership roles such as Community Tissue Services, Regeneration Technologies, Tutogen Medical and most recently, Bone Bank Allografts.

Tina is a Certified Tissue Bank Specialist, and currently serves on the American Association of Tissue Banks (AATB) Exam Committee, American Board of Accredited Tissue Banks, Birth Tissue Council and most recently on the AATB Board of Governors from 2018-2020 and Chair of the Processing and Distribution Council. Prior to that, Tina served on the AATB Accreditation Committee, VC Processing and Distribution Council, Education and Program committees and is currently a member of AORN and ASQ.

Lance Johnson
VP, Quality and Regulatory, US

Lance Johnson has over 30 years' experience in FDA Requirements and Quality Systems. His experience includes over 10 years at the executive level for primarily class III medical device implant companies. Prior to joining CellRight Technologies as VP, QA/RA, Lance was the Vice President of Quality for EndoStim Inc, an active implant device manufacturer located in Austin, TX. Lance also worked in the xenograft device industry as VP of Quality for Aperion Biologics, and in the orthopedic spine industry as Quality Manager for Zimmer Spine and Abbott Spine.

In addition to his industry experience, he spent 16 years as an active investigator with the FDA. Lance specialised in medical device compliance and worked in both the San Francisco and Dallas districts.

He spent 12 years as the resident in charge of the Austin, Texas field office and as contributor to the FDA international cadre.

Lance received his Bachelor of Science degree in Biotechnology from Oklahoma State University.

Kirsten Lund
Group Finance Director and Company Secretary

Kirsten Lund brings over 11 years of finance experience to the company and was promoted to the position of Group Finance Director in November 2019 after three years as Group Financial Controller. Kirsten has supported the CFO, led the finance teams in both the UK and US, and advised the Board on all financial matters relating to the Group. Starting January 2022 Kirsten has transitioned into the position of EMEA Director and works closely with the management team to help drive forward the strategy of the business into new markets. Utilising the knowledge acquired over the years in the healthcare sector, Kirsten provides invaluable experience and understanding around the Company structure and routes to market.

Kirsten received her Bachelor of Science degree from the University of Derby and successfully completed the ACCA qualification after joining Tissue Regenix in 2010, qualifying in 2015.

continued

Patti Gary
VP, Clinical Affairs

Patti J. Gary has nearly 30 years of experience in the medical device and tissue industry. Her experience provides a unique combination of sales and clinical roles. She joined Tissue Regenix as Senior Director of Clinical Affairs in July 2013, before being appointed to VP of Clinical Affairs in March 2015.

Prior to joining Tissue Regenix, Patti was Sales Director for PolyRemedy. Her previous roles include Professional Education Manager, Corporate Healthcare Director and Director of Clinical Services for Systagenix (acquired by Acelity). Prior to Systagenix, Patti was Post-Acute National Accounts Director and District Sales Manager for Acelity. Her journey in industry began at Hill-Rom as an Account Manager. Patti was also the owner and President of Positive Outcomes, Inc. where she developed clinical and financial tools (HealQuest, HealPROtocols and Healware) to drive standardized processes for wound management. HealPROtocols was acquired by Acelity. Her depth of knowledge spans clinical, regulatory, reimbursement and sales, all of which have contributed to her success. Patti is a Registered Nurse and a Certified Wound Care Nurse. She graduated from Louisiana State University Health Sciences Center School of Nursing.

Board of Directors

Jonathan Glenn
Non-Executive Chair

Jonathan was most recently CEO of Consort Medical from December 2007 until its acquisition for £505m by Recipharm AB in early 2020. Jonathan originally joined Consort Medical as Group Finance Director from September 2006 to December 2007, and prior to this, 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. Jonathan is a member of the Institute of Chartered Accountants in England and Wales. Jonathan joined the group in January 2016. He serves on the Audit Committee.

Daniel Lee
Chief Executive Officer
(see details in Management Team above)

David Cocke
Chief Financial Officer
(see details in Management Team above)

Shervanthi Homer-Vanniasinkam
Non-Executive Director

Shervanthi Homer-Vanniasinkam graduated in medicine from Mysore University Medical School in India, and is a Fellow of both the Royal College of Surgeons of Edinburgh, and the Royal College of Surgeons of England. She was appointed Consultant Vascular Surgeon at Leeds General Infirmary in 1995, a post she continues to hold. Her concomitant posts include: Founding Co-Director of the novel medical undergraduate scholarship programme, EXSEL@Leeds; Founding Professor of Surgery, University of Warwick Medical School & University Hospitals Coventry and Warwickshire; Professor of Engineering & Surgery, University College London. Professor Homer-Vanniasinkam joined the group in June 2016. She serves on the Remuneration Committee.

Professor Homer-Vanniasinkam has published over 100 papers and book chapters, delivered over 300 presentations, and has a significant research grant portfolio (several £m, to date). She has an outstanding track record of national (Universities of Leeds, London, Warwick) and international (Harvard, Yale, Singapore, India) collaborative research programmes that encompass basic, translational and clinical studies. Professor Homer-Vanniasinkam is currently a Visiting Scholar at Harvard University and the Yeoh Ghim Seng Visiting Professor of Surgery at the National University of Singapore.

Trevor Phillips
Non-Executive Director

Trevor Phillips is the current Chairman of the Board at NEPeSMO and has extensive experience in the UK and US in corporate development, M&A and operations in the pharmaceutical and life science industries, including previously held positions as Executive Chairman of hVIVO (2017-2020), Chief Operating Officer for Vectura Group plc (2011-2017) and former CEO and COO of Critical Therapeutics, Inc. (2002-2008). Trevor holds a BSc, Microbiology from the University of Reading, a PhD, Microbial Biochemistry from Swansea University and an MBA from Henley Business School. Trevor joined the group in January 2021. He is Chair of the Remuneration Committee and also serves on the Audit Committee.

Brian Phillips
Non-Executive Director

Brian Phillips is an entrepreneurial investment professional with over 25 years' experience. Brian is the current Principal of Ethos partners which he co-founded in 2018 to assist individuals in establishing a portfolio of assets under private equity investments. Prior to this, Brian was Chief Investment Officer at Greenhill Capital Partners Europe LLP where he was responsible for setting up their UK business (2006-2010) and Managing Director of LGV Capital (2000-2006). Brian holds a B.Acc from Glasgow University and qualified as a Chartered Accountant with KMPG. Brian joined the group in January 2021. He is Chair of the Audit committee and also serves on the Remuneration Committee.

Corporate Governance Statement

The Board believes in the importance of good corporate governance and is aware of its responsibility for overall corporate governance, and for supervising the general affairs and business of the Company and its subsidiaries.

The Group is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. AIM-listed companies are required to apply a recognised corporate governance code. The Group applies the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The Board considers that it has complied with the QCA Code throughout the year. This section provides general information on the Group's adoption of the QCA Code.

Our strategy and business model and approach to risk

Through our platform technologies, we commercialise regenerative medicine products, helping to transform the treatment of patients in key surgical applications. We aim to implement a business model that ensures our product portfolios have the market reach to deliver novel tissue engineering solutions to patients.

In 2021, we announced our **4S strategy** as the foundation of how we operate and drive our growth:

- **Supply** – highlighted by the fundamental ability to source donor tissue and having the capacity to produce various graft products
- **Sales Revenue** – to distribute the finished grafts to the various patients, clinicians and institutions that need these products to treat patients
- **Sustainability** – to manage sales revenue along with expenses to be a profitable entity that does not need additional external capital to operate
- **Scale** – to utilise the first three S's to continue to invest and grow the business, license or acquire new products, technologies and companies

Our focus on the 4S's across all divisions and departments provides a 360-degree approach and strategic direction for our future success. We believe this focus will allow the Group to achieve above-market growth rates.

The Board carefully considers the strengths, weaknesses, opportunities and risks facing the Group, and endeavours to minimise the impact of weaknesses and risks by employing the necessary mitigating actions. We process tissues at our facilities in the UK, Europe and North America. The Group has an experienced and dedicated management and scientific team, and the prominent risks facing the Group are kept under review and updated as necessary; the Board ensures to review a detailed risk matrix on a rolling basis as part of the formal Board meetings. Details of risks identified are set out on pages 12 to 14 of this report.

The Group maintains a central finance team, with three team members based in the UK and three in the US. The Group seeks to operate consistent accounting policies and engages annual external audits from professional auditors of its financial results and reports, findings from which are presented to the Board. The Board review monthly financial reports including key performance indicators provided by the CFO in respect of the management of cash within the business and review against budgets and forecasts. The Group also has a number of operational controls that all employees are expected to adhere to including management structure, Board reserved matters, financial monitoring, internal policies, codes of conduct and training, health and safety monitoring and IT controls. The regulatory and quality teams at each facility maintain a comprehensive quality management system with each employee having a personal training record. As noted above, the Group regularly audits its suppliers to ensure that the highest ethical standards are maintained. In respect of its intellectual property rights, the Group engages a professional patent and trademark attorney to monitor its intellectual property portfolio.

Board of Directors

The Board is responsible for leading and controlling the activities of the Group, with overall authority for the management and conduct of the Group's businesses, together with its strategy and development. Annual strategy meetings are held wherein management and the Board interact to review performance and set strategic and operational plans for the coming year. For more information on our Board of Directors, see page 20.

Composition of the Board

The Board is comprised of three independent Non-Executive Directors, the Non-Executive Chairman, and two Executive Directors, the Chief Executive Officer and the Chief Financial Officer; reflecting a blend of different experiences and backgrounds. The function of the Chairman is to supervise and manage the Board and to ensure its effective control of the business. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities as a public company, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making. There is a clear division of responsibility between the Chairman and CEO position, with the Chairman advising and leading the Board, as well as making himself available to meet with shareholders. The CEO is responsible for implementing the strategy of the Group and managing day-to-day business activities of the Group. Training is made available to each Non-Executive Director (NED) to ensure that they are completely aware of their regulatory responsibilities and requirements. A formal Board appraisal is conducted annually to ensure that the Board continues to function effectively.

The Board aims to meet formally at least 8 times a year, with provision being made to join via telephone or video conference if a member of the Board is unable to attend in person. A monthly Board report is produced, and meeting agendas and Board papers are circulated in advance of each meeting so that the Board can properly consider the matters to be discussed. Outside of the scheduled meetings, the Board will meet to discuss ad hoc business events where necessary, and the CEO keeps the Board fully informed of any business developments that could positively or negatively impact the performance or value of the Company; any business decisions that require formal Board approval, or any event that could impact the Board or individual member carrying out their duties and regulatory responsibilities. The Company maintains minutes of formal and ad hoc Board meetings.

The Board added three members in 2021: Trevor Phillips (joined 05 January 2021), Brian Phillips (joined 05 January 2021) and David Cocke (joined 21 January 2021.) No members left the Board in 2021.

In 2021, there were 11 Board meetings. All Directors were present for all meetings. In addition, there were 2 Audit Committee meetings, with no absences, and 2 Remuneration Committee meetings, again with no absences.

The Non-Executive Directors are appointed through formal non-executive appointment letters, which contain a three-month notice period. The non-executive appointment letters contain an indicative time commitment of 20 days per annum; however, these indicate that this is an estimate and that all Directors are expected to commit sufficient time to fully discharge their responsibilities. The Company has not had any issues with regular non-attendance at meetings. Executive Directors have formal service contracts, which require them to work full-time in the business and have no other significant outside business commitments. These service agreements have a maximum of six-months' notice to terminate.

The Company follows the provisions in its Articles of Association in respect of the retirement and reappointment of Directors at its Annual General Meeting each year.

