

TISSUEMED LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

Company Registration Number 1902503

TISSUEMED LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

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TISSUEMED LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2012

The board of directors	Paul L. Banner Jeremy D. Sampson David J. Mandley Gordon Sutherland
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 2012

The directors present their report and the financial statements of the company for the year ended 31 March 2012.

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
Nicholas P. Woods
David W. Hobdey
Gordon Sutherland

Gordon Sutherland was appointed as a director on 7 October 2011.

Nicholas P. Woods resigned as a director on 7 October 2011.

David W. Hobdey resigned as a director on 7 October 2011.

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 period. In preparing those 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; 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.

TISSUEMED LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 MARCH 2012

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.

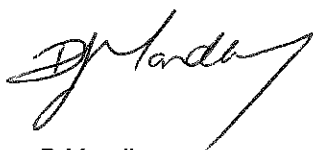
Auditor

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 on25/6/12.....

TISSUEMED LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TISSUEMED LIMITED

YEAR ENDED 31 MARCH 2012

We have audited the financial statements of Tissuemed Limited for the year ended 31 March 2012 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 pages 2 to 3, 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 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 2012 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 2012

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 and the directors' report in accordance with the small companies regime.


Neil Seville, Senior Statutory Auditor
For and on behalf of

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

5th July 2012

TISSUEMED LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2012

	Note	2012 £	2011 £
Turnover	2	625,403	565,595
Cost of sales		(107,905)	(120,310)
Gross profit		<u>517,498</u>	<u>445,285</u>
Research & development		(563,030)	(613,009)
Administrative expenses		(674,989)	(660,364)
Other operating income	3	25,661	25,219
Operating loss	4	<u>(694,860)</u>	<u>(802,869)</u>
Interest receivable		37,841	38,834
Loss on ordinary activities before taxation		<u>(657,019)</u>	<u>(764,035)</u>
Tax on loss on ordinary activities	6	101,081	107,874
Loss for the financial year		<u><u>(555,938)</u></u>	<u><u>(656,161)</u></u>

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

TISSUEMED LIMITED
Registered Number 1902503

BALANCE SHEET

31 MARCH 2012

	Note	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	7		53,065		66,488
Current assets					
Stocks		96,411		77,246	
Debtors	8	244,017		329,272	
Cash at bank and in hand		2,131,215		2,665,587	
		<u>2,471,643</u>		<u>3,072,105</u>	
Creditors: Amounts falling due within one year	9	<u>(163,766)</u>		<u>(221,713)</u>	
Net current assets			2,307,877		2,850,392
Total assets less current liabilities			<u>2,360,942</u>		<u>2,916,880</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		(17,203,888)		(16,647,950)
Shareholders' funds			<u>2,360,942</u>		<u>2,916,880</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 25/5/12, 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 2012

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 2012

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 91.34% (2011 - 88.48%) of the total turnover for the year.

3. Other operating income

	2012	2011
	£	£
Grant income	25,661	25,219

4. Operating loss

Operating loss is stated after charging:

	2012	2011
	£	£
Depreciation of owned fixed assets	35,734	34,309
Auditors remuneration	3,500	4,050
Net loss on foreign currency translation	4,348	4,887

5. Directors' remuneration

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

	2012	2011
	£	£
Aggregate remuneration	189,826	227,730
Value of company pension contributions to money purchase schemes	6,871	8,218
	<u>196,697</u>	<u>235,948</u>

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

	2012	2011
	No	No
Money purchase schemes	<u>2</u>	<u>1</u>

6. Taxation on ordinary activities

Analysis of charge in the year

	2012	2011
	£	£
UK Corporation tax	<u>(101,081)</u>	<u>(107,874)</u>

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

7. Tangible fixed assets

	Fixtures and Fittings £	Equipment £	Total £
Cost			
At 1 April 2011	266,970	368,129	635,099
Additions	13,866	8,445	22,311
At 31 March 2012	<u>280,836</u>	<u>376,574</u>	<u>657,410</u>
Depreciation			
At 1 April 2011	249,219	319,392	568,611
Charge for the year	11,425	24,309	35,734
At 31 March 2012	<u>260,644</u>	<u>343,701</u>	<u>604,345</u>
Net book value			
At 31 March 2012	<u>20,192</u>	<u>32,873</u>	<u>53,065</u>
At 31 March 2011	<u>17,751</u>	<u>48,737</u>	<u>66,488</u>

8. Debtors

	2012 £	2011 £
Trade debtors	73,507	54,699
Corporation tax repayable	101,081	107,874
VAT recoverable	10,425	7,361
Other debtors	59,004	159,338
	<u>244,017</u>	<u>329,272</u>

9. Creditors: Amounts falling due within one year

	2012 £	2011 £
Trade creditors	91,105	96,123
Other taxation and social security	14,339	16,624
Other creditors	58,322	108,966
	<u>163,766</u>	<u>221,713</u>

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

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 £29,186 (2010 - £29,098).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

11. Commitments under operating leases

At 31 March 2012 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2012	<i>2011</i>
	£	<i>£</i>
Operating leases which expire:		
Within 1 year	-	<i>4,832</i>
Within 2 to 5 years	<u>51,717</u>	<u><i>39,100</i></u>
	<u>51,717</u>	<u><i>43,932</i></u>

12. Share capital

Authorised share capital:

	2012	<i>2011</i>
	£	<i>£</i>
54,000,000 Ordinary shares of £0.01 each	540,000	<i>540,000</i>
1,200,000 Ordinary shares of £0.50 each	600,000	<i>600,000</i>
43,440,000 Ordinary shares of £0.25 each	10,860,000	<i>10,860,000</i>
750,000,000 Ordinary shares of £0.005 each	<u>3,750,000</u>	<u><i>3,750,000</i></u>
	<u>15,750,000</u>	<u><i>15,750,000</i></u>

Allotted, called up and fully paid:

	2012		<i>2011</i>	
	No	£	<i>No</i>	<i>£</i>
5,003,137 Ordinary shares of £0.01 each	5,003,137	50,031	<i>5,003,137</i>	<i>50,031</i>
911,460 Ordinary shares of £0.50 each	911,460	455,730	<i>911,460</i>	<i>455,730</i>
36,296,599 Ordinary shares of £0.25 each	36,296,599	9,074,150	<i>36,296,599</i>	<i>9,074,150</i>
342,166,666 Ordinary shares of £0.005 each	<u>342,166,666</u>	<u>1,710,833</u>	<u><i>342,166,666</i></u>	<u><i>1,710,833</i></u>
	<u>384,377,862</u>	<u>11,290,744</u>	<u><i>384,377,862</i></u>	<u><i>11,290,744</i></u>

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

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

	2012	2011
	£	£
Balance brought forward	8,274,086	5,682,752
Premium on shares issued in the year	—	2,666,667
Share issue expenses	—	(75,333)
Balance carried forward	<u>8,274,086</u>	<u>8,274,086</u>

14. Profit and loss account

	2012	2011
	£	£
Balance brought forward	(16,647,950)	(15,991,789)
Loss for the financial year	<u>(555,938)</u>	<u>(656,161)</u>
Balance carried forward	<u>(17,203,888)</u>	<u>(16,647,950)</u>

15. Ultimate controlling party

The company is not controlled by any one party.