TISSUE REGENIX LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

Registered Number: 5807272

TISSUE REGENIX LIMITED
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TISSUE REGENIX LIMITED
ADVISORS AND OFFICERS

DIRECTORS

J Samuel
M Barker (appointed 28/08/2019)
G Jones
A Miller

COMPANY NUMBER

5807272 (England & Wales)

REGISTERED OFFICE

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

AUDITOR

RSM UK Audit LLP
Central Square, 5th Floor
29 Wellington Street
Leeds
LS1 4DL

TISSUE REGENIX LIMITED
DIRECTORS' REPORT

The Directors submit their report and the financial statements of Tissue Regenix Limited for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The loss incurred for the year ended 31 December 2018 was £3,233k (year ended December 2017 as restated : £2,073k).

The Directors do not recommend the payment of a dividend (December 2017: £nil).

DIRECTORS

The following Directors held office during the period:

S Couldwell (resigned 31/07/2019)
J Samuel
P Devlin (resigned 31/01/2018)
G Jones (appointed 29/10/2018)
A Miller

GOING CONCERN

As at 31 December 2018, the Group had £7.8m of cash and cash equivalents available to it. The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget cash forecasts and assumptions as well as the main risk factors facing the Group.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. There are no third-party indemnity provisions for directors.

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 company's auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

On 14 November 2018 KPMG resigned as Auditor and RSM UK Audit LLP (RSM) were subsequently appointed. RSM 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 was agreed at the Annual General Meeting and RSM was deemed to therefore continue in office.

On behalf of the Board

G Jones
Director
26/9/2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TISSUE REGENIX LIMITED

Opinion

We have audited the financial statements of Tissue Regenix Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 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, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 2, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

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.

RSM UK Audit LLP

Michael Thornton (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
West Yorkshire
LS1 4DL

27 September 2019

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2018

	Notes	2018 £000	2017 (Restated) £000
Revenue		-	-
Administrative expenses before exception items		(2,072)	(1,971)
Exceptional items		(423)	(102)
Total administrative expenses		(2,495)	(2,073)
Operating loss	3	(2,495)	(2,073)
Finance expense	6	(738)	-
Loss before taxation		(3,233)	(2,073)
Taxation	5	-	-
Total loss for year		(3,233)	(2,073)
Attributable to:			
Owners of the Company		(3,233)	(2,073)

The loss for each period arises from the Company's continuing operations. No other comprehensive income was received in any of the periods other than that recognised within the statement of comprehensive income. The restatement referred to above is described in further detail in note 2.

TISSUE REGENIX LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Attributable to the owners of the Company				
	Share Capital £000	Share Premium £000	Retained Deficit £000	Share Based Reserve £000	Total Equity £000
At 31 December 2016	-	3,879	(15,873)	73	(11,921)
Loss for the year	-	-	(2,073)	-	(2,073)
Issue of shares	-	6,500	-	-	6,500
As at 31 December 2017	-	10,379	(17,946)	73	(7,494)
Loss for the year	-	-	(3,233)	-	(3,233)
Issue of shares	-	-	-	-	-
As at 31 December 2018	**-**	**10,379**	**(21,179)**	73	**(10,727)**

TISSUE REGENIX LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 £000	2017 £000
Assets			
Non-current assets			
Investments		10	10
Property, plant and equipment	7	290	555
		300	565
Current assets			
Inventory	8	77	86
Trade and other receivables	9	46,370	30,614
Cash and cash equivalents	10	38	78
		46,485	30,778
Total assets		46,785	31,343
Liabilities			
Current liabilities			
Trade and other payables	11	(57,512)	(38,837)
Total liabilities		(57,512)	(38,837)
Net liabilities		(10,727)	(7,494)
Equity			
Attributable to owners of the Company			
Share capital	12	-	-
Share premium	13	10,379	10,379
Share based payment reserve		73	73
Retained deficit		(21,179)	(17,946)
Net deficit		(10,727)	(7,494)