The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively and that effective controls have been put in place.

The Board also operates two sub-committees, the Audit and Remuneration Committees, to ensure compliance with market regulations.

The Audit Committee's primary responsibilities are to monitor the integrity of the financial affairs and statements of the Group, to ensure that the financial performance of the Group and any subsidiary is properly measured and reported, and to review reports from the Group's external auditor relating to the accounting and internal controls. The Audit Committee also recommends to the Board the appointment and reappointment of the external auditor. The Audit Committee considers the scope and results of the external audit and its cost effectiveness. It also reviews the fees, independence, and objectivity of the external auditor by discussing with the auditor their annual assessment regarding their independence, policies and procedures, and analysing the audit and non-audit work. The Audit Committee also plays a key role in supporting the Board with the ongoing risk assessment and management framework for the Group.

The Group's external auditor has unrestricted access to the Audit Committee and attends the Audit Committee meetings throughout the year. The Executive Directors attend the Audit Committee meeting by invitation only.

The Audit Committee comprises of Brian Phillips, Trevor Phillips and Jonathan Glenn. The Audit Committee meets at least twice per year and is chaired by Brian Phillips who is a Chartered Accountant and has relevant financial experience.

The Remuneration Committee comprises of Trevor Phillips, Brian Phillips and Shervanthi Homer-Vanniasinkam. The Remuneration Committee meets no fewer than twice per year and is chaired by Trevor Phillips who has many years of relevant operational and commercial industry experience.

Risk management and internal control

The Board is responsible for maintaining a sound system of internal controls. These measures are designed to minimise any potential risks identified and provide reasonable, but not absolute assurance against material misstatement or loss. The Board confirms that it has established a sound system of internal controls. Some key features of the internal control system are:

- well established financial reporting and control systems
- the Board actively identifies, evaluates and monitors the risks inherent in the business and ensure that appropriate controls and procedures are in place to manage these risks
- there is a clearly designed organisation and reporting structure
- the Group has operational, accounting and employment policies in place

In addition, the Board regularly assess the internal control environment under which the business operates and where appropriate implements additional measures to ensure that adequate controls are maintained.

Employees

The Group places value on the involvement of its employees and they are regularly briefed on the Group's activities. The Group closely monitors staff attrition rates which it seeks to maintain at low levels and aims to structure staff compensation levels at competitive rates to attract and retain high calibre personnel.

Equal opportunities

The Group is committed to ensuring that equal opportunities are provided to all employees and potential employees, and do not discriminate on the basis of age, gender, ethnicity, religion, disability, sexual orientation, or marital status. All employees are expected to conduct themselves in an appropriate manner adhering to our non-discrimination policy. In all aspects of our business the Group looks to act in ways that are compliant with the applicable laws and regulations, providing our employees with a work environment that is professional, ethical and fair.

Environment

As with all businesses the emphasis on environmental sustainability is important and subject to increasing scrutiny and regulation. All employees are involved in the initiatives implemented to decrease the Group's carbon footprint, energy consumption and environmental sustainability efforts. During 2021, the Group implemented environmental sustainability initiatives as noted below:

- Continued to upgrade to LED lighting alternatives in our offices, clean rooms and sterile packaging areas, including the use of occupancy sensors in the Group's Phase 1 facility expansion
- Substituted 100% recycled corrugated boxes in certain high volume packaging applications
- Substituted envelopes for boxes in selected finished good packaging applications, which reduced the amount of paper products used to process these orders

- In its facility expansion, installed high efficiency ultra-low temperature freezers which use natural refrigerants
- Installed an advanced environmental control system in its facility expansion, which has occupant sensitive thermostats and high efficiency cooling units to minimise electricity usage

Social, community, and human rights

The Board recognises that the Group has a duty to be a good corporate citizen and to respect the laws in the markets in which it operates. It contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

The Group, led by the Chief Executive Officer, maintains open and transparent channels of communication with all employees in order to promote values and behaviours which consistently reflect the Group's ethos, and to ensure that employees are aware of Company developments and successes. Operating in an industry based upon the processing of human and animal derived tissues demands the highest ethical standards, and the Group aspires to maintain these across all business functions and relations. The Company undertakes regular audit checks to ensure that partners, suppliers and employees comply with the ethical standards and operate to meet our expectations.

The Group employs a vigorous code of conduct and ethics to ensure it operates with a level of social responsibility across the business every day. Through the gift of tissue donation, the Group has the ability to positively impact hundreds of patients' lives, therefore, we must treat each gift with the utmost respect and provide the next of kin with information around how many patients the donation has helped, if requested; something that can often help in the grieving process.

Relations with shareholders

The Board believes that maintaining regular and transparent dialogue with shareholders is important in order to ensure that there is a clear understanding of strategic objectives, financial and operational performance and governance of the Group.

The Group actively engages with its shareholders throughout the year both through direct meetings, website and social media communications and stock exchange announcements. Commissioned analyst research notes are made available on the Company's website as well as clinical case studies and published papers. Senior management, typically the CEO and CFO aim to meet with, or speak with, significant shareholders at least twice in a year usually after the interim and preliminary results announcements, to provide an update on strategy and progress of the Group as a whole, and to receive shareholder feedback. The Group also undertakes several publicly available updates to all shareholders, through forums such as interviews, trading updates and PR announcements. In 2021, the Group undertook two 'Investor Meet Company' retail investor presentations as part of the full year and interim results investor roadshows, with 94 individuals attending the preliminary results presentation in April 2021 and 108 individuals attending the interim results presentation in September 2021.

In accordance with AIM Rule 26, there is an Investors section on the Group's website, which is kept up to date. Information is provided regarding our business, results and financial performance, investor news and copies of our Annual Reports and Accounts.

The Group holds an Annual General Meeting (AGM) each year at which all shareholders are welcome to attend and speak with management. At the AGM, separate resolutions will be proposed for each substantially different issue. The outcome of the voting on AGM resolutions is disclosed by means of an announcement on the London Stock Exchange.

Directors' Remuneration Report

Remuneration policy

The Group's remuneration policy is designed 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 Group's key management team is incentivised to drive sustainable earnings growth and returns to shareholders, thereby creating a genuinely strong alignment of interests between management and investors.

It is the Group'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 Executive 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 no 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 Group.

Further details on risk in the remuneration policy is available below.

Remuneration Committee

The Remuneration Committee's primary responsibilities are to review the performance of the Executive Directors of the Group 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 or shares to such persons under any share scheme adopted by the Group).

The 2021 Remuneration Committee comprises Trevor Phillips as Chair of the Committee, Brian Phillips and Shervanthi Homer-Vanniasinkam. The Committee meets no fewer 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 taking into account several factors, including the current position and development of the Group, individual contribution and market salaries for comparable organisations.

The Committee also approves the level of the pool for salary reviews for all staff.

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, against Corporate and individual goals set at the beginning of the year, in accordance with the Group's strategy along with financial results.

Long term incentive plan

The Group has replaced the existing deferred annual bonus (DAB) plan, with a new Long Term Incentive Plan (LTIP) for Executive Directors and senior management.

The LTIP awards are made annually, with the initial awards made in 2021, to the Executive Directors and those senior management members recommended to participate by the Executive Directors and approved by the Board. Awards are based upon a predetermined percentage of an individual's annual salary and will vest over a period of three years.

The final vesting of the awards is determined by performance against vesting criteria, set by the Remuneration Committee at the time of grant, and adjudged by the Remuneration Committee in the period prior to the nominated vesting date.

The goals are set against key aspects of Group performance, defined to be Total Shareholder Return (TSR), Revenue Growth, Profitability and individual performance against personal performance goals. Weighting is set at 80% of the vesting directed at Group performance over the period against the three corporate goals and 20% against personal performance goals. As part of the LTIP rules the Executive Directors are required to use vested LTIPs to build a shareholding in the Group to a level of 100% of base salary over a period of six years.

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 2021 was:

	Salary and fees $'000	Bonus $'000	Benefits $'000	Total December 2021 $'000	Total December 2020 $'000
John Samuel (resigned 20/03/20)	–	–	–	–	31
Gareth Jones ~ (resigned 17/11/2020)	–	–	–	–	629
Randeep Grewal (resigned 4/12/2020)	–	–	–	–	65
Jonathan Glenn	100	–	–	100	39
Alan Miller (resigned 4/12/2020)	–	–	–	–	74
Shervanthi Homer- Vanniasinkam	41	–	–	41	39
Daniel Lee (appointed 16/11/20)	290	197	16	503	36
David Cocke (appointed 21/01/21	206	101	11	318	–
Brian Phillips (appointed 05/01/21)	48	–	–	48	–
Trevor Phillips (appointed 05/01/21)	48	–	–	48	–
	733	298	27	1,058	913

Within 2020 the total bonus payments were $154k and benefits were $30k.

~ Included within the salary is $63k for loss of office and $108k in lieu of notice.

Directors' shareholdings

Directors' interests in the shares of the Company, including family interests at 31 December 2021 were:

	31-Dec-21 Number	31-Dec-21 %	31-Dec-20 Number	31-Dec-20 %
Jonathan Glenn	40,600,000	0.58	40,600,000	0.58
Shervanthi Homer-Vanniasinkam	1,628,222	0.02	1,628,222	0.02
Trevor Phillips	2,777,770	0.04	–	–
Brian Phillips	15,322,756	0.22	–	–
Daniel Lee	3,477,200	0.05	–	–
David Cocke	3,907,000	0.06	–	–

continued

Directors' Interest in LTIPS

	At 1 January 2020	Exercised during year	Lapsed during year	Granted during year	December 2021	Exercise price
LTIP scheme options						
Daniel Lee (Note 1)	–	–	–	28,321,603	28,321,603	0.01 pence
David Cocke (Note 1)	–	–	–	14,649,105	14,649,105	0.01 pence

Note 1. There were employment period and performance conditions in relation to the options granted on 28 April 2021 which are subject to continued service over a period of three years and satisfaction of customary performance conditions relating to growth in total shareholder return, annual revenue targets, annual profitability targets and personal performance targets.

On behalf of the Board

Trevor Phillips
Chairman of the Remuneration Committee

14 March 2022

Directors' Report

The Directors present their report and consolidated financial statements for Tissue Regenix Group plc, and its subsidiary undertakings for the year ended 31 December 2021.

Principal activity

The principal activity of the Group is the exploitation of innovative platform technologies in the field of regenerative medicine and tissue engineering. The Company is principally a holding company incorporated and domiciled in --the UK and is listed on the London Stock Exchange's Alternative Investment Market (AIM). The subsidiary undertakings of the Group are listed in note C10 of the Company's financial statements.

Business model

A description of the Group's business model is included on page 2. Explanations of activities and how it seeks to add value are included in the Chairman's statement on page 3 to 4 and the Chief Executive Officer's statement on pages 5 to 8.

Business review and results

A review of the Group's performance and future prospects is included in the Chairman's statement on pages 3 to 4 and Chief Executive Officer's statement on pages 5 to 8. A review of the Group's financial performance is within the Financial overview on pages 9 to 11. The loss for the 12 months attributable to equity holders of the parent was ($4,792k) (2020: $12,466k). The Directors do not recommend the payment of a dividend (2020: nil).

Share capital and funding

Full details of the Group and Company's share capital movements during the year are given in note 22 to the financial statements.

Directors and their interests

The following Directors held office in the year:

Jonathan Glenn

Shervanthi Homer-Vanniasinkam

Daniel Lee

Trevor Phillips-Appointed 5 January 2021

Brian Phillips-Appointed 5 January 2021

David Cocke-Appointed 21 January 2021

Directors' interests in the shares of the Group, including family interests, are included in the remuneration report on beginning on 25.

