



Annual Report and Financials

for year ended 31 December 2023



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Business Overview

Tissue Regenix Group plc ('Tissue Regenix' or the 'Company' or the 'Group') (AIM: TRX) is an international, pioneering medical technology company focused on commercialising our two platform technologies, dCELL[®], addressing soft tissue needs, and BioRinse[®], providing sterile bone and soft tissue allografts.

We are currently helping to transform the treatment of patients in key surgical applications: orthopaedics (sports medicine/spine), dental, general, foot and ankle, plastic surgery, urology/gynaecology and ophthalmology.

More details on our operating segments and operations are contained below:

dCELL[®]

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

BioRinse[®]

Our proprietary BioRinse technology platform is primarily utilised to provide sterile tissue prepared in a manner to minimise the negative effects of processing. One application of the technology provides a natural bone filler solution, tested for osteoinductivity, which can stimulate and regenerate native bone growth. This product has the potential to provide superior clinical outcomes as it contains 100% allograft bone, tested to demonstrate the presence of the key natural bone growth factors and available in various physical forms. Current applications address many critical clinical needs, such as spine surgery, sports medicine, dental, ophthalmology and wound care. This business segment operates primarily under the CellRight Technologies brand.

GBM-V

Our controlled joint venture company, Gewebebank Mecklenburg-Vorpommern ('GBM-V'), is a regional tissue bank based in Rostock, Germany. It currently produces tissue preparations for ophthalmology, primarily cornea, using conventional, classical methods.

Operations

The Group's main facility is in San Antonio, Texas, and is used for processing dCELL and BioRinse products. As part of the Phase 1 expansion, completed in 2021, we relocated facilities designated for distribution and frozen tissue storage as well as adding two clean rooms at the existing San Antonio facility, bringing the total number of clean rooms to seven. We also have facilities in Leeds, United Kingdom ('UK'), for processing dCELL porcine tissue including OrthoPure[®] XT, as well as our controlled joint venture GBM-V in Rostock, Germany, for human tissue in the European Union ('EU'). The Group had an average of 76 employees and 6 Directors in 2023.

Chair & Chief Executive Officer's Statement

"2023 was another year of solid progress for the Group and is a great credit to the management team behind it. We have seen record revenues, Tissue Regenix's first full-year positive adjusted EBITDA, improved cash conversion and many operational highlights including further regulatory approvals, and new and improved relationships with our many partners. The diligent focus of our highly motivated team is allowing us to broaden the Group's capacity, continue to grow the business at an impressive rate and, importantly, build shareholder value. The Board of Tissue Regenix is confident and excited about the future and looks forward to further significant progress in 2024."

Jonathan Glenn, *Chair*

2023 performance

The Group's performance continued the positive trajectory set over the past three years, achieving numerous milestones over the reporting period. We saw record revenues for the Group, with top-line revenue growth of 20% during FY2023. This faster than market growth was driven by the continued adoption of our products through our strategic partners as well as our direct distribution activities. The combination of sales growth and a tight focus on overheads translated into positive adjusted EBITDA* for the year – a first for Tissue Regenix – and contributed to an increase in our cash balance over the second half of 2023. These results could not have happened without the hard work and dedication of all the employees of the Group. We are proud of what we have achieved so far and believe that a bright future lies ahead for Tissue Regenix.

* (Earnings before interest, taxes, depreciation and amortisation and adjusted for share-based payments)

Strategy

Our focus on the 4S strategic elements of **Supply**, **Sales Revenue**, **Sustainability** and **Scale** continues to provide the foundation of how we operate, execute and drive growth.

The continued investment that we are making and the focus we are placing on tissue **Supply** has enabled us to sustain and grow in line with our business needs as well as manage the inventories more efficiently and provide tissue to other tissue processors. Processing capacity, another key element in Supply, has kept pace with the Group's growth despite resource-related headwinds, as experienced more broadly across numerous industries.

Our focus on **Sales Revenue** and **Sustainability** has been realised in revenue growth and a positive adjusted EBITDA for the year. Our ability to increase our cash balance in the second half of 2023 was a milestone for the organisation and a further demonstration of Sustainability.

Obtaining the regulatory approvals for our third-party logistics partner provides us the opportunity and flexibility to **Scale** our allograft business in markets outside the U.S. ('OUS').

The Group's solid 4S foundation enables us to continue growth plans for Tissue Regenix and deliver shareholder value.

Growth pillars

The 4S strategy enables us to support defined tactical activities moving forward. In 2023, we implemented clearly defined growth pillars to provide further direction and help sustain the growth trajectory for the Group.

The four growth pillars are:

1. **Base Business**

We will continue to grow our core businesses with our existing and new partners/distributors through the BioRinse and dCELL product lines. This base business includes existing specialities and geographic markets. We will support this growth with logical new product enhancements and clinical- or market-related activities. This growth will also be supported by our current infrastructure and planned capacity enhancements.

Chair & Chief Executive Officer's Statement

continued

2. Tissue Partnerships

Our focus on tissue supply is at the core of our growth as it drives our capacity. We have built supply volumes that exceed our internal needs, so we have the opportunity to provide donor tissue to other tissue processors ('Released Donor Tissue'). We also have the responsibility of meeting the donor's desire to have their tissue utilised to help others in a safe and expeditious manner. Our tissue supply operation adds value by performing the medical reviews and chart releases required for tissue suitable for immediate processing by other domestic and OUS partners. These activities help us to manage our recovery partner relationships and provide opportunities for tissue that we currently do not utilise in our processing operations.

3. Market Expansion

We will continue to broaden the markets for our products via a two-pronged approach. The need for tissue-based products in the surgical marketplace is substantial, and we currently participate in limited segments. We intend to expand into additional surgical specialities by first generating clinical experience at institutions where we have an existing base business. This will serve as the stepping stone for expansion with additional customers and institutions.

We also plan to expand into markets that have a need for allograft tissue-based products but currently have limited availability. Our establishment and receipt of approval to distribute tissue through a third-party logistics partner provides the conduit for opportunities into the EU. OrthoPure XT, our xenograft tissue product, received a CE Mark in 2020, and we continue to identify opportunities to distribute this product in markets that recognise the CE Mark.

4. Regulatory Evolution

The bulk of our revenue comes from allograft tissue-based products, which are regulated as Section 361 HCTP (Human, Cell and Tissue Products) in the U.S. The requirements mandated for Section 361 products place limits on changes to the allograft tissue; if one works beyond these limits then the product will need to be regulated as a medical device. Our facility in San Antonio has been established to meet the requirements of producing Section 361 products. We intend to evolve and change this facility to become one that is capable of meeting medical device requirements. This evolution will give us the opportunity to innovate with human tissue and broaden opportunities for Tissue Regenix to distribute tissue into certain international markets that regulate human tissue allografts as medical devices.

BioRinse

The BioRinse portfolio was our top performer over the financial year, reporting sales of USD20,133k (2022: USD16,049k), driven by the U.S. orthopaedics, wound care and dental markets. The 25% year-on-year growth was led by confidence in our Concelltrate, AmnioWorks and other demineralised bone matrix ('DBM') products in addition to our Released Donor Tissue relationships. Our ability to supply these products in 2022 translated into 2023 through the conviction of our strategic partners to increase their orders and grow their respective businesses. Our customers expect a level of service, and we remain flexible and responsive to our customers' needs.

We continue to grow at above-market rates due to the superior performance of our products, excellent customer service and adaptability to customer needs. Our growth rate is above market for the period, but there is still opportunity for additional growth. We saw greater than 20% growth from the prior year within our top five product families.

