

TISSUEMED LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

Company Registration Number 1902503

TISSUEMED LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2013

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TISSUEMED LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2013

The board of directors	Paul L. Banner Jeremy D. Sampson David J. Mandley
Company secretary	Judith Whitworth
Business address	5 Killingbeck Drive Leeds West Yorkshire LS14 6UF
Registered office	5 Killingbeck Drive Leeds West Yorkshire LS14 6UF
Auditor	RSM Tenon Audit Limited 2 Wellington Place Leeds LS1 4AP

TISSUEMED LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2013

The directors present their report and the financial statements of the company for the year ended 31 March 2013.

Principal activities

The principal activity of the company is the design, development, manufacture and sale of innovative adhesive medical devices for use in internal surgical procedures. The devices are based on the company's proprietary TissueBond bioadhesive technology and through its family of TissuePatch™ products are designed to improve clinical outcomes and provide cost benefits to hospitals.

Directors

The directors who served the company during the year were as follows:

Paul L. Banner
Jeremy D. Sampson
David J. Mandley
Gordon Sutherland

Gordon Sutherland resigned as a director on 25 March 2013.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

TISSUEMED LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 MARCH 2013

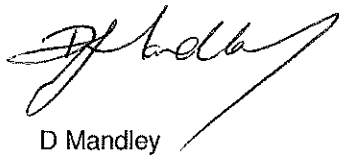
Auditor

RSM Tenon Audit Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Signed on behalf of the directors



D Mandley

Director

Approved by the directors on 28th AUGUST 2013

TISSUEMED LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TISSUEMED LIMITED
YEAR ENDED 31 MARCH 2013

We have audited the financial statements of Tissuemed Limited for the year ended 31 March 2013 on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

TISSUEMED LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TISSUEMED LIMITED *(continued)*
YEAR ENDED 31 MARCH 2013

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.

Neil Sevitt, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Ltd.
RSM Tenon Audit Limited
Statutory Auditor
2 Wellington Place
Leeds
LS1 4AP

3rd September 2013

TISSUEMED LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Turnover	2	585,366	625,403
Cost of sales		(91,657)	(107,905)
Gross profit		<u>493,709</u>	<u>517,498</u>
Research & development		(349,093)	(563,030)
Administrative expenses		(593,750)	(674,989)
Other operating income	3	200,026	25,661
Operating loss	4	<u>(249,108)</u>	<u>(694,860)</u>
Interest receivable		58,857	37,841
Loss on ordinary activities before taxation		<u>(190,251)</u>	<u>(657,019)</u>
Tax on loss on ordinary activities	6	62,372	101,081
Loss for the financial year		<u>(127,879)</u>	<u>(555,938)</u>

The notes on pages 8 to 12 form part of these financial statements.

TISSUEMED LIMITED
Registered Number 1902503

BALANCE SHEET

31 MARCH 2013

	Note	2013 £	£	2012 £	£
Fixed assets					
Tangible assets	7		24,537		53,065
Current assets					
Stocks		41,476		96,411	
Debtors	8	186,159		244,017	
Cash at bank		2,096,904		2,131,215	
		<u>2,324,539</u>		<u>2,471,643</u>	
Creditors: Amounts falling due within one year	9	<u>(116,013)</u>		<u>(163,766)</u>	
Net current assets			2,208,526		2,307,877
Total assets less current liabilities			<u>2,233,063</u>		<u>2,360,942</u>
Capital and reserves					
Called-up share capital	12		11,290,744		11,290,744
Share premium account	13		8,274,086		8,274,086
Profit and loss account	14		(17,331,767)		(17,203,888)
Shareholders' funds			<u>2,233,063</u>		<u>2,360,942</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

These financial statements were approved by the directors and authorised for issue on ...28/8/13 and are signed on their behalf by:


J. Sampson
Director

The notes on pages 8 to 12 form part of these financial statements.

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2013

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Fixtures & Fittings	-	20% - 33% straight line basis
Equipment	-	20% straight line basis

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the anticipated sales proceeds less any costs of disposal.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2013

1. Accounting policies *(continued)*

Research and development expenditure

Expenditure on research and development incurred in the year other than on fixed assets is charged against profit.

2. Turnover

Overseas turnover amounted to 80.09% (2012 - 91.34%) of the total turnover for the year.