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.

Directors' Report

continued

Corporate governance

The corporate governance report is set out beginning on page 21.

Substantial shareholders

As at 31 December 2021, shareholders holding more than 3% of the share capital of Tissue Regenix Group plc were:

Name of shareholder	Number of shares	% of voting rights
Lombard Odier	944,244,619	13.43
Harwood Capital (London)	778,500,000	11.32
Mr Richard Griffiths (UK)	764,250,000	10.87
IP Group (London)	660,837,567	9.40
Premier Miton Investments (London)	523,553,784	7.45

Employment policies

The Group is committed to keeping employees as fully informed as possible regarding 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, 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.

Financial instruments

Further details of financial risk management objectives and policies are set out in note 17 of the financial statements.

Auditor

RSM UK Audit LLP have indicated willingness to continue in office, in accordance with the recommendation of the Audit Committee and section 489 of the Companies Act 2006. A resolution to reappoint RSM as the Company's Auditor will be proposed at the forthcoming Annual General Meeting.

Strategic report

The Group has chosen in accordance with Companies Act 206 s414C (11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch 7 to be contained in the Directors' report in relation to research and development, and future developments.

The Directors' Report was approved by the Board on 14 March 2022.

On behalf of the Board

Daniel Lee
Chief Executive Officer

Directors' Responsibilities Statement

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;

d. for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Tissue Regenix Group plc website.

Legislation in the United Kingdom 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

Opinion

We have audited the financial statements of Tissue Regenix Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** ● Goodwill impairment **Parent Company** ● Impairment of intercompany receivables
Materiality	**Group** ● Overall materiality: US$345,000 (2020: £290,000) ● Performance materiality: US$258,000 (2020: £217,000) **Parent Company** ● Overall materiality: £222,000 (2020: £222,000) ● Performance materiality: £166,000 (2020: £166,000)
Scope	Our audit procedures covered 100% of revenue, 99% of total assets and 93% of loss before taxation.

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

continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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 group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment	
Key audit matter description	The non-current assets of the CellRight Technologies LLC ("CellRight") cash generating unit (CGU) includes goodwill of US$11.6m (after a cumulative impairment charge of US$7.9m) and this CGU is subject to annual impairment testing. The CellRight CGU is a legal entity in its own right and forms part of the BioRinse operating segment. Management have disclosed details relating to their impairment test in notes 4 and 14. Impairment testing requires management to compare the carrying amount of the CGU's attributable assets and liabilities with the higher of fair value less costs of disposal and value in use (the "Recoverable Amount"). Where the carrying amount is higher than Recoverable Amount then an impairment charge arises. Impairment testing involves a significant degree of judgement because management's determination of value in use is based on a number of assumptions, including an assessment of future performance in a high growth sector, and the selection of an appropriate discount rate. Significant impairment charges have arisen in previous periods and the Group overall continues to be loss making. Any recorded impairment charge would most likely have a material impact on the financial statements and we therefore considered this matter to be one of the matters of most significance in the current year audit.
How the matter was addressed in the audit	Management provided us with an impairment model for the CellRight CGU. We performed audit work on this model, which included: ● Checking the calculations contained within the model, including reperforming the comparison of the Recoverable Amount with the carrying amount and agreeing the carrying amount to the accounting records. ● Using a specialist to check the appropriateness of the method and the mathematical calculation of value in use within the model and to obtain an independent estimate of an appropriate discount rate. ● Challenging management to support key assumptions within the model, particularly forecast revenue growth. ● Reviewing the disclosures made in the financial statements to ensure that they were in accordance with the applicable financial reporting framework.

continued

Impairment of intercompany receivables

Key audit matter description	At the 31 December 2021, the carrying value of amounts due from group undertakings amounted to £15.7m after recording an ECL provision of £63.9m (see notes C2 and C6). A reversal of £0.3m of the existing provision arose in the current year. The parent company has loans due from subsidiary undertakings that are currently loss making. The loans are repayable on demand and the subsidiary undertakings do not have sufficient liquid assets to make repayment should the parent company call in the loans. One of the most significant matters in the current year audit of the parent company is that management are required to calculate an expected credit loss ("ECL") provision in accordance with IFRS9 Financial Instruments. The calculation of ECLs involves a significant degree of judgement and estimation as management have to make assumptions about future cash generation and consider multiple scenarios through which the balances may be recovered. Given the magnitude of the loan balances we considered this matter to be one of the matters of most significance in the current year audit.
How the matter was addressed in the audit	We obtained management's calculation of the ECL and the underlying calculations prepared to support the carrying value of the balance and performed work as follows: ● Assessed the reasonableness of the scenarios considered by management and the probabilities assigned to each. ● Ensured that the cash flow forecasts used were consistent with the latest Board approved forecasts. ● Recalculated the computation of the ECL

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	US$345,000 (2020: £290,000)	£222,000 (2020: £222,000)
Basis for determining overall materiality	1.75% of total revenue	0.5% of net assets. The percentage applied to the benchmark has been restricted for the purpose of calculating an appropriate component materiality.

continued

	Group	Parent company
Rationale for benchmark applied	Revenue selected given shareholder focus on revenue growth. The group is still in relatively early phase of development and revenue growth is critical to reducing operating losses.	Net assets selected as the parent company is purely a holding company and no income statement is presented.
Performance materiality	US$258,000 (2020: £217,000)	£166,000 (2020: £166,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of US$17,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £11,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Materiality levels in respect of the disclosure requirements for the group and parent company in relation to directors' emoluments including share-based payment transactions were set at a reduced level of US$25,000. This reduced level has been set on the basis these transactions and balances have specific disclosure requirements under UK Company Law and would be of specific interest to shareholders.

An overview of the scope of our audit

The group consists of 11 components, located in the United Kingdom, USA and Germany.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	4	88%	94%	53%
Specific audit procedures	5	12%	5%	40%
Total	**9**	**100%**	**99%**	**93%**

Analytical procedures at group level were performed for the remaining 2 components.

Of the above, specific audit procedures for 1 component were undertaken by component auditors.

Specific audit procedures were undertaken on 1 component as it contained significant revenue and in respect of the remaining 3 components included above on the basis of incurring significant expenditure.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating management's latest forecasts and plans, considering the appropriateness and sensitivity of the key assumptions, and reviewing the key terms of debt facilities. These forecasts are prepared in respect of the period to 31 December 2023. The Group has significant cash reserves at 31 December 2021 of US$7.7m following the fundraising in June 2020 and even in downside scenarios which take account of slower than forecast sales growth, management's forecasts indicate significant cash at the end of the forecast period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

continued

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

continued

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS, FRS101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors; Input from a tax specialist was obtained regarding the calculation of Research and Development tax credit claims made in the UK during the year.
FDA Medical Device Regulations in the USA	Inquiry of management and those charged with governance as to whether the Group is in compliance with these laws and regulations and whether any correspondence existed with the Regulatory Authorities.

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

continued

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Testing a sample of revenue transactions either side of the balance sheet date to determine whether the transaction has been appropriately recognized in the correct financial reporting period; Testing a sample of revenue transactions and tracing through to appropriate inventory movements and cash receipt to ensure that the revenue transaction exists; Testing of a sample of transactions completed under the Group's Bill and Hold arrangements with its customers to ensure that they have been recognized in accordance with the Group's accounting policy, substantiating the transactions to underlying inventory movements and cash receipts and ensuring that they have been recorded in the appropriate financial period.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

ANDREW ALLCHIN FCA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Central Square Fifth Floor

29 Wellington Street

Leeds

LS1 4DL

Date

Consolidated Statement of Income

For the year ended 31 December 2021

	Notes	2021 USD '000	2020 USD '000
Revenue	5	19,746	16,473
Cost of sales		(11,270)	(8,903)
Gross profit		8,476	7,570
Administrative expenses before exceptional items		(12,574)	(12,925)
Exceptional items	6	(355)	(8,324)
Total administrative expenses		(12,929)	(21,249)
Grant Income		–	1,098
Operating loss		(4,453)	(12,581)
Finance income	8	3	3
Finance charges	9	(692)	(571)
Loss on ordinary activities before taxation	6	(5,142)	(13,149)
Taxation	10	157	684
Loss for the year		(4,985)	(12,465)
Loss for the year attributable to:			
Equity holders of the parent company		(4,792)	(12,466)
Non-controlling interest	25	(193)	1
		(4,985)	(12,465)
Loss per ordinary share attributable to equity holders of the parent company			
Basic and diluted, cents per share	11	(0.07)	(0.28)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

		2021 USD '000	2020 USD '000
Loss for the year		(4,985)	(12,465)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences		(4)	970
Total comprehensive loss for the year		(4,989)	(11,495)
Total comprehensive loss for the year attributable to:			
Equity holders of the parent company		(4,796)	(11,496)
Non-controlling interest	25	(193)	1
		(4,989)	(11,495)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 USD '000	2020 USD '000
Assets			
Non-current assets			
Property, plant and equipment	12	5,708	4,417
Right-of-use assets	13	3,388	3,337
Intangible assets	14	15,064	15,299
		24,160	23,053
Current assets			
Inventory	15	9,719	9,604
Trade and other receivables	16	4,101	3,589
Corporation tax receivable		534	1,120
Cash and cash equivalents	17	7,709	12,968
		22,063	27,281
Total assets		46,223	50,334
Liabilities			
Non-current liabilities			
Loans and borrowings	19	(4,465)	(3,788)
Deferred tax	20	(640)	(760)
Lease liability	21	(3,364)	(3,084)
		(8,469)	(7,632)
Current liabilities			
Trade and other payables	18	(4,244)	(4,084)
Lease liability	21	(118)	(347)
		(4,362)	(4,431)
Total liabilities		(12,831)	(12,063)
Net assets		33,392	38,271
Equity			
Share capital	22	15,947	15,947
Share premium	23	134,173	134,173
Merger reserve	23	16,441	16,441
Reverse acquisition reserve	23	(10,798)	(10,798)
Reserve for own shares	23	(1,257)	(1,257)
Share-based payment reserve	23	1,573	1,463
Cumulative translation reserve	23	(1,305)	(1,301)
Retained deficit	23	(120,432)	(115,640)
Equity attributable to equity holders of the parent company		34,342	39,028
Non-controlling interest	24	(950)	(757)
Total equity		33,392	38,271

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 March 2022 and were signed on its behalf by:

Daniel Lee
Chief Executive Officer

Company number: 05969271

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of parent										
	Share capital USD'000	Share premium USD'000	Merger reserve USD'000	Reserve acquisition reserve USD'000	Reserve for own shares USD'000	Share based payment reserve USD'000	Cumulative translation reserve USD'000	Retained Deficit USD'000	Total USD'000	Non-controlling interest USD'000	Total equity USD'000
At 31 December 2019	8,478	124,118	16,441	(10,798)	(1,257)	1,500	(2,271)	(103,174)	33,037	(758)	32,279
Transactions with owners in their capacity as owners:											
Issue of equity shares	7,467	11,200	–	–	–	–	–	–	18,667	–	18,667
Expenses of issue of equity shares	–	(1,145)	–	–	–	–	–	–	(1,145)	–	(1,145)
Exercise of share options	2	–	–	–	–	–	–	–	2	–	2
Share-based payments	–	–	–	–	–	(37)	–	–	(37)	–	(37)
Total transactions with owners in their capacity as owners	7,469	10,055	–	–		(37)	–	–	17,487	–	17,487
Loss for the year	–	–	–	–	–	–		(12,466)	(12,466)	1	(12,465)
Other comprehensive income: Currency translation differences	–	–	–	–	–	–	970	–	970	–	970
Total other comprehensive income for the year	–	–	–	–	–	–	970	–	970	–	970
Total comprehensive income for the year	–	–	–	–	–	–	970	(12,466)	(11,496)	1	(11,495)
At 31 December 2020	15,947	134,173	16,441	(10,798)	(1,257)	1,463	(1,301)	(115,640)	39,028	(757)	38,271
Transactions with owners in their capacity as owners: Share-based payments	–	–	–	–	–	110	–	–	110	–	110
Total transactions with owners in their capacity as owners	–	–	–	–	–	110	–	–	110	–	110
Loss for the year	–	–	–	–	–	–	–	(4,792)	(4,792)	(193)	(4,985)
Other comprehensive income: Currency translation differences	–	–	–	–	–	–	(4)	–	(4)	–	(4)
Total other comprehensive income for the year	–	–	–	–	–	–	(4)	–	(4)	–	(4)
Total comprehensive income for the year	–	–	–	–	–	–	(4)	(4,792)	(4,796)	(193)	(4,989)
At 31 December 2021	15,947	134,173	16,441	(10,798)	(1,257)	1,573	(1,305)	(120,432)	34,342	(950)	33,392

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 USD '000	2020 USD '000
Operating activities		
Loss before taxation	(5,142)	(13,149)
Adjustments for:		
Finance income	(3)	(3)
Finance charges	692	571
Depreciation of property, plant and equipment	258	245
Depreciation of right-of-use assets	103	78
Amortisation of intangible assets	730	730
Impairment of intangible assets	–	7,871
Share-based payments	110	(37)
Amortisation of debt cost	75	75
Unrealised foreign exchange loss	55	834
Operating outflow before working capital movements	(3,122)	(2,785)
Increase in inventory	(115)	(4,115)
Increase in trade and other receivables	(512)	(259)
Increase in trade and other payables	159	223
Cash used in operations	(3,590)	(6,936)
Research & development tax credits received	615	881
Net cash used in operating activities	(2,975)	(6,055)
Investing activities		
Interest received	3	3
Purchase of property, plant and equipment	(1,550)	(1,573)
Capitalised development expenditure	(497)	(293)
Net cash used in investing activities	(2,044)	(1,863)
Financing activities		
Proceeds from issue of shares	–	18,667
Expenses of issue of shares	–	(1,146)
Proceeds from exercise of share options	–	2
Proceeds from new borrowings	602	715
Interest paid on loans and borrowings	(391)	(317)
Lease liability payments	(102)	–
Lease interest payments	(301)	(237)
Net cash (used in)/generated from financing activities	(192)	17,684
Net (decrease)/increase in cash and cash equivalents	(5,211)	9,766
Cash and cash equivalents at beginning of year	12,968	3,121
Effects of movement in exchange rates on cash held	(48)	81
Cash and cash equivalents at end of year	7,709	12,968

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1) Corporate information

Tissue Regenix Group plc (the "Company" and, together with its subsidiaries, the "Group") is domiciled and incorporated in the United Kingdom under the Companies Act 2006 and is limited by shares. Its registered number is 05969271.

The address of the registered office is Unit 3 Phoenix Court, Lotherton Way, Garforth LS25 2GY.

The nature of the Group's operations and its principal activity is to develop, manufacture and commercialise biological medical devices.

2) Adoption of new and revised standards

Standards adopted during the year

The Group has adopted all of the new or amended Accounting Standards and interpretations issued by the International Accounting Standards Board ("IASB") that are mandatory and relevant to the Group's activities for the current reporting period.

The following new and revised standards have been adopted but have not had any material impact on the amounts reported in these financial statements:

Amendments to IFRS 16 – Covid-19 related rent concessions beyond 30 June 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFS 4 and IFRS 16 – Interest rate benchmark reform phase 2

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

They are as follows:

Amendments to IAS1 – Classification of liabilities as current or non-current

Amendments to IFRS 3 – Reference to the conceptual framework

Amendments to IFRS 17 – Insurance contracts

Amendments to IFRS 17 – Initial application of IFRS 17 and IFRS 9 – comparative information

Amendments to IAS 8 – Definition of accounting estimates

Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use

Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract

Amendments to IAS 1 and IFRS practice statement 2 – Disclosure of accounting policies

Annual improvements to IFRS standards 2018-2020

The Directors do not expect that the adoption of these standards or interpretations in future periods will have a material impact on the financial statements of the Company or the Group.

3) Significant accounting policies

Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with UK- adopted International Accounting Standards (IAS).

The financial statements have been prepared on the historical basis, other than certain financial assets and liabilities which are stated at their fair value. Historical cost is generally based on the fair value of the considerations given in exchange for assets.

As described below, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant impact on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in note 4.

Restatement
With effect from 1 January 2021, the Group's presentation currency changed from pounds sterling ("£") to United States dollar ("USD") as the Directors considered the USD to be more representative of the sector in which the Group primarily operates. The functional currency of the Group is pound sterling ("£").

In accordance with International Accounting Standards, this change has been applied retrospectively and comparatives for the year ended 31 December 2020 were translated, for all statement of financial position items except equity, using USD:£ exchange spot rate at that date, being USD 1.358, for the income statement using the average USD:£ exchange rate during the year, being USD 1.284, and for the opening balances as at 1 January 2020, except equity, using the USD spot rate on that date, being USD 1.3116. Share capital, share premium and other reserves were translated at the historic rates prevailing at the dates of transactions.

Historical differences arising from the retranslation to USD up to 1 January 2020 have been taken directly to the foreign currency translation reserve.

The Directors have not presented a third statement of financial position and associated notes to reflect the change in presentation currency as they do not believe this additional disclosure is material. The rate used to confirm the net assets has been included above and the Statement of Changes in Equity represents the equity elements of the statement of financial position on a converted basis. Notes 12, 13, and 14 disclose the impact on the non-current assets.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern
The Group financial statements have been prepared on a going concern basis based on cash flow projections, approved by the Board for the Group, for the period to 31 December 2023 (the "Cash Flow Projections"). Funding requirements are reviewed on a regular basis by the Group's Chief Executive Officer and Chief Financial Officer and are reported to the Board at each Board meeting, as well as on an ad hoc basis, if requested. The Cash Flow Projections show that the Group will continue to consume cash over the forecast period. Until sufficient cash is generated from its operations, the Group remains reliant on cash reserves of USD 7.7 million at 31 December 2021 and the ongoing support of MidCap Financial Trust ("MidCap") (borrowings of USD 4.5 million at 31 December 2021) to meet its working capital requirements, capital investment programme and other financial commitments.

The COVID-19 pandemic continued to affect most healthcare businesses in 2021, as the emergence of the Delta and Omicron variants extended the timeline for a return to normal healthcare procedure volumes. Given the uncertainty around the level and duration of disruption from COVID-19, it is difficult to determine how long the current situation may last, and the time taken to catch-up any postponed surgical procedures thereafter.

However, the Board, in compiling the Cash Flow Projections, has considered a downside scenario regarding the effect of reduced and delayed revenues due to COVID-19 and has undertaken market soundings regarding the likely timeframe for the recommencement of procedures. It has concluded that there will not be a significant long-lasting impact on the ability of the business to carry out its commercial activities. The Cash Flow Projections prepared by the board, including the downside scenario, indicate that the Group will still have cash reserves at the

end of the forecast period. The Group's Cash Flow Projections also assume that the MidCap facilities are available throughout the forecast period as repayment is not due to start until July 2023. The availability of these facilities is dependent upon compliance with a rolling twelve-month revenue covenant which is measured on a monthly basis. The Cash Flow Projections indicate compliance with this covenant throughout the forecast period.

In summary, the Directors have considered their obligations in relation to the assessment of the going concern basis for preparation of the financial statements of the Group and have reviewed the Cash Flow Projections. On the basis of their assessment, they have concluded that the going concern basis remains appropriate for use in these financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings (together "the Group") made up to 31 December each year.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved when the Company 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 results 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.

Non-controlling interest
Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Losses applicable to the non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Controlled Joint Venture
In January 2016, the Group entered a joint venture establishing GBM-V GmbH, a company incorporated in Germany. The Group controls the majority of the voting rights and consequently the results for this entity are consolidated in full within these financial statements with the recognition of a non-controlling interest within equity.

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. Goodwill is tested annually for impairment as described below.

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

Bill and hold sales
The Group has bill-and-hold arrangements with customers, and this revenue is recognised when the company considers that performance obligations have been met and they meet the following criteria:

- The reason for the bill-and-hold arrangement must be substantive (usually the arrangement has been requested by the customer to facilitate their shipping arrangements)
- The product must be identified separately as belonging to the customer (that is, it cannot be used to satisfy other orders)
- The product must be ready for physical transfer to the customer
- The Group cannot have the ability to use the product, or to direct it to another customer

Grant Income
Grant income is recognised as earned based on contractual conditions and is presented as Grant income on the face of the Consolidated Statement of Income.

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 United States dollar, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each group company ("foreign currencies") are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated 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 a foreign currency are not retranslated.

Foreign exchange differences are recognised in the profit or loss in the period in which they arise, except for foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and which, therefore, form part of the net investment in the foreign operation. Foreign exchange differences arising on the translation of the Group's net investment in foreign operations are recognised as a separate component of Shareholders' equity via the statement of other comprehensive income. On disposal of foreign operations and foreign entities, the cumulative translation differences are recognised in the income statement as part of the gain or loss on disposal.

For the purpose of presenting company and consolidated financial statements, the assets and liabilities of the Company, and the Group's operations which have a functional currency other than United States dollar, are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Foreign exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. Equity items are translated at the exchange rates at the date of transactions and foreign exchange differences arising, if any, are accumulated directly in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Where there is no change in the proportionate percentage interest in an entity then there has been no disposal or partial disposal and accumulated exchange differences attributable to the Group are not reclassified to profit or loss.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

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
- 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 item. Such items 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.

Inventories
Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first in, first out method and represents the purchase cost, including transport, for raw materials, together with a proportion of manufacturing overheads based on normal levels of activity for work in progress and finished goods. Appropriate provisions for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired.

Property, Plant, Equipment and Right-of-use assets
Property, plant and equipment assets are stated at their historical cost of acquisition less any provision for depreciation or impairment.

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
Laboratory equipment	over 5–7 years
Computer equipment	over 3 years
Fixtures and fittings	over 5 years

Land is not depreciated.

A Right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group. The Right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the lease term (39 years).

Intangible Assets
Intangible assets are stated at fair value at acquisition. They are subsequently held at cost less any provision for impairment or amortisation. Intangible assets are amortised through administrative expenses within the income statement over their expected useful life as follows

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

Impairment of Property, Plant and Equipment, Right-of-use 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). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Discounted cash flow valuation techniques are generally applied for assessing recoverable amounts using Board approved five-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. Historically, the fair value of the options granted have been measured using the Binomial model, however, the fair value of the options issued in the current year have been measured using the Monte Carlo model. The performance conditions of previous grants were generally market based whereas current grants are now issued with multiple performance conditions and therefore the Monte Carlo model is considered to be a more appropriate 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 consolidated statement of comprehensive income, with a corresponding entry in equity.

The grant by the Company of options and share-based compensation plans over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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 of the option at the purchase date is recognised 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.

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.

An expected credit loss ('ECL') model, as introduced under IFRS 9, broadens the information that an entity is required to consider when determining its expectations of impairment. Under this model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments against trade and other receivables.

In applying the ECL model the company considered the probability of a default occurring over the contractual life of its trade receivables balances on initial recognition of those assets.