Our focus on supply ensures an adequate and continuous supply of donated human tissue. As stewards of the gift of human tissue donation, we use every effort to ensure that the tissue is utilised to produce our high-quality products. Our management of human tissue donation and the processing of the tissue to meet product demands can result in excess tissue in our inventories. We have been able to utilise these inventories, complete the medical review and release process and provide these value-added tissues to other processors for their own needs. This ultimately meets our obligation to make sure that the donated human tissue is used efficiently.

In 2023, after some unanticipated regulatory delays, we received approval to distribute tissue from our third-party logistics partner in the Republic of Ireland. This approval has opened up additional markets within the EU. We also announced our agreement with Spineart España to distribute allograft tissue into Spain. Other markets and agreements are still in the discussion phase as our plan is to explore opportunities for focused commercial distribution in the Europe, Middle East and Africa ('EMEA') markets.

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Chair & Chief Executive Officer's Statement

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dCELL

In 2023, the commercial reorganisation of the dCELL business continued to provide growth opportunities for this division. dCELL is a direct business with a regional sales management team managing distributors in their respective territories. This business is highly impacted by Group Purchasing Organization ('GPO') approvals for our products, which we currently have with the top five GPOs. As a result, we have placed management in areas that align with our approvals and will continue to pursue opportunities to help us achieve coverage over the entire U.S. market. To increase our coverage footprint, we have targeted areas where we have already established business. In 2023, our aim was to add 32 new distributors over the year. Pleasingly, we more than doubled that goal by adding 66 distributors by 31 December 2023, and, as a result, revenue growth for this division increased 17% year on year to USD6,183k (2022: USD5,301k).

The OrthoPure® XT product is the only non-human biologic tissue graft available for certain ligament reconstruction procedures. In 2022, we introduced this product into two new markets and added the UK in 2023. Our efforts to expand distribution into Australia were impacted by regulatory approval delays. Additional markets were temporarily put on hold as we resolved inventory issues in Leeds. Efforts to expand distribution opportunities will resume this year.

In 2023, clinical use and traction of the OrthoPure XT device continued to gain momentum in Italy, and we expect the initial positive Italian experiences of the OrthoPure XT in broader clinical use to be presented at the European Society of Sports Traumatology, Knee Surgery and Arthroscopy ('ESSKA') meeting in 2024. The manuscript on the five-year clinical experience from the initial regulatory approval study is in final preparation and planned for submission to a major European publication. During 2023, we also conducted a retrospective study reviewing DermaPure® use in addressing Achilles tendinopathy. A poster has been presented at the 2024 American College of Foot and Ankle Surgeons meeting, and a manuscript is to be submitted for publication soon after the event.

GBM-V

The GBM-V joint venture operates in a GMP (Good Manufacturing Practice) level facility that has been producing commercial corneal products since 2016. In 2023, the joint venture faced supply issues in Germany due to customers requiring the donor tissue to be sourced from donors who not only were COVID free but also had no history of COVID infection. While this impacted the growth of tissue supply, the joint venture realised USD3,177k (2022: USD3,126k) of revenue, which was marginally up on the prior year. Demand for corneal tissue continues to outpace supply, and efforts to minimise COVID concerns, alongside efforts by our tissue recovery partner to increase supply, will continue in 2024.

New strategic partners and distributors

During 2023, we achieved commercial milestones for the Group as we saw record revenue months across all our human tissue product families – musculoskeletal, dermis and amnion. These milestones were achieved through the growth of our commercial partners and securing additional strategic partnerships/distributor relationships.

For BioRinse, our top customers remained consistent from the prior year. We saw a 13% increase in the number of units shipped but a 2% decrease in the number of orders we processed due to a trend towards larger orders. In 2023, we signed BioRinse agreements with five new strategic partners and six stocking distributors who target specialities such as the spine and dental markets.

For dCELL, the number of distributors added by the end of the year was 206% greater than targeted. Overall revenue was up 17% versus the prior year, which represented record annual revenue for this division. The number of products invoiced for dCELL products increased by 3% versus the prior year, and the revenue increase was due in large part to our product mix shifting to those with higher Average Selling Prices ('ASPs'). Our meshed DermaPure products helped to drive this revenue increase, and this sales traction is expected to continue into 2024.

We continued to pursue the commercialisation of products that utilise our core technology platforms, provide product line extensions that are faster to market, address a specific clinical or commercial need and have a customer in place. In 2023, due to customer requests, we introduced a smaller DermaPure Mesh product. To address market expectations for our sports medicine tendon grafts, we implemented new processing protocols and reagents to improve product safety and implemented a low-dose sterilisation process.

Chair & Chief Executive Officer's Statement

continued

We added UK distribution of the OrthoPure XT in 2023. Further adoption of this unique product into select European markets was impacted by mid-year production issues related to a bioburden spike within the processing line at our Leeds facility. The temporary halt to production affected inventory availability, so we paused market expansion during this period as we needed existing inventory to service current customers. Despite this brief setback, we look forward to the resumption of discussions with additional EU distribution partners.

During 2023, we continued to pursue our global commercialisation plans for our tissue-based products. We have already described how our third-party logistics partner in the Republic of Ireland will be central to our human allograft tissue opportunities in the EMEA region. We signed an agreement with a Chinese distributor for our OrthoPure XT product and have initiated the regulatory approval process for China, which required a regulatory submission, and a human clinical evaluation in China is planned. The resources needed for this involved process are being shared with our distribution partner. Another notable example of the global market demand for our OrthoPure XT product was adding a distributor in Australia. The CE mark for this product is recognised in Australia, although additional regulatory approvals are required there before marketing. The review process in Australia has been slower than anticipated due to the volume of submissions within the Therapeutic Goods Administration.

Expanding demand for our existing products with new and existing partners as well as product line extensions and product improvements are anticipated to drive our continued organic growth in 2024 and further utilise our facility and tissues.

Operations

2023 was another year of growth for the Group as we continued operations throughout the year at all our locations without significant impacts from any external influences.

For our allograft tissue business, the supply of donor tissue is directly linked to our growth plans. To meet the need of our commercial partners and our focus on Supply, in 2023, we sourced 31% more musculoskeletal and dermis donors and released 38% more donors versus the prior year. These shifts reflected the demand for our processing of musculoskeletal donors and demand from other tissue processors for our Released Donor Tissue.

In 2022, we implemented a programme to help us manage the inventory of Released Donor Tissue by making some of it available to other processing companies. All tissue we receive needs to go through an internal review and release process to ensure the safety and quality of the tissue before it is processed. We continue to expand our relationships with other tissue processors located domestically or outside the U.S. who wish to have access to this tissue. This segment of our business has grown dramatically over the prior year and has become one of the growth pillars for our organisation. This programme aligns with our responsibility to honour the gift of tissue donation through utilisation in a timely manner into products that can help patients.

The addition of two sterile packaging rooms in the existing San Antonio facility from our Phase 1 expansion in 2021 brought the total number of clean rooms to seven and provided additional capacity and flexibility. We continue to identify ways in which we can be more efficient with the flexibility we now have with room utilisation and processing scheduling. As a result, we have been able to respond to orders or unanticipated changes in almost half the amount of time prior to the Phase 1 expansion. These rooms effectively provide approximately USD40m of revenue generation potential and delayed our need for the Phase 2 expansion and its 8–10 additional clean rooms until 2025, and we do not anticipate the need for additional equity funding for this further expansion.

In late 2023, we implemented Sage X3, an enterprise resource planning ('ERP') system, in our U.S. operations. This ERP product is used to manage financial aspects of the business, and we believe that this investment will significantly increase efficiencies for the Group. The transition from our legacy system has been smooth, and we continue to refine the system to meet the needs of all groups within the organisation. The implementation of Sage X3 was a multi-year effort involving all segments of the business and two consulting groups and is a strong strategic investment for the Group that will support our growth plans.

We believe that the contribution of increased processing efficiency, increased capacity and state-of-the-art systems will allow us to enjoy improved gross margins over time.