Approved by the Board and authorised for issue on 26th September 2019

G Jones
Director

Company number: 5807272

TISSUE REGENIX LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018 £000	2017 (Restated) £000
Operating activities			
Operating Loss		**(2,495)**	(2,072)
Adjustments for:			
Depreciation of plant and equipment	7	**292**	335
Operating cash outflow before working capital movements		**(2,203)**	(1,738)
Decrease in inventory	8	**9**	9
(Increase) in trade and other receivables		**(15,756)**	(22,642)
Increase in trade and other payables		**17,937**	17,950
Net cash outflow from operations		**(13)**	(6,421)
Investing activities			
Purchase of property, plant and equipment	7	**(27)**	(51)
Net cash outflow from investing activities		**(27)**	(51)
Financing activities			
Proceeds for issue of shares		-	6,500
Net cash outflow from financing activities		-	6,500
Increase/(decrease) in cash and cash equivalents		**(40)**	28
Cash and cash equivalents at start of year		**78**	50
Cash and cash equivalents at end of year	10	**38**	78

1) ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Company is incorporated and domiciled in the United Kingdom and its registered number is 05807272. The address of the registered office is Unit 1 and 2 Astley Way, Astley Industrial Estate, Swillington LS26 8XT. The Company was incorporated on 5 May 2006. The principle activity is to develop, manufacture and commercialise biological medical devices.

The financial information has been prepared by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Accounting Standards as issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the European Union. Tissue Regenix Limited is exempt from consolidating accounts due to being included in a consolidation of a larger Group.

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

GOING CONCERN

The Company is a subsidiary undertaking of Tissue Regenix Group plc. The Company recorded a loss for the year of £3,233,000 and had net current liabilities of £8,830,000 at the period-end which included £57,099,000 due to other companies within the Group. The other companies in the Group have indicated that they will not seek repayment of this amount until such time as the Company has funds available to make such repayment. The Company is funded by the Tissue Regenix Group plc which at 31 December 2018 had £7,816,000 of cash and cash equivalents available to it.

The Directors confirm they are satisfied that the Group has adequate resources to continue in business for the foreseeable. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the Company whilst noting the net liability position at the end of the period.

REVENUE

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

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

FOREIGN CURRENCIES

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

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

RESEARCH AND DEVELOPMENT

Research costs are charged to profit or loss as they are incurred. Certain development costs are capitalised as intangible assets when they meet the criteria under IAS 38. Such intangible assets are amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit, and are reviewed for an indication of impairment at each reporting date. Other development costs are charged against profit or loss as incurred since the criteria for their recognition as an asset are not met.

The criteria for recognising expenditure as an asset are:

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

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 costs. 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.

To date no development costs have been capitalised.

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

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment assets are stated at historical cost.

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Company 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).

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.

INVENTORY

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs.

SHARE BASED PAYMENT

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

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

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.

IFRS 9 introduces a new impairment model. Under IAS 39, an entity only considers those impairments that arise as a result of incurred loss events. The effect of possible future loss events can not be considered, even when they are expected.

IFRS 9 introduces a new expected credit loss ('ECL') model which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments.

Trade and other payables

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

Cash and cash equivalents

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

Share capital

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

TAXATION

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

The tax currently recoverable is based on a Research & Development tax credit claim for the period. The Company's debtor for this tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

Research and development costs

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

Deferred Tax

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

Recoverability of receivables from related party undertakings
Receivables from subsidiaries represent loans and interest free amounts advanced to group companies that are repayable on demand. In accordance with IFRS 9 'Financial Instruments', where the counterparty would not be able to repay the loan if demanded at the reporting date, the company has made an assessment of expected credit losses.