3. Other operating income

	2013	<i>2012</i>
	£	£
Grant income	2,400	25,661
Other operating income	<u>197,626</u>	<u>-</u>
	<u>200,026</u>	<u>25,661</u>

4. Operating loss

Operating loss is stated after charging/(crediting):

	2013	<i>2012</i>
	£	£
Depreciation of owned fixed assets	29,487	34,745
Auditors remuneration	4,786	3,500
Net (profit)/loss on foreign currency translation	<u>(5,701)</u>	<u>4,348</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2013	<i>2012</i>
	£	£
Aggregate remuneration	182,762	189,826
Value of company pension contributions to money purchase schemes	<u>4,500</u>	<u>6,871</u>
	<u>187,262</u>	<u>196,697</u>

The number of directors on whose behalf the company made pension contributions was as follows:

	2013	<i>2012</i>
	No	No
Money purchase schemes	<u>1</u>	<u>2</u>

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2013

6. Taxation on ordinary activities

Analysis of charge in the year

	2013 £	2012 £
UK Corporation tax	(62,372)	(101,081)

7. Tangible fixed assets

	Fixtures and Fittings £	Equipment £	Total £
Cost			
At 1 April 2012	280,836	376,574	657,410
Additions	2,002	—	2,002
At 31 March 2013	<u>282,838</u>	<u>376,574</u>	<u>659,412</u>
Depreciation			
At 1 April 2012	260,644	343,701	604,345
Charge for the year	9,760	20,770	30,530
At 31 March 2013	<u>270,404</u>	<u>364,471</u>	<u>634,875</u>
Net book value			
At 31 March 2013	<u>12,434</u>	<u>12,103</u>	<u>24,537</u>
At 31 March 2012	<u>20,192</u>	<u>32,873</u>	<u>53,065</u>

8. Debtors

	2013 £	2012 £
Trade debtors	105,165	73,507
Corporation tax repayable	62,372	101,081
VAT recoverable	1,865	10,425
Other debtors	16,757	59,004
	<u>186,159</u>	<u>244,017</u>

9. Creditors: Amounts falling due within one year

	2013 £	2012 £
Trade creditors	60,523	91,105
Other taxation and social security	9,308	14,339
Other creditors	46,182	58,322
	<u>116,013</u>	<u>163,766</u>

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2013

10. Pensions

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £18,039 (2011 - £28,579).

There were no outstanding or prepaid contributions at the beginning of the financial year, however there was £450 outstanding at the year end.

11. Commitments under operating leases

At 31 March 2013 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2013	<i>2012</i>
	£	£
Operating leases which expire:		
Within 1 year	2,588	-
Within 2 to 5 years	51,717	51,717
	<u>54,305</u>	<u>51,717</u>

12. Share capital

Authorised share capital:

	2013	<i>2012</i>
	£	£
54,000,000 Ordinary shares of £0.01 each	540,000	540,000
1,200,000 Ordinary shares of £0.50 each	600,000	600,000
43,440,000 Ordinary shares of £0.25 each	10,860,000	10,860,000
750,000,000 Ordinary shares of £0.005 each	3,750,000	3,750,000
	<u>15,750,000</u>	<u>15,750,000</u>

Allotted, called up and fully paid:

	2013		<i>2012</i>	
	No	£	No	£
5,003,137 Ordinary shares of £0.01 each	5,003,137	50,031	5,003,137	50,031
911,460 Ordinary shares of £0.50 each	911,460	455,730	911,460	455,730
36,296,599 Ordinary shares of £0.25 each	36,296,599	9,074,150	36,296,599	9,074,150
342,166,666 Ordinary shares of £0.005 each	342,166,666	1,710,833	342,166,666	1,710,833
	<u>384,377,862</u>	<u>11,290,744</u>	<u>384,377,862</u>	<u>11,290,744</u>

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2013

12. Share capital *(continued)*

Paul L. Banner has options to acquire 994,681 ordinary shares of 0.5 pence each at an exercise price of 4.5 pence per share.

David J. Mandley has options to acquire 642,800 ordinary shares of 0.5 pence each at an exercise price of 2.0 pence per share.

13. Share premium account

There was no movement on the share premium account during the financial year.

14. Profit and loss account

	2013 £	2012 £
Balance brought forward	(17,203,888)	(16,647,950)
Loss for the financial year	(127,879)	(555,938)
Balance carried forward	<u>(17,331,767)</u>	<u>(17,203,888)</u>

15. Ultimate controlling party

The company is not controlled by any one party.