Chair & Chief Executive Officer's Statement

continued

The pandemic is behind us

In the U.S., the issues of healthcare institution staff shortages still exist in some geographic areas. We have seen elective procedure volumes improve. Supply chain issues have been improved, but costs across all aspects of our operations have increased since the pandemic. We will absorb most of these increases through efficiencies in our operation. We began the year with issues related to labour shortages, but by year end we saw some normalisation with respect to candidates applying for open positions at our U.S. business.

Organisational changes

We will continue to invest in resources that will grow our organisation across all divisions. Additions and adjustments to our commercial team in BioRinse and dCELL will seek to bring additional commercial opportunities to our organisation and spread Tissue Regenix's footprint in the U.S. and OUS.

Outlook

Sales Revenue and Sustainability will continue to be the priorities of the 4S's in 2024. We will continue to build on this base to provide a more solid foundation for the future. Our four growth pillars are the tactical areas of focus that will be built on this foundation.

The BioRinse products will continue to be the dominant revenue contributor in 2024. Growth will come from existing and new partners as well as new products. Our dCELL business is also expected to show further growth as we expand into new domestic territories where we historically have not had much presence. We will also use our current footholds to expand into other surgical specialities, such as oncology and colorectal surgery, as clinicians become familiar with our practise areas. The inventory of Released Donor Tissue will be distributed to other processors who have a need for tissue that is ready to be processed. Our GBM-V joint venture will continue to identify opportunities to increase their tissue supply and address any issues that have impacted their growth.

Our geographic outreach with our human tissue dCELL and BioRinse portfolios is only just beginning as we have our registered logistics partner, which provides the opportunity to move into numerous EU markets. We will also seek registrations and distribution partners in other OUS markets for our human allograft. Interim supply challenges are behind us, and OrthoPure XT will be introduced into additional EU and other markets in 2024.

Our evolution into a medical device manufacturer will provide us the flexibility to be more innovative with our products versus 361 HCTP products. A medical device registration is rare for a tissue processor of our size but positions us well to consider not only novel products but also entry into markets that regulate allograft tissue as a medical device.

In 2024, we will begin some of the preliminary planning activities to build our Phase 2 capacity expansion. In addition to our organic growth plans, we will continue to examine acquisition opportunities that would allow us to scale the business for additional longer-term growth.

In 2021, the Board of Tissue Regenix set in place our 4S strategy. It has been a highly successful strategy for the Group and continues to provide structure and clear direction for everything that we do. Three years later, we are in a strong position, with market-leading products that are distributed globally, production facilities that allow us to fulfil our current growth ambitions, a balance sheet to support these growth opportunities and a team of people that are motivated, talented and driven with a very clear idea of where we are taking the business. I am proud to be a part of the Tissue Regenix Group and excited for its future prospects in 2024 and beyond.

Daniel Lee

Chief Executive Officer

18 March 2024

Financial Review

Statement of Comprehensive Income Revenue

During the year ended 31 December 2023, revenue increased by 20% to USD29,493k (2022: USD24,476k).

The Group experienced growth across all three key business segments for the year, as more fully described below:

- The BioRinse segment increased top-line sales by 25% to USD20,133k (2022: USD16,049k), driven by growth in Released Donor Tissue and continued growth across the allograft segments, led by the AmnioWorks and Concelltrate 100 product families.
- Revenue from the dCELL division increased by 17% to USD6,183k (2022: USD5,301k) as the commercial reorganisation implemented in 2022 continued to mature.
- The Group's joint venture, GBM-V, based in Rostock, Germany, grew modestly by 2% to USD3,177k (2022: USD3,126k).

Cost of sales and gross profit

Gross profit for the year was USD14,040k (2022: USD11,258k). Gross margin percentage increased to 48% (2022: 46%).

Included in costs of sales is cost of product – USD13,750k (2022: USD12,013k) – and third-party commissions – USD1,703k (2022: USD1,205k).

Administrative expenses

During 2023, administrative expenses increased by USD1,166k, or 9%, to USD14,434k (2022: USD13,268k), driven primarily by additional staffing costs.

Adjusted EBITDA

During 2023, the Group reported adjusted EBITDA of USD925k (2022 loss: USD626k). This shift into positive adjusted EBITDA was driven by increased sales revenue and gross margin percentage and aided by management of administrative expenses to achieve operating leverage. In 2023, EBITDA was USD583k (2022 loss: USD875k) and is adjusted for share based payments of USD342k (2022: USD249k).

Finance income/charges

Finance income of USD26k (2022: USD8k) primarily represented interest earned on cash deposits. Finance charges for the year were reported at USD1,301k (2022: USD826k) and related primarily to interest charges and associated costs in respect of the MidCap Financial Trust ('MidCap') loan arrangement. Included in finance charges for 2023 is USD248k relating to a financing fee associated with the former MidCap loan termination.

Loss for the year

The loss for the year was USD1,657k (2022: loss: USD2,596k), resulting in a basic loss per share of 2.43 cents (2022: loss per share: 3.83 cents). The reduction in the loss for the year was driven by the increases in sales revenue and gross margin percentage.

Taxation

The Group continues to invest in developing its product offering and, as such, is eligible to submit enhanced research and development tax claims, enabling it to exchange tax losses for a cash refund. In the year to December 2023, a refund of USD352k was receivable (2022: USD401k). The year-on-year reduction was a result of the collection of aged research and development credits during 2023.

Income tax payable in the U.S. amounted to USD310k (2022: USD nil). Gross tax losses carried forward in the UK were USD60,361k (2022: USD58,900k). The Group does not currently pay tax in the UK. A deferred tax asset has not been recognised as the timing and recoverability of the tax losses remain uncertain.

Financial Review

continued

Statement of Financial Position

As at December 2023, the Group had net assets of USD29,355k (2022: USD30,401k), of which cash in hand totalled USD4,650k (2022: USD5,949k).

Inventory levels decreased 5% against the 20% sales revenue increase at USD10,358k (2022: USD10,882k) as the BioRinse and dCELL segments managed stock levels closely to increase inventory turnover while also keeping adequate stock levels to meet customer demand. The Released Donor Tissue offering of the BioRinse segment turns over more rapidly than processed grafts.

Intangible assets increased slightly to USD15,135k (2022: USD15,061k) in the year. A further USD450k of development costs, relating primarily to clinical research, were capitalised in the year (2022: USD709k). The balance of movements in this account relate to amortisation and exchange adjustments.

The Directors carried out the annual impairment review, as required by IAS 36, to determine whether there was any requirement for an impairment provision in respect of its goodwill as at 31 December 2023.

The results of the test indicated that the recoverable amount of the Group's non-current assets was at least equal to the carrying amount of those assets and, therefore, no provision for impairment was required as at 31 December 2023 (2022: USD nil). See notes 4 and 14.

Working capital increased slightly in the year to USD9,705k (2022: USD9,442k), driven by a decrease in payables made possible by improved debtor collections and lower inventory investment. As mentioned above, the Released Donor Tissue offering of the BioRinse segment turns over more rapidly, which speeds up the sales cycle, allowing for faster cash generation. The Statement of Financial Position includes income tax receivable of USD352k (2022: USD401k) in respect of UK research and development tax credits.

Loans and borrowings and lease liability

Borrowings include the USD5,985k debt facility through MidCap and the USD3,410k lease liability related to the Group's leasehold in San Antonio (2022: USD6,258k and USD3,350k, respectively). The MidCap debt facility includes USD2,000k in respect of the term loan and USD4,148k in respect of the revolving credit facility, net of USD163k of capitalised debt issue costs. In January 2023, the Group elected to increase its current revolving credit facility from USD5,000k to USD10,000k and extend the maturity until 2028. Repayment of the term loan in equal instalments commenced in February 2024. See Note 19.