Impairment provisions are recognised for the group as follows, representing the expected credit losses over the contracted life of these balances.

Not overdue	0% of aged receivables
0 to 3 months overdue	0% of aged receivables
to 4 months overdue	25% of aged receivables
to 5 months overdue	50% of aged receivables
Over 5 months	100% of aged receivables overdue

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.

Borrowings
Borrowings are interest bearing and are initially recognised at fair value less the directly attributable costs of issue. 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 six months.

Share capital
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

Leases
On commencement of a contract which gives the Group the right to use assets for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease (term is 12 months or less with no option to purchase the lease asset) or a 'low-value' lease (where the underlying asset is USD 5,000 or less when new).

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise. Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate and any residual value guarantees.

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss. Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

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 statement of financial position 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 statement of financial position date.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

4) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying value of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recoverability of non-current assets

Determining whether an asset is impaired requires an assessment of whether there are any indicators of impairment. If there is any indication of potential impairment, an impairment test is required based on the recoverable amount of the asset.

At 31 December 2021, the Directors determined that there were indicators of impairment in respect of the Group's non-current assets and that there was a requirement to perform an impairment test. The assets were assessed for impairment based on value in use which requires the Group to estimate the future cash flows expected to arise from the cash-generating unit using a suitable discount rate in order to calculate present value. The future cash flows expected to arise was calculated using a discount rate of 14.6% based on the weighted average cost of capital. The impairment test indicated that the recoverable amount was at least equal to the carrying amount of the assets and no provision for impairment was required (2020: USD 7.9 million impairment of Goodwill). See note 14.

The carrying amount of non-current assets at the 31 December 2021 was USD 24.2 million (2020: USD 23.1 million) and the Directors did not consider that it was appropriate to make a provision for impairment in respect of these assets.

5) Segmental reporting

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

	2021 USD '000	2020 USD '000
USA	16,883	13,733
Rest of world	2,863	2,740
	19,746	16,473

Analysis of revenue by customer

During the year ending 31 December 2021, the Group had one customer who individually exceeded 10% of revenue. This customer generated 14% of revenue (2020: one customer who generated 13% of revenue).

Operating segments

At 31 December 2020, the Group was organised into 3 operating divisions for internal management, reporting and decision-making purposes. These divisions were, BioSurgery, Orthopaedics & Dental, and GBM-V & Cardiac and were the operating segments reported in accordance with IFRS 8 "Operating Segments".

The Directors have now determined that it would be more appropriate to the Group's operations to disclose its divisions as, dCELL (formerly BioSurgery and now including Cardiac and the UK side of the Ortho & Dental segment), BioRinse (formerly the US side of the Ortho & Dental segment), and GBM-V.

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 who has been identified as the Board of Directors.

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

Segmental information about these divisions is presented below. We have not restated the prior year with the changes as the information was not readily available and the value added was considered to be minimal.

continued

Income Statement	dCELL 2021 USD '000	BioRinse 2021 USD '000	GBM-V 2021 USD '000	Central 2021 USD '000	Total 2021 USD '000
Revenue	4,246	12,711	2,789	–	19,746
Gross Profit	1,720	5,852	904	–	8,476
Exceptional items	(183)	(120)	–	(52)	(355)
Depreciation	(18)	(305)	(3)	(35)	(361)
Amortisation	–	(730)	–	–	(730)
Operating loss	(1,236)	(1,118)	(154)	(1,945)	(4,453)
Net Finance charges	1	(682)	–	(8)	(689)
Loss before taxation	(1,235)	(1,800)	(154)	(1,953)	(5,142)
Taxation	37	120	–	–	157
Loss for the year	(1,198)	(1,680)	(154)	(1,953)	(4,985)

Income Statement	Biosurgery 2020 USD '000	Ortho & dental 2020 USD '000	GBM-V & Cardiac 2020 USD '000	Central 2020 USD '000	Total 2020 USD '000
Revenue	4,247	9,562	2,664	–	16,473
Cost of sales	(2,374)	(4,942)	(1,587)	–	(8,903)
Gross Profit	1,873	4,620	1,077	–	7,570
Administrative expenses	(3,415)	(6,390)	(1,418)	(1,702)	(12,925)
Exceptional items:					
Impairment of intangible assets	–	(7,871)	–	–	(7,871)
Restructuring costs	–	(18)	(129)	(306)	(453)
Grant Income	417	629	–	52	1,098
Operating loss	(1,125)	(9,030)	(470)	(1,956)	(12,581)
Net Finance charges	–	(568)	–	–	(568)
Loss before taxation	(1,125)	(9,598)	(470)	(1,956)	(13,149)
Taxation	(28)	546	166	–	684
Loss for the year	(1,153)	(9,052)	(304)	(1,956)	(12,465)

Revenue from all operating segments derives from the sale of biologic medical devices.

Statement of Financial Position	dCELL 2021 USD '000	BioRinse 2021 USD '000	GBM-V 2021 USD '000	Central 2021 USD '000	Total 2021 USD '000
Non-current assets	808	23,005	5	342	24,160
Current assets	3,326	11,310	706	6,721	22,063
Total assets	4,134	34,315	711	7,063	46,223
Non-current liabilities	–	(8,056)	–	(121)	(8,177)
Current liabilities	(428)	(3,421)	(249)	(556)	(4,654)
Total liabilities	(428)	(11,477)	(249)	(677)	(12,831)
Net assets	3,706	22,838	462	6,386	33,392
Capital expenditure	2	1,594	–	105	1,704
Additions to intangible assets	–	497	–	–	497

Statement of Financial Position	Biosurgery 2020 USD '000	Ortho & dental 2020 USD '000	GBM-V 2020 USD '000	Central 2020 USD '000	Total 2020 USD '000
Non-current assets	–	22,322	5	272	22,599
Current assets	2,807	10,613	1,079	12,782	27,281
Total assets	2,807	32,935	1,084	13,054	49,880
Non-current liabilities	–	(7,415)	–	(217)	(7,632)
Current liabilities	(390)	(3,073)	(236)	(732)	(4,431)
Total liabilities	(390)	(10,488)	(236)	(949)	(12,063)
Net assets	2,417	22,447	848	12,105	37,817
Capital expenditure	–	4,692	–	278	4,970
Additions to intangible assets	–	293	–	–	293

6) Loss on ordinary activities before taxation

	2021 USD '000	2020 USD '000
Loss before taxations for the year is stated after charging/(crediting):		
Depreciation of plant and equipment	258	245
Depreciation of right-of-use asset	103	78
Amortisation of intangible asset	730	730
Amortisation of debt cost	75	75
Rentals subject to "short lease" exemption	208	149
Expensed inventory	7,804	7,691
Staff costs	7,153	7,271
Foreign exchange (gains)/losses	(4)	68
Exceptional items*:		
Restructuring costs	235	453
Business interruption	120	–
Impairment of intangible assets	–	7,871
Auditor remuneration:		
– fees payable to Company's Auditor for the audit of the parent Company and consolidated financial statements	27	26
– auditing the financial statements of subsidiaries pursuant to legislation	103	90
Other services:		
– fees in relation to cyber attack	–	139
Total auditor's remuneration	130	255

* Exceptional items include restructuring costs of USD $52k related to a redundancy in the Central segment, and USD $183k was charged to the DCell® division as a result of a restructuring of that division. The February 2021 winter storm event in Texas resulted in a charge of USD $120k to the BioRinse® division relating to non-productive time and spoilage.

Grant Income

	2021 USD '000	2020 USD '000
USA	–	1,047
Rest of world	–	51
	–	1,098

During the year ended 31 December 2020, the Group's US subsidiaries received two US Government PPP loans. The Loans had a two-year term and carried a 1% annual interest rate deferred for 6 months. Under the terms of the loan agreement, the Loan would not require repayment if the funds were used to support employee payroll, healthcare, utilities and rent payments within the US, during the six months following inception. The Group met these conditions and presented the loans as grant income in the consolidated statement of income. No further such loans have been received during the year ended 31 December 2021.

7) Staff costs

	2021 No.	2020 No.
The average monthly number of employees (including Directors) was:		
Directors	6	5
Laboratory and administration staff	73	73
	79	78

	2021 USD '000	2020 USD '000
Their aggregate remuneration comprised:		
Wages and salaries	5,867	6,056
Share-based payments (see note 24)	110	(77)
Social security, pension & healthcare costs	1,176	1,292
	7,153	7,271
Directors' remuneration included above comprised:		
Emoluments for qualifying services	1,058	913

Social security, pension and healthcare costs include pension contributions of USD 41K (2020: USD 126K). No funding was received from the UK government furlough scheme during the year (2020: USD 5K).

Directors' emoluments disclosed above include USD 503K paid to the highest paid Director (2020: USD 629K). The share-based payment charge for Directors was USD 79K (2020: USD nil).

8) Finance income

	2021 USD '000	2020 USD '000
Bank interest receivable	3	3

9) Finance Charges

	2021 USD '000	2020 USD '000
Interest on bank loans	(391)	(317)
Interest on lease liabilities	(301)	(254)
	(692)	(571)

10) Taxation

Tax on loss on ordinary activities

	2021 USD '000	2020 USD '000
Current tax:		
UK R&D tax credit	(37)	(564)
	(37)	(564)
Deferred tax:		
Origination and reversal of temporary timing differences	(120)	(120)
Tax credit on loss on ordinary activities	(157)	(684)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2021 USD '000	2020 USD '000
Loss on ordinary activities before tax	(5,142)	(13,149)
Tax at the standard rate of corporation tax 19% (2020: 19%)	(977)	(2,499)
Effects of:		
Research and development tax credits received	(124)	(403)
Surrender of research and development relief for repayable tax credit including enhancement	74	555
Unutilised tax losses	870	1,663
Tax credit for the period	(157)	(684)

Unrelieved tax losses carried forward have not been recognised as a deferred tax asset as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future. The losses must be utilised in relation to the same operations.

	2021 USD '000	2020 USD '000
Tax losses		
Losses available to carry forward against future trading profits	73,643	69,399
Unrecognised deferred tax asset – at 25% (2020: 19%)	18,411	13,186

The enacted UK corporation tax rate of 25% forms the basis for the UK element of the deferred tax calculation, following the UK budget in 2021 when the chancellor announced an increase to the main rate of corporation tax in the UK to 25% from April 2023.

11) Loss per ordinary share

Basic loss per ordinary share is calculated by dividing the net loss attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year, 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.

The calculation of the basic and diluted loss per ordinary share is based on the following data:

	2021 USD '000	2020 USD '000
Total loss attributable to the equity holders of the parent	(4,792)	(12,466)
	No.	**No.**
Weighted average number of ordinary shares in issue during the year	7,033,077,499	4,447,666,932
Loss per ordinary share Basic and diluted, cents per share	(0.07)	(0.28)

The Company has options issued over 106,832,872 (2020: 50,803,039) ordinary shares and there are 16,112,800 (2020: 16,112,800) jointly owned shares which are potentially dilutive. See note 23.

Due to the losses incurred from continuing operations in the years reported, there is no dilutive effect from the existing share options and jointly owned shares.

