

Tissuemed Limited

FINANCIAL STATEMENTS

for the year ended

31 March 2008

Tissuemed Limited

FINANCIAL STATEMENTS

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Tissuemed Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Paul L. Banner (Chairman)
David W. Hobdey
Nicholas P. Woods
Jeremy D. Sampson (appointed 1 May 2008)
David J. Mandley (appointed 4 July 2008)

SECRETARY

Judith Whitworth

REGISTERED OFFICE

5 Killingbeck Drive
Leeds
LS14 6UF

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
Holly House
Spring Gardens Lane
Keighley
West Yorkshire
BD20 6LE

BANKERS

Royal Bank of Scotland
27 Park Row
Leeds
LS1 5QB

SOLICITORS

DLA Piper Rudnick Gray Cary UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Tissuemed Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Tissuemed Limited for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the development and sale of bioprosthetic medical devices aimed at cardiovascular and other significant areas of surgery.

REVIEW OF THE BUSINESS

The company's balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £2,130,185.

DIRECTORS

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

Paul L. Banner (Chairman)
David H. Fortune (resigned 4 July 2008)
David W. Hobdey
Nicholas P. Woods

Paul L. Banner and David H. Fortune have options to acquire 994,681 and 333,000 Ordinary shares of £0.005 each at an exercise price of £0.045 respectively. David H. Fortune also has options to acquire 1,624,286 Ordinary shares of £0.005 at an exercise price of £0.02.

RESEARCH AND DEVELOPMENT

The company is committed to research and development activities in order to maintain its competitive position in the market. It is a policy of the company to develop new and improved products complementary to the company's existing range.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the 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

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

Tissuemed Limited

DIRECTORS' REPORT

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

By order of the board

Judith Whitworth

Company Secretary

8 July 2008

Tissuemed Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 proper accounting records that 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 requirements of the Companies Act 1985. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TISSUEMED LIMITED

We have audited the financial statements of Tissuemed Limited for the year ended 31 March 2008, which comprise the Profit and Loss Account, Balance Sheet and related notes and which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007) and on the basis of the accounting policies set out on page 8.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

Holly House

Spring Gardens Lane

Keighley

West Yorkshire BD20 6LE

Tissuemed Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2008

		2008	2007
	<i>Notes</i>	£	£
TURNOVER	2	269,680	–
Cost of sales		(50,450)	–
Gross profit		219,230	–
Administrative expenses		(1,287,497)	(1,215,659)
OPERATING LOSS	3	(1,068,267)	(1,215,659)
Interest receivable		72,804	30,663
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(995,463)	(1,184,996)
Taxation	5	(136,146)	(141,984)
LOSS FOR THE FINANCIAL YEAR		(859,317)	(1,043,012)

Tissuemed Limited

BALANCE SHEET

31 March 2008

	<i>Notes</i>	2008 £	2007 £
FIXED ASSETS			
Tangible assets	6	<u>91,190</u>	<u>37,674</u>
CURRENT ASSETS			
Stocks	7	33,045	–
Debtors	8	318,646	243,545
Cash at bank and in hand		<u>1,943,960</u>	<u>1,088,295</u>
		2,295,651	1,331,840
CREDITORS			
Amounts falling due within one year	9	<u>(256,656)</u>	<u>(237,499)</u>
NET CURRENT ASSETS		<u>2,038,995</u>	<u>1,094,341</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,130,185</u>	<u>1,132,015</u>
CAPITAL AND RESERVES			
Called up equity share capital	12	10,929,633	10,679,911
Share premium account	13	5,460,529	3,852,764
Profit and loss account	14	<u>(14,259,977)</u>	<u>(13,400,660)</u>
SHAREHOLDERS' FUNDS	15	<u>2,130,185</u>	<u>1,132,015</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements on pages 6 to 12 were approved by the directors and authorised for issue on 8 July 2008 and are signed on their behalf by:

Nicholas P. Woods
Director

Tissuemed Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

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 January 2007).

TURNOVER

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	-	20% straight line
Fixtures & Fittings	-	20-33.33% straight line

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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 for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

RESEARCH AND DEVELOPMENT

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

Tissuemed Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

2 TURNOVER

Overseas turnover amounted to 73% (To 31 March 2007 - Nil%) of the total turnover for the year.