Dividend

No dividend has been proposed for the year to 31 December 2023 (2022: nil).

Accounting policies

The Group's consolidated financial information has been prepared in accordance with UK-adopted International Accounting Standards ('UK-adopted IAS'). The Group's significant accounting policies, which have been applied consistently throughout the year, are set out on pages 43 to 50.

Going concern

The Group financial statements have been prepared on a going concern basis based on cash flow projections approved by the Board for the Group for the period to 31 December 2025 (the 'Cash Flow Projections'). Funding requirements are reviewed on a regular basis by the Group's Chief Executive Officer and Chief Financial Officer and are reported to the Board at each Board meeting, as well as on an ad hoc basis if requested. Until sufficient cash is generated from its operations, the Group remains reliant on cash reserves of USD4,650k at 31 December 2023 and the ongoing support of MidCap (borrowings of USD5,985k at 31 December 2023) and other lending institutions to meet its working capital requirements, capital investment programme and other financial commitments. Repayment on the MidCap borrowings commenced in February 2024.

Financial Review

continued

In compiling the Cash Flow Projections, the Board has considered a downside scenario regarding the effect of reduced and delayed revenues due to slower market uptake of the Group's product offerings. The Cash Flow Projections prepared by the Board, including the downside scenario, indicate that the Group will still have cash reserves at the end of the forecast period. The Group's Cash Flow Projections assume that the MidCap revolving credit facility is available throughout the forecast period and that the term loan repayment begins in 2024. The availability of these facilities is dependent upon compliance with a rolling 12-month revenue covenant that is measured on a monthly basis. The Cash Flow Projections, including the downside scenario, indicate compliance with this covenant throughout the forecast period.

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

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 12 to 14.

Cautionary statement

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

David Cocks

Chief Financial Officer

18 March 2024

Market Overview

The Group addresses three main segments of the healthcare market, all of which are billion-dollar opportunities and forecast to grow rapidly over the next five years: the bone graft substitute market, the skin substitute market and the soft tissue biologics market.

Bone graft substitutes market

According to GRC Market Insights, (in a bespoke market research report) in 2023, there were 4.3 million bone graft and bone graft substitute procedures, of which two million were performed in the U.S., and the market experienced a 3.7% growth rate compared with 2022. Bone grafts and bone graft substitutes are most often used in surgical cases where there is a breakage in the bone or there is a void in or between the bones due to several factors, such as age and degenerative diseases. The bone graft/bone graft substitute market comprises allograft (donor tissue) bone chips/particulates, synthetic bone graft substitutes, bone morphogenetic proteins ('BMPs')/growth factors, DBMs and cell-based matrices. Globally, the market was worth USD3.9b in 2023 and is projected to reach USD6.0b by 2029 with a CAGR of 6.1%. While, historically, autograft (self-donated) bone was considered the gold-standard treatment for patients requiring bone grafts, the amount of autograft bone available is often insufficient, and the graft-harvesting procedure presents a number of comorbidities, including donor site pain and infection. As a result, a rising demand for alternatives to autograft bone has been observed. Due to the continued increase of bone graft procedures, a continued shift towards biologically active bone graft substitutes, such as DBM products, are expected.

The Group focusses on the DBM market, which is worth USD660m globally in 2023 and is projected to grow to over USD800m by 2027. The US DBM market size is over USD330m and is part of the bone substitute market, which approximates USD1.5b and is growing at a CAGR of 4.1% (2023–2028). The market drivers of growth in this segment are listed below:

- Increasing procedure volume of spinal fusion, trauma fixation and joint reconstruction and dental surgeries due to growing aging and obese populations
- Companies' continued efforts on product innovation and line extension to create a comprehensive Orthobiologics platform
- Ongoing research for materials that promote the bone healing triad: osteoinductivity, osteoconductivity and osteogenesis

Key competitors in this segment include Musculoskeletal Transplant Foundation, LifeNet, RTI Surgical, Community Tissue Services, AlloSource and XTANT.

Skin substitute market

According to the market research firm Biomed GPS, the U.S. wound biologics market primarily services non-healing chronic wounds, estimated to be 7 million annually. Hard-to-heal diabetic foot ulcers and venous leg ulcers are projected to grow 2.0% and 2.4%, respectively, over the next five years and will account for nearly half of all hard-to-heal wounds. Approximately 14.5% of U.S. Medicare beneficiaries have at least one type of wound or wound-related infection. The U.S. wound biologics market comprises skin substitutes/cell tissue products, topical delivery/drugs and collagen/active dressings. The largest segment in 2023 was skin substitutes at USD1.8b. Skin substitutes consist of five segments, including allograft products, both dermal and amniotic, xenografts (animal tissue), cell-based bioengineered and synthetic products. A crackdown on reimbursement in the physician office to enforce reimbursement at average selling price +6% versus wholesale acquisition cost negatively impacted revenue for those companies active in this segment during 2022 and will continue into 2023.

In addition to an aging population and rising prevalence of chronic wounds, the market drivers of growth in this segment are listed below:

- The use of skin substitutes provides an alternative therapy to heal chronic wounds, showing superior efficacy.
- Increased awareness of advanced therapies, such as skin substitutes.
- Expansion of wound care clinics, mobile wound care clinics, and wound care specialists treating chronic wounds.

Market Overview

continued

Key competitors in this segment include Organogenesis, Integra, MiMedx and ColoPlast.

Soft tissue biologics market

According to GRc Market Insights, in 2023, there were 2.5 million global soft tissue ortho-biologic procedures. Soft tissue biologics are used in surgical procedures to replace, reinforce or repair tendons or ligaments that have been torn or damaged in the human body. They are made from substances that are naturally found in the body. Soft tissue biologics comprise either autografts, allografts, xenografts (animal tissue-based products, including OrthoPure XT) or synthetic grafts and used in regeneration and repair of the musculoskeletal tissues. A growing interest in exercise and recreational sports is contributing to an increased number of sports injuries worldwide, which is driving the number of orthopaedic soft tissue reconstruction procedures. Increased prevalence of orthopaedic injuries amongst the aging population across the globe and the choice of treatment methods that restore body function with minimum side effects further contribute to the increased demand of orthopaedic soft tissue reconstruction procedures. In 2023, from an orthopaedic soft tissue perspective, North America, Europe, Asia-Pacific and Middle East/Africa represented USD3.0b in total annual demand in 2023, with a 5.1% CAGR (2023–2028). The market drivers of growth in this segment are:

- Increasing number of sports injuries
- Increasing aging and obese population worldwide
- Increasing prevalence of orthopaedic medical conditions
- Widespread adoption of arthroscopic treatment techniques
- Increasing physician and patient education in emerging markets

Key competitors in this segment include Musculoskeletal Transplant Foundation, LifeNet, RTI Surgical, Community Tissue Services, AlloSource and Corin Group.

Principal risk and uncertainties

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

Commercial

Competition risk

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

Customer concentration

The Group has a number of key customers, however, should the Group be overdependent on a single customer and not maintain a diversified customer base, it could become exposed if that customer reduced their ordering pattern or moved their business elsewhere. In this case, the Group could be subject to material sales revenue losses and also experience an excess of inventory that had been processed in line with expectations. In 2023, one customer accounted for 13% of the Group's revenue (2022: one customer with 13% of the Group's revenue). The Group continues to augment its product portfolio with line extensions and new product launches providing diversified clinical applications. During 2023, the Group announced three new products for the dCELL and BioRinse

Market Overview

continued

segment. The Group can reduce this risk with distribution of its products into multiple disciplines and, in some cases, with multiple customers in the same discipline and with a hybrid network of strategic partners and distributors as well as direct sales.