12) Property, plant and equipment

	Land & buildings USD '000	Laboratory equipment USD '000	Fixtures & fittings USD '000	Computer equipment USD '000	Total USD '000
Cost					
At 31 December 2019	2,533	2,628	1,006	795	6,962
Additions	1,439	112	–	20	1,571
Exchange adjustment	45	49	19	25	138
At 31 December 2020	4,017	2,789	1,025	840	8,671
Additions	1,085	308	39	118	1,550
Exchange adjustment	(84)	(30)	(10)	(19)	(143)
At 31 December 2021	5,018	3,067	1,054	939	10,078
Depreciation					
At 31 December 2019	161	2,015	956	740	3,872
Charge for the period	63	153	16	13	245
Exchange adjustment	3	79	29	26	137
At 31 December 2020	227	2,247	1,001	779	4,254
Charge for the period	65	152	17	24	258
Exchange adjustment	(46)	(84)	(29)	17	(142)
At 31 December 2021	246	2,315	989	820	4,370
Net book value					
At 31 December 2021	4,772	752	65	119	5,708
At 31 December 2020	3,790	542	24	61	4,417
At 31 December 2019	23,722	613	50	55	3,090

13) Right-of-use assets

	Land and Buildings USD '000
Cost	
At 31 December 2019	–
Additions	3,416
Exchange adjustment	(1)
At 31 December 2020	3,415
Additions	154
At 31 December 2021	3,569
Depreciation	
At 31 December 2019	–
Charge for the period	78
At 31 December 2020	78
Charge for the period	103
At 31 December 2021	181
Net Book Value	
At 31 December 2021	3,388
At 31 December 2020	3,337

14) Intangible assets

	Development costs USD '000	Goodwill USD '000	Customer relationships USD '000	Trademarks USD '000	Process Tech USD '000	Supplier agreements USD '000	TOTAL USD '000
Cost							
At 31 December 2019	1,275	19,458	3,000	799	1,500	600	26,632
Additions*	293	–	–	–	–	–	293
Exchange Adjustment	45	–	–	–	–	–	45
At 31 December 2020	1,613	19,458	3,000	799	1,500	600	26,970
Additions*	497	–	–	–	–	–	497
Exchange adjustment	(11)	–	–	–	–	–	(11)
At 31 December 2021	2,099	19,458	3,000	799	1,500	600	27,456
Amortisation							
At 31 December 2019	1,275	–	719	383	360	288	3,025
Charge for the period	–	–	300	160	150	120	730
Exchange adjustment	45	–	–	–	–	–	45
Impairment	–	7,871	–	–	–	–	7,871
At 31 December 2020	1,320	7,871	1,019	543	510	408	11,671
Charge for the period	–	–	300	160	150	120	730
Exchange adjustment	(9)	–	–	–	–	–	(9)
At 31 December 2021	1,311	7,871	1,319	703	660	528	12,392
Net book value							
At 31 December 2021	788	11,587	1,681	96	840	72	15,064
At 31 December 2020	293	11,587	1,981	256	990	192	15,299
At 31 December 2019	–	19,458	2,281	416	1,140	312	23,607

* Additions in both years arose from internal development.

Goodwill, customer relationships, trademarks, process technology and supplier agreements relate to the acquisition of CellRight Technologies LLC in 2017 and are subject to annual impairment testing as described below. The remaining amortisation periods for these assets are: Customer relationships: 5.8 years, Trademarks: 0.8 years, Process Tech: 5.8 years, Supplier agreements: 0.8 years.

Impairment of non-current assets
Annual impairment test on CellRight Technologies LLC ("CellRight")

The Group considers the assets arising on the acquisition of CellRight Technologies LLC to be a single cash generating unit ("CGU") and tests for impairment on an annual basis, or more frequently where there are any indicators of impairment. The aggregate carrying value is compared against the expected recoverable amount of the unit, generally by reference to the present value of the future net cash flow expected to be derived from the asset, its value in use.

Value in use is estimated based on future cash flow discounted to present value using a pre-tax discount rate of 14.6% (2020: 14.6%) which reflects current market assessments of the time value of money. An impairment charge arises where the carrying value exceeds the value in use.

The inputs into cash flow forecasts are based on the most recent budgets/forecasts approved and reviewed by the Directors for the following year, extended forward for the next four years based on expected growth within the CGU over that period. At the end of year five, a terminal value is calculated using a long-term growth assumption of 2% (2020: 2%). Due to the uncertainty created by the Covid-19 pandemic the Directors have taken a cautious approach to the forecasts used in the calculation of value in use and in particular the assumption disclosed below in respect of future revenue growth.

The key inputs to the cash flow forecasts are:

- revenues (based on estimates of revenue growth with both new and existing customers based on an understanding of the needs of those customers and having regard to independent market assessments of market growth);
- gross margin and overheads (based on existing gross margins and adapted for appropriate increases base on the anticipated growth of the business);
- future anticipated capital expenditure (adjusted based on expected future growth); and
- movements in working capital.

The key assumption within the cash flow forecasts relates to sales growth which is inherently difficult to forecast in light of the continued pandemic. Across the five-year forecast period the compound annual growth rate ("CAGR") is 24.7% (2020: 18%) reflecting the uncertainty still present in the group's markets at 31 December 2021.

At 31 December 2021, the impairment test prepared by the Directors indicates a recoverable amount based on value in use of USD 62 million (2020: USD 30 million) compared to a CGU carrying amount of USD 31 million (2020: USD 38 million). The Directors therefore do not consider that an impairment charge is appropriate for the year ended 31 December 2021 (2020: USD 7.9 million). However, in drawing this conclusion the Directors note the importance of achieving the anticipated CAGR and have calculated that an impairment arises in the event that the CAGR falls to 16% across the five-year period.

The Directors consider the impairment charged at 31 December 2020 was due to the uncertainty created by the Covid-19 pandemic.

15) Inventory

	2021 USD '000	2020 USD '000
Raw materials and consumables	2,681	2,704
Work in progress	5,628	4,783
Finished goods including goods for resale	1,410	2,117
Total	9,719	9,604

Inventory of finished goods including goods for resale is presented net of a provision of USD 307k (2020: USD 368k).

16) Trade and other receivables

	2021 USD '000	2020 USD '000
Trade debtors	2,946	2,424
Other receivables	118	129
Prepayments and accrued income	1,037	1,036
	4,101	3,589

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

	USD '000	USD '000
Trade receivables	3,024	2,467
Less: Allowance for expected credit losses	(78)	(43)
	2,946	2,424

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate	Carrying amount 2021 USD '000	Allowance for expected credit losses 2021 USD '000	Carrying amount 2020 USD '000	Allowance for expected credit losses 2020 USD '000
not overdue	0%	2,745	–	1,324	–
0 to 3 months overdue	0%	127	–	1,114	–
3 to 4 months overdue	25%	69	17	19	13
4 to 5 months overdue	50%	45	23	27	18
over 5 months overdue	100%	38	38	(17)	12
		3,024	78	2,467	43

The average Credit terms with customers is 40 days (2020: 40 days). Trade receivables are analysed by the currencies of settlement below:

	2021 USD '000	2020 USD '000
US Dollars	2,687	2,123
Euros	188	287
Sterling	71	14
Trade debtors	2,946	2,424

Movements in the impairment allowance for trade receivables are as follows:

	2021 USD '000	2020 USD '000
Opening provision for impairment of trade receivables	43	128
Increase during the year	135	37
Receivables written off during the year as uncollectable	3	–
Unused amounts reversed	(103)	(122)
At 31 December 2021	78	43

17) Financial instruments

Financial risk management objectives

Management provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. These risks include cash flow interest risk, credit risk, liquidity risk, capital risk and foreign currency risk.

The policies for managing these risks are regularly reviewed and agreed by the Board.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy is to minimize costs and liquidity risk.

The capital structure of the Group consists of cash and cash equivalents, interest bearing loans and borrowings, and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

The Group plans its capital requirements on a regular basis and as part of this review the Directors consider the cost of capital and the risks associated with each class of capital.

Categories of financial instruments

Financial assets measured at amortised cost	2021 USD '000	2020 USD '000
Cash and cash equivalents	7,709	12,968
Trade receivables	2,946	2,424
Other receivables	80	114
	10,735	15,506

Financial liabilities measured at amortised cost	2021 USD '000	2020 USD '000
Trade payables	2,574	1,324
Accruals	1,619	2,570
Borrowings	4,465	3,788
Lease liabilities	3,482	3,431
	12,140	11,113

Fair value of financial instruments
The Directors consider that the carrying amount of its financial instruments approximates to their fair value.

Interest rate risk management
The Group's policy on interest rate management is agreed at Board level and is reviewed on an on-going basis.

The risk in the potential movement in interest received on cash surpluses held is limited due to little movement on deposit interest rates.

The Groups interest bearing loans incur interest charges at a fixed rate above LIBOR and therefore, the Group is not exposed to significant interest rate fluctuations.

Accordingly, no sensitivity analysis has been presented.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The maximum exposure to credit risk at the reporting date to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets. The Group does not hold any collateral.

Credit risk arising from trade debtors is mitigated by a robust procedure including credit reviews on all customers and establishing a credit allowance that reflect any known risk.

Generally, financial assets are written off when there is no reasonable expectation of recovery.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings assigned by international credit rating agencies. The majority of funds are held by institutions with an A rating or higher.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flow.

With the exception of borrowings and leases, outlined in notes 18 and 20 respectively, the Group's financial liabilities mature within less than six months.

At 31 December 2021, the Group was compliant with all the terms relating to the MidCap facilities. Since the year end, the Group has been able to increase the funds available to it under the terms of the facility from USD 3 million to USD 5 million.

The maturity of borrowings was as follows:

	2021 USD '000	2020 USD '000
Less than 6 months	–	–
6 months to 1 year	–	–
1 year to 2 years	1,000	–
2 years to 5 years	3,465	3,788
	4,465	3,788

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, with the result that exposure to exchange rate fluctuations arise. However, there is currently limited currency risk within the Group at the current time as all its financial assets and the majority of its liabilities are denominated in the functional currency of the relevant entity. The Group does not hold cash balances in currencies other than the functional currency of the relevant entity and therefore there is little exposure to fluctuations in exchange rates which would impact the income statement of the Group.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the reporting date are immaterial and as a result the Group has not undertaken foreign currency sensitivity analysis.

The Group does not normally hedge against the effects of movements in exchange rates.

18) Trade and other payables

	2021 USD '000	2020 USD '000
Current:		
Trade payables	2,574	1,324
Taxes and social security	51	190
Accruals	1,619	2,570
	4,244	4,084

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

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs.

The Group has financial risk management policies to ensure that all payables are paid within the credit time frame and no interest is generally charged on balances outstanding.

19) Loans and borrowings

At 31 December 2021	Interest rate %	Maturity	Current USD '000	Non-current USD'000
Term loan	LIBOR RATE +6.75%	Jun 2024	–	2,000
Revolving credit	LIBOR RATE +4.5%	Jun 2024	–	2,649
Gross borrowings			–	4,649
Less: capitalised debt issue costs			–	(184)
Borrowings				4,465

At 31 December 2020	Interest rate %	Maturity	Current USD '000	Non-current USD'000
Term loan	LIBOR RATE +6.75%	Jun 2024	–	2,000
Revolving credit	LIBOR RATE +4.5%	Jun 2024	–	2,047
Gross borrowings			–	4,047
Less: capitalised debt issue costs			–	(259)
Borrowings				3,788

In June 2019, the Group signed a revised bank facility with MidCap Financial Trust ("MidCap") in the US.

Under the terms of the agreement, repayment of the term loan will commence in July 2023 by the payment of 12 monthly instalments. The revolving credit is repayable in full by June 2024 and, at 31 December 2021, had a maximum drawdown facility of USD 3 million. Since the year end, the Group has been able to increase the funds available to it under the terms of the facility from USD 3 million to USD 5 million.

In respect of the term loan, MidCap holds security over the Group's freehold property in San Antonio and certain IP. The carrying amount of these assets at 31 December 2021 is USD 4.8 million (2020: USD 3.8 million) and nil (2020: nil) respectively.