The assessment made by the Directors' stems from analysis performed at group level. The Directors' have concluded that the expected credit losses applicable to the loans made by the company to related party undertakings are consistent with those assessed in detail for the parent company. Following a reduction in the Tissue Regenix Group plc share price during the course of the year, which in turn has adversely affected the likely outcome of the downside scenarios considered by the Directors' in relation to the recovery of receivables from subsidiaries, the assessment of lifetime expected credit loss was £958,000 at 31 December 2018. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, no lifetime expected credit loss was recognised on adoption of IFRS 9 'Financial Instruments', and so no adjustment to opening retained earnings has been made.

The calculation of the allowance for lifetime expected credit losses requires a significant degree of estimation and judgement, in particular determining the probability weighted likely outcome for each scenario considered and in using a range of market capitalisations to determine the amount recovered in each scenario. Whilst the Directors considered future cash flows over time, the ECL calculation was based on a sale of the group in the event that repayment of the loans was demanded.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT APPLIED
At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group that have not been applied in these financial statements were in issue but not yet effective:

		Effective date
IFRS 16	Leases	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 cycle		1 January 2019

NEW STANDARDS AND AMENDMENTS TO STANDARDS ADOPTED IN THE YEAR
During the year, the Company adopted the following standards effective from the 1st January 2018. The Company has applied these standards in the preparation of the financial statements, and has not adopted any new or amended standards early.

IFRS 15 – Revenue from contracts with customer
IFRS 15 is effective for periods beginning on or after 1st January 2018. IFRS 15 introduces a five step approach to the timing of revenue recognition based on performance obligations in customer contracts. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

On 1 January 2018, the Company adopted IFRS 15 Revenue from contracts with customers using the modified retrospective method for contracts which were not completed as of that date. The Company applied the practical expedients in relation to contracts with variable consideration and contracts that were completed at the beginning of the earliest period presented and/or modified before the beginning of the earliest period presented. Under IFRS 15, revenue is recognised as the performance obligations to deliver products or services are satisfied and revenue is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligations. The Company undertook a detailed impact assessment applying IFRS 15 to all the existing ways in which the Company delivers products or services to customers to identify divergence with previous accounting practice governed by IAS 18 Revenue and concluded that IFRS 15 does not have a significant impact on the timing and recognition of revenue. Accordingly, there was no adjustment required on transition to IFRS 15.

IFRS 9 – Financial instruments
IFRS 9 'Financial instruments' replaces IAS 39 'Financial instruments: Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018. The standard covers three elements:
-Classification and measurement: Changes to a more principle based approach to classify financial assets as either held at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial asset;
- Impairment: Moves to an impairment model based on expected credit losses based on a three-stage approach; and
-Hedge accounting: The IFRS 9 hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the Group's underlying risk management.

The Company does not hold complex financial instruments and therefore the majority of changes to the standard do not change the existing accounting for assets or liabilities held. All financial assets and liabilities will continue to be measured at amortised cost
In applying IFRS 9 the Company considered the probability of a default occurring over the contractual life of its trade receivables balances on initial recognition of those assets. The Company has no trade receivables in the reported year.

2) PRIOR PERIOD ADJUSTMENT

In the prior period, exchange losses arising on intercompany loans denominated in foreign currencies were retranslated to the spot exchange rate at the balance sheet date. The loss arising on retranslation of £710,000 was recorded within other comprehensive income. In preparing these financial statements, the Directors have realised that this loss should have been recorded within the income statement as a component of administrative expenses. Accordingly, the comparative figures have been restated to correct this error.

This prior period adjustment has no impact on the comparative balance sheet. The correction has increased the loss for the period by £710,000 due to an increase in administrative expenses by the same amount, with a corresponding decrease in foreign currency translation differences recognised in other comprehensive income. As a result of the change in operating profit, there has been an increase in the operating cash outflow of £710,000.