Operational

Human resources

The Group has a high level of reliance on the skills and knowledge of its management and employees, many of whom have considerable sector experience or other specialist expertise, making them attractive to competitors and not always easy to replace. As the Group continues to scale and to expand its market presence, our requirements for high-calibre people continue to increase. The loss of key staff could potentially weaken the Group's operational/management capabilities, potentially impeding its ability to grow or maintain efficient operations. To mitigate this risk, the Group maintains competitive incentive and reward structures, which are benchmarked against industry standards. The compensation levels are designed to be attractive to existing employees and enable us to continue to attract high-quality applicants for new roles. As a regulated business, we have clearly defined roles and responsibilities, supported by documented systems and procedures, to provide a level of continuity in the event that an employee leaves the Group. Finally, suitable legal agreements are in place with management and employees to include necessary confidentiality and non-compete clauses.

Tissue supply

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

Manufacturing capacity

Our commercial strategy is built around the establishment of successful strategic and distribution partnerships, which increase the demand on our production and manufacturing capabilities. If we are unable to expand in line with this demand, this could result in a loss of business through customer dissatisfaction and reputational damage. To address this potential constraint, the Group completed a capacity expansion in 2021 that provides processing capacity of approximately USD40 million.

Finance and IT

Finance

We require investment into our working capital and infrastructure to bring our product portfolio to market and service the increasing demand from our current and future customers. Without this, the Group will be unable to deliver the anticipated future revenue growth. The equity fundraiser in June 2020 provided both investment and working capital, which is expected to fund the Group to profitability; however, the lingering effect of COVID-19 on elective surgeries has historically altered the timeline to profitability. The Group increased its revolving credit facility from USD5 million to USD10 million and extended the maturity to 2028, which can provide non-dilutive financing. To the extent that additional funds are required, there are no assurances that these funds could be raised, and if they could, if those terms would be non-dilutive to current shareholders. To address these risks, the Board has oversight of all significant cash spends and a well-established control environment, which includes internal forecasting, monthly reporting and approval limits on all purchase orders. To maintain the cash position, the Company reviews business priorities and demands to ensure that funds are invested in the most appropriate manner to deliver a return on investment and grow the business.

Information technology

The Group is reliant upon information systems in all aspects of its operations. Any failure of systems could impact the Group's ability to process and distribute products, lead to a data security breach and loss of financial information and have potential financial implications. The Group was subject to a cybersecurity incident in January

Market Overview

continued

2020. No ongoing material impact to the business was experienced, however, processing and production was temporarily halted at the San Antonio facility while the restoration and testing of systems was completed. The Group has since upgraded its IT service providers and implemented additional security procedures. These procedures are continually reviewed and updated as required. The Group has an established disaster recovery plan and ensures that secure backups are held off-site in case of a breach. Finally, a global cybersecurity insurance policy has been put in place to help offset the financial impact of a future breach.

Clinical/Regulatory

Product liability risk

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

Licensure/accreditation

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

Impact of regulatory changes

In line with licensure and accreditation, the Group operates in a highly regulated environment. Biologics is an area of high growth, and additional regulatory standards and requirements are subject to change in any market in which we participate. Internally and with the help of regulatory experts, we seek to understand and review our compliance with any pending regulatory changes. As an example, May 2021 marked the end of the discretionary compliance and enforcement policy for Certain Human Cells, Tissues, or Cellular or Tissue-based Products (HCT/Ps) by the U.S. FDA. This did not require any changes for our Group at this time. In 2023, the Centers for Medicare & Medicaid Services considered significant changes to the physician office and hospital outpatient reimbursement for skin substitutes and wound care products, including amnion (birth tissue products), which could have affected the BioRinse segment. These changes were not implemented but could be revisited in the future. We have implemented regulatory activities designed to mitigate the risks of future reimbursement changes.

Political and economic risk

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

Lingering effects of the pandemic

The global economy continues to face uncertainty due to the lingering effects of the COVID-19 pandemic, which has, and may continue to have, a significant impact on global healthcare procedures, supply chains, capital markets and commodity prices as well as effects at the Group level with respect to staffing shortages and component and material supply chain shortages. During 2023, the Group remained flexible and proactive in responding to and addressing its needs by expanding its supply chain while still growing the sales line.

Market Overview

continued

Financial risk management

The Group has instigated certain risk management policies covering financial assets and liabilities, which are set out in note 26 to the financial statements.

Key performance indicators

The Group's key performance indicators ('KPIs') include a range of financial and non-financial measures. The Board considers the main financial KPIs for the Group to be sales revenue growth, adjusted EBITDA and cash resources (see the Chair and Chief Executive Officer's statement on pages 3 to 7). The Board also considers non-financial KPIs, such as new distribution agreements signed, measuring clinical data collection, new account wins, improving the product development portfolio, employee retention, employee engagement, internal employee promotions/skill level increases and increasing manufacturing capacity and supply.

Section 172 Statement

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

The likely consequences of any decision in the long term. The Group's long-term strategy is outlined on page 3 of this report. The principal risks and uncertainties are discussed on pages 12 to 13 of this report. Throughout the year, management and Directors look to meet with, and update, institutional and retail investors through a variety of platforms, be it by face-to-face meeting, telephone conversation, the annual general meeting ('AGM'), or retail investor forum, website, social media or news announcements. Key topics of engagement for investors throughout the year were around: the increased capacity as a result of the completion of the Phase 1 expansion in the BioRinse segment, planned new product introductions, the results of the commercial reorganisation of the dCELL division and full-year and interim financial results and reports.

The interests of the Group's employees. The long-term success of the Group is built around our highly skilled and experienced workforce. Our technicians are highly specialised, and we have world-class processing and development expertise at all facilities. We look to create an environment where all employees can excel, and we value both practical experience and academic qualifications. We believe in investing in our workforce to maintain a low turnover rate and build an agile and adaptive workforce who can successfully navigate the ever-evolving industry landscape to maintain our competitive positioning. We support employees with further education and qualifications and provide a remuneration and benefits framework that supports a healthy work/life balance and is competitive with industry standards. Key topics of engagement for employees throughout the year were around: lunch and learn sessions that exposed the employees to the workings of other departments to gain a better understanding of the company's operations and an updated and improved health and safety programme at the CellRight Technologies facility in Universal City, Texas.

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

The impact of the Group's operations on the community and the environment. The Board is mindful of the potential social and environmental impacts of the Group's activities. The Board is committed to minimising the environmental effect of the Group's activities wherever possible and seeks rigorous compliance with relevant legislation. More discussion on the Group's environmental initiatives is contained in the Corporate Governance Statement on page 24. The Group also looks to engage with the local communities and support relevant charities wherever possible.

The desirability of the Group maintaining a reputation for high standards of business conduct. Our intention is to behave in a responsible manner, operating within the high standard of business conduct and good corporate governance, as highlighted in the Corporate Governance Statement on pages 21-24.

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

The Strategic Report on pages 3 to 16 was approved by the Board on 18 March 2024.

On behalf of the Board

Daniel Lee
Chief Executive Officer

18 March 2024

Governance

Management team

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

Daniel Lee

Chief Executive Officer ('CEO')

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

Danny spent the first 10 years of his career in R&D with the United States Surgical Corporation (now Medtronic). Danny received his B.E.S. degree in Materials Science and Engineering from the Johns Hopkins University and his M.S. in Biomedical Engineering from the University of Alabama at Birmingham. He has 13 patents on implants and instruments used in orthopaedic and general surgery and has co-authored two book chapters on bone grafts and regulatory considerations.

Danny is also a Certified Tissue Bank Specialist from the AATB.

David Cocke

Chief Financial Officer ('CFO')

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

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

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

Gerald Sharpe

Vice President – Strategic Partnerships

Gerald Sharpe has over 13 years' experience in the orthobiologics industry, working for two differentiated allograft tissue processors. His focus is commercialisation and business development. He joined CellRight Technologies as Regional Sales Manager in September 2014 before being appointed as Vice President – Strategic Partnerships in January 2019. Gerald is proficient in the spine, sports medicine, foot and ankle, dental and ocular markets of the business.