3 OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2008	2007
	£	£
Staff pension contributions	3,030	–
Depreciation of owned fixed assets	25,021	20,316
Auditor's fees	5,000	4,000
Net profit on foreign currency translation	<u>(10,291)</u>	<u>–</u>

4 DIRECTORS' EMOLUMENTS

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

	2008	2007
	£	£
Aggregate emoluments	307,299	172,009
Value of company pension contributions to money purchase schemes	11,855	11,614
Compensation for loss of directorship	–	12,000
	<u>319,154</u>	<u>195,623</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2008	2007
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

5 TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2008	2007
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 24% (2007 - 16%)	<u>(136,146)</u>	<u>(141,984)</u>
Total current tax	<u>(136,146)</u>	<u>(141,984)</u>

The company has tax losses available to carry forward of approximately £11,400,000.

The credit in the accounts relates to an R&D tax credit receivable.

Tissuemed Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2008

6 TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Total £
Cost			
At 1 April 2007	266,022	257,552	523,574
Additions	68,247	10,290	78,537
Disposals	(13,030)	(32,285)	(45,315)
At 31 March 2008	<u>321,239</u>	<u>235,557</u>	<u>556,796</u>
Depreciation			
At 1 April 2007	238,937	246,963	485,900
Charge for the year	17,664	7,357	25,021
On disposals	(13,030)	(32,285)	(45,315)
At 31 March 2008	<u>243,571</u>	<u>222,035</u>	<u>465,606</u>
Net book value			
At 31 March 2008	<u>77,668</u>	<u>13,522</u>	<u>91,190</u>
At 31 March 2007	<u>27,085</u>	<u>10,589</u>	<u>37,674</u>

7 STOCKS

	2008 £	2007 £
Stock	<u>33,045</u>	<u>–</u>

8 DEBTORS

	2008 £	2007 £
Trade debtors	58,219	–
Corporation tax repayable	136,146	141,984
VAT recoverable	20,518	9,649
Other debtors	103,763	91,912
	<u>318,646</u>	<u>243,545</u>

9 CREDITORS: Amounts falling due within one year

	2008 £	2007 £
Trade creditors	124,152	127,265
Other taxes and social security costs	18,949	13,332
Other creditors	16,672	15,863
Accruals and deferred income	96,883	81,039
	<u>256,656</u>	<u>237,499</u>

Tissuemed Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

10 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2008 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2008	2007
	£	£
Operating leases which expire:		
Within 1 year	-	1,430
Within 2 to 5 years	68,525	64,500
	<u>68,525</u>	<u>65,930</u>

11 RELATED PARTY TRANSACTIONS

During the year the Company paid Paul Banner, a director of the Company, £13,500 (2007 - £27,500) in respect of underwriting costs for share issues. These transactions were on an arm's length basis.

12 SHARE CAPITAL

	2008	2007
	£	£
Authorised:		
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>
	2008	2007
	£	£
Allotted, called up and fully paid:		
5,003,137 Ordinary shares of £0.01 each	50,031	50,031
911,460 Ordinary shares of £0.50 each	455,730	455,730
36,296,599 Ordinary shares of £0.25 each	9,074,150	9,074,150
269,944,444 (2007 - 220,000,000) Ordinary shares of £0.005 each	1,349,722	1,100,000
	<u>10,929,633</u>	<u>10,679,911</u>

During the year 5,500,000 Ordinary shares of £0.005 each were issued at par for additional working capital. Also during the year 44,444,444 Ordinary shares of £0.005 each were issued at a premium of £0.04 per share, also for additional working capital.

All classes of ordinary share are ranked pari passu.

13 SHARE PREMIUM ACCOUNT

	2008	2007
	£	£
At 1 April 2007	3,852,764	3,852,764
Premium on shares issued in the year	1,607,765	-
At 31 March 2008	<u>5,460,529</u>	<u>3,852,764</u>

Tissuemed Limited

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2008

	2008	2007
	£	£
14 PROFIT AND LOSS ACCOUNT		
	2008	2007
	£	£
At 1 April 2007	(13,400,660)	(12,357,648)
Accumulated loss for the financial year	<u>(859,317)</u>	<u>(1,043,012)</u>
At 31 March 2008	<u>(14,259,977)</u>	<u>(13,400,660)</u>
15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
	2008	2007
	£	£
Loss for the financial year	(859,317)	(1,043,012)
New equity share capital subscribed	249,722	1,100,000
Premium on new share capital subscribed	<u>1,607,765</u>	<u>–</u>
Net addition to shareholders' funds	998,170	56,988
Opening shareholders' funds	<u>1,132,015</u>	<u>1,075,027</u>
Closing shareholders' funds	<u>2,130,185</u>	<u>1,132,015</u>

16 CONTROL

The company is not controlled by any one person.