3) LOSS FROM OPERATIONS

	2018 £000	2017 (Restated) £000
Loss from operations is stated after charging to administrative expenses:		
Depreciation of plant and equipment (see note 6)	**292**	335
Operating lease rentals – land and buildings	**-**	146
Staff costs (see note 3)	**1,654**	1,954
Foreign exchange (gain)/losses	**(1,329)**	683
Research and development (inclusive of research and development personnel)	**-**	-
Auditors remuneration:		
Fees payable to the Company's auditor for the audit of the Company's accounts	**10**	6
Fees payable in relation to corporate tax	**2**	3

4) STAFF COSTS

	2018 Number	2017 Number
The average monthly number of persons (including directors) employed by the Company during the period was:		
Directors	**-**	-
Laboratory and administration staff	**29**	39
	29	39

	Year to 31 December 2018 £000	Year to 31 December 2017 £000
The aggregate remuneration, including directors, comprised:		
Wages and salaries	**1,419**	1,729
Social security & pension	**235**	225
	1,654	1,954
Directors' remuneration comprised:		
Emoluments for qualifying services	**-**	-

Directors' emoluments disclosed above include nil paid to the highest paid director (2017: £nil). There are no pension benefits for directors.

5) TAXATION

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

	2018 £000	2017 (Restated) £000
The tax assessed for the period varies from the small company rate of corporation tax as explained below:		
Loss on ordinary activities before tax	**(2,252)**	(2,073)
Tax at the standard rate of corporation tax 19% (2017:19.25%)	**(428)**	(399)
Effects of:		
Unutilised tax losses not recognised	**428**	399
Tax credit for the period	**-**	-

	2018 £000	2017 £000
Tax losses		
Losses available to carry forward against future trading profits	**13,141**	11,833
Deferred tax asset – unrecognised*	**2,234**	2,012

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

6) FINANCE EXPENSES

	2018 £000	2017 £000
Interest Payable	**738**	-

7) PROPERTY, PLANT AND EQUIPMENT

	Laboratory Equipment £000	Fixtures & Fittings £000	Computer Equipment £000	Total £000
Cost				
At 31 December 2016	868	507	414	1,789
Additions	33	6	12	51
At 31 December 2017	901	513	426	1,840
Additions	-	11	16	27
At 31 December 2018	**901**	**524**	**442**	**1,867**
Depreciation				
At 31 December 2016	592	178	180	950
Charge for the period	129	97	109	335
At 31 December 2017	721	275	289	1,285
Charge for the period	96	97	99	292
At 31 December 2018	**817**	**372**	**388**	**1,577**
Net book value				
At 31 December 2018	**84**	**152**	**54**	**290**
At 31 December 2017	180	238	137	555
At 31 December 2016	276	329	234	839

8) INVENTORY

	2018 £000	2017 £000
Raw materials and consumables	**77**	86
Total	**77**	86

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

9) TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Other receivable*	46,310	30,505
Prepayments and accrued income	60	109
	46,370	30,614

*Other receivables include £45,953k (2017: £30,180k) due from other companies in the Group.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.
After management review of different scenarios an impairment of £939,000 (2017: nil) is held against the subsidiary loan in relation to its recoverability.

10) RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

Management of market risk

i) Interest rate risk

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

Interest rate sensitivity

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

	At 31 December 2018		
	Fixed rate	**Floating rate**	**Total**
	£000	**£000**	**£000**
Cash and cash equivalents	**-**	**38**	**38**

	At 31 December 2017		
	Fixed rate	**Floating rate**	**Total**
	£000	**£000**	**£000**
Cash and cash equivalents	-	78	78

In the current period all funds are held with a floating rate.

Management of credit risk

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

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

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

	2018 £000	2017 £000
Cash and cash equivalents		
A	**38**	-
BBB+	-	78

Management of liquidity risk

The Company seeks to manage liquidity risk to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company deems there is sufficient liquidity within the Group for the foreseeable future.

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

Capital risk management

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

The capital structure of the Company consists of equity attributable to the owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 11 and 12 and in the Statement of Changes in Equity.