The revolving credit facility is subject to revenue covenants.

Debt issue costs of USD 377k were capitalised against the loan and is being amortised over the life of the term loan.

Please refer to note 17 for maturity analysis.

The movement in total borrowings during the year was as follows:

	2020 USD'000	Cashflows USD'000	Non-cash changes Additions USD'000	Non-cash changes foreign exchange movement USD'000	Non-cash changes other USD'000	2021 USD'000
Borrowings	3,788	602	75	–	–	4,465
Lease Liabilities	3,431	(102)	154	(1)	–	3,482
Total Liabilities from Financing Activities	7,219	500	229	(1)	–	7,947

	2019 USD'000	Cashflows USD'000	Non-cash additions USD'000	Non-cash changes foreign exchange movement USD'000	Non-cash changes other USD'000	2020 USD'000
Borrowings	2,998	715	75	–	–	3,788
Lease Liabilities	–	–	3,413	–	18	3,431
Total Liabilities from Financing Activities	2,998	715	3,488	–	18	7,219

20) Deferred tax liabilities

	USD '000
As at December 2019	880
Release to the income statement	(120)
As at December 2020	760
Release to the income statement	(120)
As at December 2021	**640**

The deferred tax liability relates to intangible assets recognised on the acquisition of CellRight Technologies LLC. See note 14

21) Lease liabilities

	2021 USD '000	2020 USD '000
Current Lease liabilities	118	347
Non–current liabilities	3,364	3,084
	3,482	3,431

Maturity analysis of lease liabilities

The maturity of the gross contractual undiscounted cashflows due on the Group's lease liabilities is set out below based on the period between 31 December 2021 and the contractual maturity date.

Land and buildings	2021 USD '000	2020 USD '000
Less than 6 months	202	181
6 months to 1 year	208	181
1 year to 2 years	420	390
2 years to 5 years	3,518	4,002
5 or more years	–	–
	4,348	4,754

Disclosure of additions to and carrying amounts of right-of-use assets by class has been provided in note 13.

Effect of leases on financial performance

	2021 USD '000	2020 USD '000
Depreciation on right-of-use assets	103	78
Interest expense	301	254
Total effect of leases on financial performance	404	332

The Group leases properties used for its operations in the United Kingdom ("UK") and United States ("US").

UK Property: 5-year fixed lease which includes a break clause in 2023.

US property: 5-year fixed which includes an option to purchase up to 2025.

The Group average effective borrowing rate for leases at 31 December 2021 was 9% (2020: 9%).

22) Share capital

	2021 USD '000	2020 USD '000
Allotted, issued and fully paid		
Ordinary shares of 0.1 pence	9,164	9,164
Deferred shares of 0.4 pence	6,783	6,783
	15,947	15,947

Movements on share capital during the period were as follows:

	Ordinary shares Number	USD '000	Deferred shares Number	USD '000
At 31 December 2019	1,171,971,322	8,478	–	–
Sub-division of shares		(6,783)	1,171,971,322	6,783
Issued on exercise of share options	1,479,965	2	–	–
Issue of shares	5,859,626,212	7,467	–	–
At 31 December 2020 and 2021	7,033,077,499	9,164	1,171,971,322	6,783

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

On 9 June 2020, a special resolution was passed at the general meeting for the subdivision of 1,171,971,322 ordinary shares of 0.5 pence each into 1,171,971,322 ordinary shares of 0.1 pence each and 1,171,971,322 deferred shares of 0.4 pence.

The Ordinary shares are fully paid and entitle the holder to full voting rights, to full participation and to distribution of dividends.

The Deferred shares are not listed on AIM, do not give the holders any right to receive notice of, or to attend or vote at any general meetings, have no entitlement to receive a dividend or other distribution other than to a return of capital in the event of a winding up (and only after the holders of the ordinary shares have received the sum of £1 million per share).

On 9 June 2020, the Company issued 5,859,626,212 ordinary shares of 0.1 pence each raising gross proceeds of USD 18.7 million (£14.6 million).

23) Reserves

Reserves of the Group represent the following:

Share premium
Consideration paid in excess of the nominal value of shares allotted, net of the costs of issue.

Merger reserve
Consideration and nominal value of the shares issued during a merger and the fair value of the assets transferred differ.

Reverse acquisition
Retained earnings of a reverse acquisition.

Own shares held
Shares held on trust for the benefit of employees – Employee Benefit Trust.

Share-based payment reserve
Accumulated charges/(credits) made under IFRS 2 in respect of share-based payments.

Cumulative translation reserve
Foreign exchange differences arising on the translation of foreign operations and any net gain/(loss) on the hedge of net investment in foreign subsidiaries. The cumulative translation reserve also represents the net effect of the fact that the functional currency of the parent undertaking is GBP, whilst its reporting currency is USD, resulting in exchange differences on translation of the parent undertakings equity.

Retained deficit
All current and prior period retained losses.

24) 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 0.1p to 22.5p and a vesting period between one and three 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.

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

	EMI options	Unapproved options	EBT shares	SAYE options	LTIP options	Total	Weighted average exercise price per share (£)
At 31 December 2019	5,267,716	4,758,732	16,112,800	6,430,483	–	32,569,731	0.0596
Exercised in the period	–	(1,479,965)	–	–	–	(1,479,965)	0.0008
Lapsed during year	(4,047,279)	(1,435,293)	–	(6,430,483)	–	(11,913,055)	0.0615
Issued in the year	–	–	–	47,739,128	–	47,739,128	0.0028
At 31 December 2020	1,220,437	1,843,474	16,112,800	47,739,128	–	66,915,839	0.0180
Lapsed during year	(464,902)	(1,346,603)	–	(24,275,360)	–	(26,086,865)	0.0081
Issued in the year	–	–	–	–	82,116,698	82,166,698	0.0010
At 31 December 2021	**755,535**	**496,871**	**16,112,800**	**23,463,768**	**82,116,698**	**122,945,672**	**0.0091**

Excluding the EBT shares, there were 573,381 share options outstanding at 31 December 2021 (2020: 573,381) which were eligible to be exercised. The remaining options were not eligible to be exercised as these are subject to employment period and market based vesting conditions, some of which had not been met at 31 December 2021.

The range of exercise prices applicable to share options is between 0.1p and 22.5p with the majority of the remaining shares at the lower price. The options eligible to be exercised are at a price of 12p per share.

There were 16,112,800 of the jointly held EBT shares which were eligible to vest as at 31 December 2021.

Share options and employee interests in jointly owned EBT shares which are not exercised within 10 years from the date of grant will expire. The weighted average remaining contractual life of options outstanding at the end of the financial year was 6.7 years (2020: 5.2 years).

The fair value of the options issued in the current year have been measured using the Monte Carlo model. The performance conditions of previous grants were generally market based whereas current grants are now issued with multiple performance conditions and therefore the Monte Carlo model is considered to be a more appropriate model.

The significant inputs into the model for the IFRS2 valuation were as follows:

	Options Granted 2021
Dividend yield	–
Exercise price (£)	0.001
Expected volatility (%)	80
Risk free interest rate (%)	0.11
Expected vesting life of EBT shares and options (years)	3
Weighted average fair value (£)	0.0040
Weighted average share price (£)	0.0055

Expected volatility is based on historic share prices as published on the LSE website.

The fair value of the options granted during the year was USD 447k.

Share based payments continued
The Company recognised a total expense of USD 110k (2020: credit USD 36k) in respect of employment related securities.

Other Share Options
In 2019, Warrants were issued to MidCap as part of the Group's new borrowing facilities. Options over 3,096,798 shares were granted at an exercise price of 5.74p. These options are equity-settled and still remain exercisable. The weighted average contractual life is 7.5 years. (2020: 8.5). The binomial model was used to value the share-based payment charge and the assumptions adopted are consistent with those used in the calculation of 2019 employee share-based payments above except the vesting period of nil.

25) Non-controlling interest

	2021 USD '000	2020 USD '000
As at 1 January	(757)	(758)
Attributable loss for the year	(193)	1
As at 31 December	(950)	(757)

The non-controlling interest has 50% (2020: 50%) equity holding. GBM-V GmbH contributed revenue of USD 2,789k (2020: USD 2,666k) and a loss before tax of USD 154k after elimination of intercompany trading (2020: Profit USD 277k) for the year. Further financial information relating to GBM-V GmbH can be found in note 5.

26) Related party transactions

Amounts due from subsidiaries
Balances and transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel
The remuneration of the Board of Directors of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related party disclosures.

	2021 $000	2020 $000
Short-term employment benefits	1,058	1,247

For more information on the salary and fees, bonus, and benefits included above see Director's Remuneration Report.

27) 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 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained deficit £'000	Total £'000
At 31 December 2019	5,859	86,399	10,884	910	(63,466)	40,586
Transactions with owners in their capacity as owners:						
Issue of shares	5,860	8,790	–	–	–	14,650
Costs of issue of new equity	–	(899)	–	–	–	(899)
Share options exercised	1	–	–	–	–	1
Share-based payment credit	–	–	–	(3)	–	(3)
Total transactions with owners in their capacity as owners	5,861	7,891	–	(3)	–	13,749
Loss for the year	–	–	–	–	(15,048)	(15,048)
At 31 December 2020	11,720	94,290	10,884	907	(78,514)	39,287
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	80	–	80
Total transactions with owners in their capacity as owners	–	–	–	80	–	80
Loss for the year	–	–	–	–	(244)	(244)
At 31 December 2021	**11,720**	**94,290**	**10,884**	**987**	**(78,758)**	**39,123**

Company Statement of Financial Position

As at 31 December 2021

	Notes	2021 £000	2020 £000
Assets			
Non-current assets			
Investments	C4	**18,836**	18,813
Intercompany loans	C6	**15,722**	11,754
		34,558	30,567
Current assets			
Trade and other receivables	C5	**117**	35
Cash and cash equivalents		**4,679**	9,039
		4,796	9,074
Total assets		**39,354**	39,641
Liabilities			
Current liabilities			
Trade and other payables		**(231)**	(354)
Total liabilities	C7	**(231)**	(354)
Net assets		**39,123**	39,287
Equity			
Share capital	C8	**11,720**	11,720
Share premium	C9	**94,290**	94,290
Merger reserve	C9	**10,884**	10,884
Share-based payment reserve	C9	**987**	907
Retained deficit	C9	**(78,758)**	(78,514)
		39,123	39,287

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 income or statement of comprehensive income.

The parent company's loss for the year ended 31 December 2021 was £244k (2020: loss £15,048k).

The Company financial statements were approved by the Board of Directors and authorised for issue on 14 March 2022 and were signed on its behalf by

Daniel Lee
Chief Executive Officer
Company number: 05969271

Notes to the Company Financial Statements

For the year ended 31 December 2021

C1. Principal accounting policies

Tissue Regenix Group plc (the "Company") is a company limited by shares, domiciled and incorporated in the United Kingdom under the Companies Act 2006.

The address of the registered office is Unit 3, Phoenix Court, Lotherton Way, Garforth LS25 2GY. The Company's shares are admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange.

The presentation currency of these financial statement is pound sterling "£", which is the currency in which the Company raises funds. The functional currency is pound sterling.

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). The Company has adopted FRS 101 for the first time. Therefore, the requirements of paragraphs 6-33 of IFRS 1 apply (except for the requirements of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition). There were no material adjustments arising from the adoption of FRS 101, and therefore no reconciliations of equity at 1 January 2021 or 31 December 2020, or of profit for the year ended 31 December 2021, have been presented.