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

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

Governance

continued

Christine Rowley

Technical and Operations Director, UK

Christine Rowley has over 19 years' experience in the medical device biologics industry, joining Tissue Regenix in 2010. She has worked in all areas of product development and commercialisation and has led the development of the OrthoPure XT device from product feasibility through to market approval and launch. Christine's experience covers a wide range of activities, including new product development, process optimisation and design transfer, design verification and validation, clinical trial design and execution, regulatory submissions and quality control, almost exclusively working with class III xenograft implants.

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

Tina Trimble

Senior Vice President, Donor Services, U.S.

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

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

Lance Johnson

Vice President, Quality and Regulatory, U.S.

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

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

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

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

Governance

continued

Kirsten Lund

EMEA Business Director and Company Secretary

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

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

Patti Gary

Vice President, Clinical Affairs

Patti Gary has over 30 years' experience in the medical device and biologics industry. She joined Tissue Regenix in 2013 as Senior Director of Clinical Affairs and was appointed VP of Clinical Affairs in 2015. Patti's experience provides a unique combination of sales and clinical roles, such as Director of Professional Education, Corporate Healthcare Director and Clinical Services Director for Systagenix (Acelyt); Post-Acute National Accounts Director and District Sales Manager for Acelyt (3M); Home Health Director of Wound Care for Memorial Hermann Healthcare System; and Account Manager for Hill-Rom. She was also the owner and President of Positive Outcomes, Inc., where she developed clinical and financial tools (HealQuest, HealPROtocols and Healware) to drive standardized processes for wound management. HealPROtocols was acquired by Acelyt (now 3M).

Patti is a Registered Nurse and Certified Wound Care Nurse. She graduated from the Louisiana State University Health Sciences Center School of Nursing.

Board of Directors

Jonathan Glenn

Chair

Jonathan was most recently CEO of Consort Medical from December 2007 until its acquisition for £505m by Recipharm AB in early 2020. Jonathan is currently Chair of Surgical Innovations plc, Torbay Pharmaceuticals Ltd, and a NED at Amber Therapeutics Ltd. Jonathan joined the Group in January 2016. He serves on the Audit Committee.

Daniel Lee

Chief Executive Officer

(see details on page 17)

David Cocke

Chief Financial Officer

(see details on page 17)

Shervanthi Homer-Vanniasinkam

Non-Executive Director

Professor Shervanthi Homer-Vanniasinkam BSc, MBBS, MD, FRCSEd, FRCS is an internationally renowned clinician–scientist who is currently a Consultant Vascular Surgeon at Leeds Teaching Hospitals, the Founding Professor of Surgery at the University of Warwick and Professor of Engineering & Surgery at University College London. Shervanthi joined the Board in June 2016 and serves on the Remuneration Committee.

Shervanthi has 170 publications, attracted significant research grants and has an outstanding track record of national (Universities of Leeds, London, Warwick) and international (Harvard, Singapore, India) collaborative research. She is a Visiting Scholar at Harvard University, the Yeoh Ghim Seng Visiting Professor of Surgery at National University of Singapore and the Brahm Prakash Visiting Professor at the Indian Institute of Science.

Trevor Phillips

Non-Executive Director

Trevor Phillips has extensive experience in the UK and the U.S. in corporate development, M&A and operations in the pharmaceutical and life science industries, including previously held positions as Chairman of the Board at NEPeSMO (2017–2023), Executive Chairman of hVIVO (2017–2020), Chief Operating Officer for Vectura Group plc (2011–2017) and former CEO and COO of Critical Therapeutics, Inc. (2002–2008). Trevor holds a BSc in Microbiology from the University of Reading, a PhD in Microbial Biochemistry from Swansea University and an MBA from Henley Business School. Trevor joined the Group in January 2021. He is Chair of the Remuneration Committee and also serves on the Audit Committee.

Brian Phillips

Non-Executive Director

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

Corporate Governance Statement

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

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

Our strategy and business model and approach to risk

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

In 2023, we continued to employ our **4S strategy** as the foundation of how we operate and drive our growth:

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

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

In 2023, we continued to build upon the 4S foundation and added four growth pillars to drive our organic tactical decision-making within the Group. The growth pillars are:

- **Base Business** – Growth of our base businesses with existing and new customers
- **Tissue Partnerships** – Growth of our unique capacity to provide Released Donor Tissue and partially processed tissue to outside parties
- **Market Expansion** – Growth into additional surgical specialities and geographic regions globally with our products and technology platforms
- **Regulatory Evolution** – Growth expansion into markets requiring medical device approvals or with products classified as medical devices

The Board carefully considers the strengths, weaknesses, opportunities and risks facing the Group and endeavours to minimise the impact of weaknesses and risks by employing the necessary mitigating actions. We process tissues at our facilities in the UK, Europe and North America. The Group has an experienced and dedicated management and scientific team, and the prominent risks facing the Group are kept under review and updated as necessary; the Board ensures to review a detailed risk matrix on a rolling basis as part of the formal Board meetings. Details of risks identified are set out on pages 12 to 13 of this report.

The Group maintains a central finance team, excluding the day-to-day finance activities at our joint venture, GBM-V. The Group seeks to operate consistent accounting policies and engages annual external audits from professional auditors of its financial results and reports, findings from which are presented to the Board. The Board reviews monthly financial reports including KPIs provided by the CFO in respect of the management of cash within the business and review against budgets and forecasts. The Group also has a number of operational controls that all employees are expected to adhere to, including management structure, Board-reserved matters,

Corporate Governance Statement

continued

financial monitoring, internal policies, codes of conduct and training, health and safety monitoring and IT controls. The regulatory and quality teams at each facility maintain a comprehensive quality management system, with each employee having a personal training record. As noted above, the Group regularly audits its suppliers to ensure that the highest ethical standards are maintained. In respect of its intellectual property rights, the Group engages a professional patent and trademark attorney to monitor its intellectual property portfolio.

Board of Directors

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

Composition of the Board

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

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

The composition of the Board did not change in 2023.

In 2023, there were eight Board meetings. All Directors were present for all meetings, with the exception of two meetings where a single Director was absent. In addition, there were three Audit Committee meetings, with no absences, and two Remuneration Committee meetings, again with no absences.

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

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

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

Corporate Governance Statement

continued

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

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

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

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

No separate Audit Committee report has been included as the Corporate Governance Statement adequately covers the content we would include in the Audit Committee report.

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

Risk management and internal control

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

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

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

Employees

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

Equal opportunities

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

Corporate Governance Statement

continued

Environment

As with all businesses, the emphasis on environmental sustainability is important and subject to increasing scrutiny and regulation. All employees are involved in the initiatives implemented to decrease the Group's carbon footprint and energy consumption and in the Group's environmental sustainability efforts. During 2023, the Group implemented new environmental sustainability initiatives related to plastics recycling to reduce its environmental footprint.

Social, community and human rights

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

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

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

Relations with shareholders

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

The Group actively engages with its shareholders throughout the year through direct meetings, website and social media communications and stock exchange announcements. Commissioned analyst research notes are made available on the Company's website as well as clinical case studies and published papers. Senior management, typically the CEO and the CFO, aim to meet with, or speak with, significant shareholders at least twice in a year, usually after the interim and preliminary results announcements, to provide an update on strategy and progress of the Group as a whole and to receive shareholder feedback. The Group also undertakes several publicly available updates to all shareholders through forums such as interviews, trading updates and PR announcements. In 2023, the Group undertook two 'Investor Meet Company' retail investor presentations as part of the full-year and interim results investor roadshows, with 69 individuals attending the preliminary results presentation in March 2023 and 70 individuals attending the interim results presentation in September 2023.