Financial assets/(liabilities)

	Loans and receivables £000	Financial liabilities at amortised cost £000	Total £000
At 31 December 2018			
Other receivables	46,370	-	**46,370**
Cash and cash equivalents	38	-	**38**
Trade and other payables	-	(57,512)	**(57,512)**
TOTAL	46,408	(57,512)	**(11,104)**

Financial assets/(liabilities)

	Loans and receivables	Financial liabilities at amortised cost	Total
	£000	£000	£000
At 31 December 2017			
Other receivables	30,502	-	**30,502**
Cash and cash equivalents	78	-	**78**
Trade and other payables	-	(38,800)	**(38,800)**
TOTAL	30,580	(38,800)	**(8,220)**

The Company had no financial instruments measured at fair value through profit and loss.

11) TRADE AND OTHER PAYABLES

Current

	2018	2017
	£000	£000
Trade payables	**148**	145
Other payables	**57,099**	38,501
Taxes and social security	**36**	39
Accruals	**229**	152
	57,512	38,837

Included within Other payables is an amount of £57,099k (2017: £38,501k) owed to other companies in the Group. The loans are payable on demand and incur no interest.

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

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

	2018	2017
	£000	£000
Sterling	**124**	145
S Dollars	**24**	-
Euros	**-**	-
Trade payables	**148**	145

12) SHARE CAPITAL

	Number	£000
Authorised ordinary shares of 1p each:		
31 December 2016 and 31 December 2017 and 31 December 2018	***20,000***	-
Allotted, issued and fully paid ordinary shares of 1p:		
31 January 2016, 31 December 2016, 31 December 2017	**17,535**	-
Issue of shares	-	-
31 December 2018	**17,535**	-

As permitted by the provisions of the Companies Act 2006, the company does not have an upper limit to its authorised share capital. All shares are ordinary shares which are fully paid and entitle the holder to full voting rights, to full participation or distribution of dividends.

13) SHARE PREMIUM

	Share Premium £000
At 31 January 2016 and 31 December 2016 and 31 December 2017	**10,379**
Issue of shares	-
At 31 December 2018	**10,379**

During the year the company issued 6,500 1p ordinary shares for a consideration of £6,500 settled in cash.

14) COMMITMENTS

Operating lease commitments

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

	2018 £000	2017 £000
Land and buildings:		
Amounts due within one year	**61**	85
Amounts due between 1 – 5 years	-	61
	61	146

15) RELATED PARTY TRANSACTIONS

Trading transactions

	2018 £000	2017 £000
Transactions with shareholders:		
Patent support costs	-	-
Amounts due to related parties at the year end	**57,099**	30,180
Amounts due from related parties at the year end	**45,996**	38,501

Transactions with Key Management Personnel

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

Directors do not receive any remuneration.

16) INVESTMENTS IN SUBSIDAIRIES

	2018 £000	2017 £000
Investment cost	**10**	10

At 31 December 2018, the Company held the following investments in subsidiaries:

Undertaking	Sector	Share of issued capital and voting rights 2018	2017
TRx Wound Care Limited	Regenerative medicine	**100%**	100%
TRx Orthopaedics Limited	Regenerative medicine	**100%**	100%
TRx Cardiac Limited	Regenerative medicine	**100%**	100%
TRx Vascular Limited	Regenerative medicine	**100%**	100%
Tissue Regenix Wound Care Inc*	Regenerative medicine	**100%**	100%
Tissue Regenix 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 Orthopedics Limited
˜Held through Tissue Regenix Holdings Inc
All other companies are held through Tissue Regenix Limited

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

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

GBM-V Gmbh:
Schillingallee 68, 18057, Rostock, Germany

17) ULTIMATE CONTROLLING PARTY

At 31 December 2018 Tissue Regenix Group plc is considered to be the Company's ultimate parent undertaking. Tissue Regenix Group plc's Annual Report can be obtained by writing to the company secretary at address Unit 1 and 2, Astley Way, Astley Lane Industrial Estate, Swillington, Leeds, LS26 8XT. Tissue Regenix Group plc is incorporated in England.