In preparing these financial statements, the Company applies the recognition and measurement requirements of UK adopted International accounting standards, amended where necessary to comply with the Companies Act 2006.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosure in respect of transactions with wholly-owned subsidiaries;
- Disclosure in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based payments in respect of group settled share-based payments;
- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures.

The principal accounting policies adopted are the same as those set out in the Group's consolidated financial statements and have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

The financial statements have been prepared on the historical basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statement and estimates with a significant risk of material adjustment in the next year are discussed in C2.

Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

C2. Critical accounting estimates and judgements

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recoverability of investments and loans to subsidiary undertakings

The Company has investments and outstanding loans from its subsidiaries. However, there is a risk that the that the carrying amount of the Company's investments and loans will exceed the recoverable amount.

At 31 December 2021, the Company had outstanding loans due from its subsidiaries of £79.6 million (2020: £75.9 million).

In accordance with IFRS 9 Financial Instruments, as the subsidiary undertakings cannot repay the loans at the reporting date, the Company has made an assessment of expected credit losses. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, a cumulative lifetime expected credit loss (ECL) of £63,871,000 has been recognised at 31 December 2021 (2020: £64,132,000) resulting in a reversal credit of £261,000.

The calculation of the allowance for lifetime expected credit losses requires a significant degree of estimation and judgement, in particular in determining the probability weighted likely outcome for each scenario considered. The Directors' assessment of ECL included repayment through future cash flows over time (which are inherently difficult to forecast for the Company at its current stage of development) and also the amount that could be realised through an immediate sale of the subsidiary undertakings. The Directors' assessment of repayment through future cash flows included scenarios where the loan was not recovered in full. The Directors allocated a probability weighting of 90% to scenarios where recovery would be repayment over time, and 10% to the scenario where immediate sale of the subsidiary undertaking was contemplated.

Given the quantum of the provision recorded at 31 December 2021, the outcome is materially sensitive to the key assumptions inherent in the calculation. The carrying value of amounts owned by subsidiary undertakings at 31 December 2021 is disclosed in note C6 to the financial statements.

C3. Staff costs

	2021 no.	2020 no.
The average monthly number of persons (including Directors) employed by the Company during the period was:	6	5
Directors Administration staff	2	2
	8	7

	£000	£000
The aggregate remuneration, including Directors, comprised: Wages and salaries	467	631
Social security, pension & healthcare costs	68	141
	535	772

Social security, pension and healthcare costs include pension contributions £13,000 (2020: £33,000).

C4. Investment in subsidiary companies

	2021 £000	2020 £000
Cost at 1 January	18,813	18,594
Push down of Share-based payment charges	23	219
Carrying value at 31 December	18,836	18,813

At 31 December 2021, the Company held the following investments in subsidiaries:

		Share of issued capital and voting rights	
Undertaking	**Sector**	**2021**	**2020**
Tissue Regenix Limited	Regenerative medicine	100%	100%
TRX Wound Care Limited	Regenerative medicine	100%	100%
TRX Orthopaedics Limited	Regenerative medicine	100%	100%
TRX Cardiac Limited	Regenerative medicine	100%	100%
TRX Vascular Limited	Dormant	100%	100%
Tissue Regenix Wound Care Inc*	Regenerative medicine	100%	100%
TRX Orthopedics Inc^	Regenerative medicine	100%	100%
Tissue Regenix Holdings Limited	Holding company	100%	100%
Tissue Regenix Holdings Inc**	Holding company	100%	100%
CellRight Technologies LLC†	Regenerative medicine	100%	100%
GBM-V GmbH	Regenerative medicine	50%	50%

* Held through TRX Wound Care Limited

^ Held through TRX Orthopaedics Limited

** Held through Tissue Regenix Holdings Limited

† Held through Tissue Regenix Holdings Inc. All others are held through Tissue Regenix Limited.

Registered Addresses:

Tissue Regenix Limited, TRX Wound Care Limited, TRX Orthopaedics Limited, TRX Cardiac Limited, TRX Vascular Limited, Tissue Regenix Holdings Limited: Unit 3, Phoenix Court, Lotherton Way, Garforth, Leeds LS25 2GY.

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

GBM-v Gmbh: Schillingallee 68, 18057, Rostock, Germany.

C5. Trade and other receivables

	2021 £000	2020 £000
Prepayments & accrued income	108	31
Other debtors	9	4
	117	35

C6. Intercompany loans

	2021 £000	2020 £000
Intercompany loans	79,593	75,866
Less: Expected credit losses	(63,871)	(64,132)
Comprising:	15,722	11,754
Non-current assets	15,722	11,754

The Company has entered into a number of unsecured related party transactions with its subsidiary undertakings.

Intercompany loans include £0.8 million gross (2020: £0.8 million) before a provision of £0.7 million (2020: £0.7 million) due from the Group's EBT. No interest was receivable on loans to subsidiary undertakings and the loans are repayable on demand except for a £13.2 million (2020: £13.2 million) unsecured loan to Tissue Regenix Limited that is charged at 4% above the Bank of England base rate and which is repayable in 2024. Intercompany loans are classified as non-current as the timing of repayment is uncertain and unlikely to be within one year.

C7. Trade and other payables

	2021 £000	2020 £000
Taxes & social security	23	110
Accruals	208	244
	231	354

C8. Share Capital

	2021 £000	2020 £000
Allotted, issued and fully paid		
Ordinary shares of 0.1 pence	7,033	7,033
Deferred shares of 0.4 pence	4,687	4,687
	11,720	11,720

Movements on share capital during the period were as follows:

	Ordinary shares Number	£000	Deferred shares Number	2020 £000
At 31 December 2019	1,171,971,322	5,859	–	–
Sub-division of shares		(4,687)	1,171,971,322	4,687
Issued on exercise of share options	1,479,965	1	–	–
Issue of shares	5,859,626,212	5,860	–	5,860
At 31 December 2020 and 2021	7,033,077,499	7,033	1,171,971,322	4,687

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

On 9 June 2020, a special resolution was passed at the general meeting for the subdivision of 1,171,971,322 ordinary shares of 0.5 pence each into 1,171,971,322 ordinary shares of 0.1 pence each and 1,171,971,322 deferred shares of 0.4 pence.

The Deferred shares are not listed on AIM, do not give the holders any right to receive notice of, or to attend or vote at any general meetings, have no entitlement to receive a dividend or other distribution other than to a return of capital in the event of a winding up (and only after the holders of the ordinary shares have received the sum of £1million per share).

On 9 June 2020, the Company issued 5,859,626,212 ordinary shares of 0.1 pence each raising gross proceeds of £14.6 million.

C9. Reserves

Reserves of the Group represent the following:

Share premium
Consideration paid in excess of the nominal value of shares allotted, net of the costs of issue.

Merger reserve
Consideration and nominal value of the shares issued during a merger and the fair value of the assets transferred differ.

Share-based payment reserve
Accumulated charges/(credits) made under IFRS 2 in respect of share-based payments.

Retained deficit
All current and prior period losses.

C10. Related party transactions

Subsidiary undertakings
The Company has taken advantage of the exemption under FRS 101 in regard to the disclosure of transactions and balances with wholly-owned group companies.

Other

Notice of Annual General Meeting

Notice is given that the 2022 Annual General Meeting of Tissue Regenix Group plc ("**Company**") will be held at DLA Piper, 160 Aldersgate St, Barbican, London EC1A 4HT on 26th April 2022 at 13.00 for the following purposes:

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

1. To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2021
2. To reappoint Jonathan Glenn who retires by rotation, as a director of the Company
3. To reappoint Daniel Lee who retires by rotation, as a director of the Company
4. To reappoint David Cocke who retires by rotation, as a director of the Company
5. To reappoint Brian Phillips who retires by rotation, as a director of the Company
6. To reappoint Shervanthi Homer-Vanniasinkam who retires by rotation, as a director of the Company
7. To reappoint Trevor Phillips who retires by rotation, as a director of the Company
8. To reappoint RSM UK Audit LLP as auditors of the Company
9. To authorise the directors to determine the remuneration of the auditors
10. That, pursuant to section 551 of the Companies Act 2006 ("Act"), the directors be generally and unconditionally authorised to allot Relevant Securities:

    10.1 up to an aggregate nominal amount of £2,344,359; and

    10.2 comprising equity securities (as defined in section 560(1) of the Act) up to a further aggregate nominal amount of £2,344,359 in connection with an offer by way of a rights issue:

        10.2.1 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

        10.2.2 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 26 July 2023 (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

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

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

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

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

11.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph 10.2 of resolution 10, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue):

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

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

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

11.2 otherwise than pursuant to paragraph 11.1 of this resolution up to an aggregate nominal amount of £703,307,

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 *26 July 2023* (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

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

12. That, pursuant to section 701 of the 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 0.1p each in the capital of the Company ("Shares"), provided that:

12.1 the maximum aggregate number of Shares which may be purchased is 703,307,749;

12.2 the minimum price (excluding expenses) which may be paid for a Share is 0.1p;

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

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on *26 July 2023* (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
Kirsten Lund
Secretary
14 March 2022

Registered office

Unit 3, Phoenix Court
Lotherton Way
Garforth
Leeds
England
LS25 2GY

Registered in England and Wales No. 05969271

Notes

Entitlement to attend and vote

14. 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 the close of business on Sunday 24 April (or, if the meeting is adjourned, close of business 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

15. 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.

    You can vote either:

    - by logging on to www.signalshares.com and following the instructions;
    - You may request a hard copy form of proxy directly from the registrars, Link Group (previously called Capita), on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales);
    - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

    In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, no later than 13.00 p.m. on Sunday 24 April (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

16. 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 13.00 p.m. on Sunday 24 April (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.

Corporate representatives

17. 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

18. Subject to the restrictions imposed as a result of the spread of COVID-19 in the UK, 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:

    18.1 Copies of the service contracts of the executive directors.

    18.2 Copies of the letters of appointment of the non - executive directors.

Biographical details of directors

19. Biographical details of all those directors who are offering themselves for reappointment at the meeting are set out on pages 20 and 20 of the enclosed annual report and accounts.

Share capital

20. As at 14 March (the last practicable business day prior to the date of this notice), the Company's issued share capital comprised 7,033,077,499 ordinary shares of 0.1 pence each and 1,171,971,322 deferred shares of 0.4 pence each. Each ordinary share carries the right to vote at a general meeting of the Company. The deferred shares carry no voting rights. Therefore, the total number of voting rights as at the date of this document is 7,033,077,499.

Company and Adviser Information

DIRECTORS

Jonathan Glenn	Non-Executive Chairman
Daniel Lee	Chief Executive Officer
David Cocke	Chief Financial Officer
Shervanthi Homer-Vanniasinkam	Non-Executive Director
Trevor Phillips	Non-Executive Director
Brian Phillips	Non-Executive Director

COMPANY SECRETARY
Kirsten Lund

COMPANY WEBSITE
www.tissueregenix.com

COMPANY NUMBER
05969271 (England & Wales)

REGISTERED OFFICE
Unit 3
Phoenix Court
Lotherton Way
Garforth
LS25 2GY

REGISTRAR
Link Group
PXS 1
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

AUDITOR
RSM UK Audit LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

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

Squire Patton Boggs UK LLP
6 Wellington Place
Leeds
LS1 4AP

NOMINATED ADVISER
AND BROKER
Stifel Nicolaus Europe Ltd
150 Cheapside
London
EC2V 6ET

Tissue Regenix
Group plc

Tissue Regenix Group plc

Unit 3
Phoenix Court
Lotherton Way
Garforth LS25 2GY

www.tissueregenix.com