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

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

Directors' Remuneration Report

Remuneration policy

The Group's remuneration policy is designed to provide Executive Directors with a competitive market-based package in order to reward individual and Group performance and deliver outstanding shareholder returns. The Remuneration Committee is committed to ensuring that the Group's key management team is incentivised to drive sustainable earnings growth and returns to shareholders, thereby creating a genuinely strong alignment of interests between management and investors.

It is the Group's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice. In the event of early termination, the Executive Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

NEDs are employed on letters of appointment that may be terminated on no less than three months' notice. Companies with securities listed on the AIM do not need to comply with the UKLA Listing Rules.

The Remuneration Committee is, however, committed to maintaining high standards of corporate governance and disclosure and has applied the guidelines as far as practical given the current size and development of the Group.

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

Remuneration Committee

The Remuneration Committee's primary responsibilities are to review the performance of the Executive Directors of the Group and to determine the broad policy and framework for their remuneration and the terms and conditions of their service and that of senior management (including the remuneration of and grant of options or shares to such persons under any share scheme adopted by the Group).

The 2023 Remuneration Committee comprises Trevor Phillips as Chair of the Committee, Brian Phillips and Shervanthi Homer-Vanniasinkam. The Committee meets no fewer than twice in each financial year.

The main elements of the remuneration packages for Executive Directors and senior management are:

Basic annual salary

The base salary is reviewed annually at the beginning of each year. The review process is undertaken by the Remuneration Committee taking into account several factors, including the current position and development of the Group, individual contribution and market salaries for comparable organisations.

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

Discretionary annual bonus

All Executive Directors and senior managers are eligible for a discretionary annual bonus, which is paid in accordance with a bonus scheme developed by the Remuneration Committee. This takes into account individual contribution, business performance and commercial progress, against Corporate and individual goals set at the beginning of the year, in accordance with the Group's strategy along with financial results.

Long-term incentive plan

In 2021, the Group replaced the prior deferred annual bonus ('DAB') plan with a new long-term incentive plan ('LTIP') for Executive Directors and senior management.

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

Directors' Remuneration Report

continued

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

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

Remuneration policy for Non-Executive Directors

Remuneration for NEDs is set by the Chair and the Executive members of the Board. Non-Executives do not participate in bonus schemes.

Directors' remuneration

The remuneration of the main Board Directors of Tissue Regenix who served in the year to 31 December 2023 was as follows:

	Salary and fees USD'000	Bonus USD'000	Benefits USD'000	Total December 2023 USD'000	Total December 2022 USD'000
Jonathan Glenn	87	–	–	87	87
Shervanthi Homer-Vanniasinkam	37	–	–	37	37
Daniel Lee	305	305	11	621	581
David Cocke	237	118	12	367	344
Brian Phillips	44	–	–	44	43
Trevor Phillips	44	–	–	44	43
	754	423	23	1,200	1,135

In 2022, the total bonus payments were USD383k and benefits were USD27k.

No share options were exercised by Directors in either of the years reported. No pension scheme is offered for Directors, and there are no Directors accruing retirement benefits in respect of money purchase schemes and defined benefit schemes.

The Committee has agreed to standardise the bonus potential for Executive Directors in 2024 and, as such, have agreed to amend the bonus potential for the CFO to 100%, which brings that position in line with the CEO and his bonus potential.

Directors' shareholdings

Directors' interests in the shares of the Company, including family interests at 31 December 2023, were as follows:

	31 December 2023 Number	31 December 2023 %	31 December 2022 Number	31 December 2022 %
Jonathan Glenn	406,000	0.58	40,600,000	0.58
Shervanthi Homer-Vanniasinkam	16,282	0.02	1,628,222	0.02
Trevor Phillips	55,357	0.08	5,535,771	0.08
Brian Phillips	160,000	0.23	15,322,756	0.22
Daniel Lee	86,907	0.12	7,262,200	0.10
David Cocke	71,205	0.10	5,692,000	0.08

Note: 2023 numbers are post-consolidation of the Company's shares at 100:1

Directors' Remuneration Report

continued

Directors' interest in LTIP

The table below is adjusted for consolidation of the Company's shares at 100:1 in 2023:

	At 1 January 2023 Number	Exercised during year Number	Lapsed during year Number	Granted during year Number	31 December 2023 Number	Exercise price Pence
LTIP Scheme Options						
Daniel Lee (note 1)	283,216	–	–	–	283,216	10
Daniel Lee (note 2)	275,607	–	–	–	275,607	10
Daniel Lee (note 3)	–	–	–	198,074	198,074	10
David Cocke (note 1)	146,491	–	–	–	146,491	10
David Cocke (note 2)	213,833	–	–	–	213,833	10
David Cocke (note 3)	–	–	–	153,678	153,678	10

Note 1

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

Note 2

There were employment period and performance conditions in relation to the options granted on 14 March 2022 that are subject to continued service over a period of three years and satisfaction of customary performance conditions relating to growth in total shareholder return, annual revenue targets, annual profitability targets and personal performance targets.

Note 3

There were employment period and performance conditions in relation to the options granted on 21 March 2023 that are subject to continued service over a period of three years and satisfaction of customary performance conditions relating to growth in total shareholder return, annual revenue targets, annual profitability targets and personal performance targets.

On behalf of the Board

Trevor Phillips

Chair of the Remuneration Committee

18 March 2024

Directors' Report

The Directors present their report and consolidated financial statements for Tissue Regenix Group plc (the 'Company') and its subsidiary undertakings (the 'Group') for the year ended 31 December 2023.

Principal activity

The nature of the Group's operations and its principal activity is that of an international medical technology company focused on commercialising two platform technologies, dCELL, addressing soft tissue needs, and BioRinse, providing sterile bone and soft tissue allografts. The Company is principally a holding company incorporated and domiciled in England and Wales and is listed on the London Stock Exchange's AIM. The subsidiary undertakings of the Group are listed in note C4 of the Company's financial statements.

Business model

A description of the Group's business model is included on page 2. Explanations of activities and how it seeks to add value are included in the Chair and CEO's Statement on pages 3 to 7.

Business review and results

A review of the Group's performance and future prospects is included in the Chair and CEO's Statement on pages 3 to 7. A review of the Group's financial performance is included within the Financial Review on pages 8 to 10. The loss for the year attributable to owners of the parent company was USD1,713k (2022: USD2,695k).

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: nil).

Share capital and funding

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

Directors and their interests in shares and share options

The Directors who held office during the year and since the year end are as follows:

Jonathan Glenn

Shervanthi Homer-Vanniasinkam

Daniel Lee

Trevor Phillips

Brian Phillips

David Cocke

Directors' interests in the Ordinary Shares of the Company, including family interests, are included in the Directors' Remuneration Report on pages 25 to 27.

Third-party indemnity provision for Directors

The Company currently has in place, and had for the year ended 31 December 2023, Directors & Officers liability insurance for the benefit of all Directors of the Company.

Corporate governance

Corporate governance matters are set out in the Corporate Governance Statement on pages 21 to 24.

Directors' Report

continued

Political donations

No political donations were made in the year.

Substantial shareholdings

At 29 February 2024, shareholders holding more than 3% of the share capital of Tissue Regenix Group plc were:

Name of shareholder	Number of shares	% of voting rights
Harwood Capital (London)	10,615,000	15.04
Inthallo Ltd. (Scotland)	9,910,000	14.04
Lombard Odier	7,457,545	10.57
Mr Richard Griffiths (UK)	6,852,500	9.71
IP Group (London)	6,530,428	9.25

Employment policies

The Group is committed to keeping employees as fully informed as possible regarding the Group's performance and prospects and seeks their views, wherever possible, on matters that affect them as employees.

Financial instruments

During the year, the Company and its subsidiary undertakings applied the financial risk management policies as disclosed in note 26 to the consolidated financial statements.

Disclosure of information to the auditor

The Directors who held office at the date of approval of these financial statements have confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

RSM UK Audit LLP have expressed their willingness to continue in office. In accordance with the recommendation of the Audit Committee and section 489 of the Companies Act 2006, a resolution to reappoint RSM as the Company's auditor will be proposed at the forthcoming AGM.

Strategic report

The Group has chosen in accordance with Companies Act 2006 s414C (11) to set out in the Group's Strategic Report information required by Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch 7 to be contained in the Directors' Report in relation to research and development and future developments. For more information on research and development and future developments, see the Chair & Chief Executive Officer's statement on page 3 to 7.

The Directors' Report was approved by the Board on 18 March 2024.

On behalf of the Board

Daniel Lee

Chief Executive Officer

Directors' Responsibilities Statement

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

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

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

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

In preparing each of the Group and company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. for the Group financial statements, state whether they have been prepared in accordance with UK-adopted IAS;
- d. for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of Tissue Regenix Group plc

Opinion

We have audited the financial statements of Tissue Regenix Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

Group

- Goodwill impairment

Parent company

- None
-

Materiality

Group

- Overall materiality: USD516,000 (2022: USD428,000)
- Performance materiality: USD335,000 (2022: USD278,000)

Parent company

- Overall materiality: £405,000 (2022: £265,000)
 - Performance materiality: £263,000 (2022: £172,000)
-

Scope

Our audit procedures covered 100% of revenue, 98% of total assets and 90% of loss before tax.

Independent Auditor's Report to the members of Tissue Regenix Group plc

continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment

Key audit matter description The non-current assets of the CellRight Technologies LLC ('CellRight') cash generating unit ('CGU') includes goodwill of USD11.6 million (after a cumulative impairment charge of USD7.9 million) and this CGU is subject to annual impairment testing. The CellRight CGU is a legal entity in its own right and forms part of the BioRinse operating segment. Management have disclosed details relating to their impairment test in notes 4 and 14.

Impairment testing requires management to compare the carrying amount of the CGU's attributable assets and liabilities with the higher of fair value less costs of disposal and value in use (the 'Recoverable Amount'). Where the carrying amount is higher than Recoverable Amount then an impairment charge arises.

Impairment testing involves a significant degree of judgement because management's determination of value in use is based on a number of assumptions, including an assessment of future performance in a high growth sector and the selection of an appropriate discount rate.

Significant impairment charges have arisen in previous periods and the Group overall continues to be loss making. Any recorded impairment charge would most likely have a material impact on the financial statements.

Due to the level of estimation uncertainty, we determined this to be a key audit matter.

How the matter was addressed in the audit Management provided us with an impairment model for the CellRight CGU. We performed audit work on this model, which included:

- Checking the calculations contained within the model, including reperforming the comparison of the Recoverable Amount with the carrying amount and agreeing the carrying amount to the accounting records.
 - Challenging management to support key assumptions within the model, particularly forecast revenue growth and the discount rate applied.
 - Using a specialist to obtain an independent estimate of an appropriate discount rate.
 - Reviewing the accuracy of historic forecasts and sensitivity to changes in the assumptions.
 - Reviewing the disclosures made in the financial statements to ensure that they were in accordance with the applicable financial reporting framework.
-

Independent Auditor's Report to the members of Tissue Regenix Group plc

continued

Our application of materiality

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

	Group	Parent company
Overall materiality	USD516,000 (2022: USD428,000)	£405,000 (2022: £265,000)
Basis for determining overall materiality	1.75% of total revenue	0.7% of net assets. The percentage applied to the benchmark has been restricted for the purpose of calculating an appropriate component materiality.
Rationale for benchmark applied	Revenue selected given shareholder focus on revenue growth. The Group is still in relatively early phase of development and revenue growth is critical to reducing operating losses.	Net assets selected as the parent company is purely a holding company and no income statement is presented.
Performance materiality	USD335,000 (2022: USD278,000)	£263,000 (2022: £172,000)
Basis for determining performance materiality	65% of overall materiality	65% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of USD13,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £20,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Materiality levels in respect of the disclosure requirements for the Group and parent company in relation to Directors' emoluments including share-based payment transactions were set at a reduced level of USD68,000. This reduced level has been set on the basis these transactions and balances have specific disclosure requirements under UK Company Law and would be of specific interest to shareholders.

An overview of the scope of our audit

The Group consists of 6 components, located in the United Kingdom, USA and Germany.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	5	89%	98%	90%
Specific audit procedures	1	11%	0%	0%
Total	6	100%	98%	90%

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

For 1 component, specific audit procedures were undertaken in respect of revenue cut-off, existence and accuracy which were areas we identified as being susceptible to material misstatement due to fraud.

Independent Auditor's Report to the members of Tissue Regenix Group plc

continued

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating management's latest forecasts and plans, considering the appropriateness and sensitivity of the key assumptions, and reviewing the key terms of debt facilities. These forecasts are prepared in respect of the period to 31 December 2025. The Group has significant cash reserves at 31 December 2023 of USD4.7m as a result of the continued growth in the level of activity in the Group and agreed an extension to its borrowing facilities during the year. Even in downside scenarios which take account of slower than forecast sales growth, management's forecasts indicate significant cash at the end of the forecast period.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

Independent Auditor's Report to the members of Tissue Regenix Group plc

continued

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Independent Auditor's Report to the members of Tissue Regenix Group plc

continued

The most significant laws and regulations were determined as follows:

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

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

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Testing a sample of revenue transactions either side of the reporting date to determine that the Group's revenue recognition policies have been applied correctly, and revenue is recorded in the correct accounting period. Testing transactions identified by the use of a data analytics tool as being outside of the normal revenue and investigating these.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Use of our report

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

ANDREW ALLCHIN FCA (Senior Statutory Auditor)

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

Chartered Accountants

Central Square Fifth Floor

29 Wellington Street

Leeds

LS1 4DL

Date 18 March 2024

Consolidated Statement of Income

For the year ended 31 December 2023

	Notes	2023 USD '000	2022 USD '000
Revenue	5	29,493	24,476
Cost of sales		(15,453)	(13,218)
Gross profit		14,040	11,258
Administrative expenses		(14,434)	(13,268)
Operating loss		(394)	(2,010)
Finance income	6	26	8
Finance charges	7	(1,301)	(826)
Loss on ordinary activities before taxation	8	(1,669)	(2,828)
Taxation	10	12	232
Loss for the year		(1,657)	(2,596)
Loss for the year attributable to:			
Owners of the parent company		(1,713)	(2,695)
Non-controlling interest	24	56	99
		(1,657)	(2,596)
Loss per Ordinary Share			
Basic and diluted, cents per share	11	(2.43)	(3.83)*

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

*Restated to reflect the share consolidation that became effective on 28 April 2023. See note 22.

The notes on pages 42 to 73 form part of the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 USD '000	2022 USD '000
Loss for the year	(1,657)	(2,596)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation differences	195	(653)
Total comprehensive loss for the year	(1,462)	(3,249)
Total comprehensive loss for the year attributable to:		
Owners of the parent company	(1,518)	(3,348)
Non-controlling interest	56	99
	(1,462)	(3,249)

The notes on pages 42 to 73 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 USD '000	2022 USD '000
Assets			
Non-current assets			
Property, plant and equipment	12	5,748	5,740
Right-of-use assets	13	3,270	3,203
Intangible assets	14	15,135	15,061
		24,153	24,004
Current assets			
Inventory	15	10,358	10,882
Trade and other receivables	16	3,730	4,803
Corporation tax receivable		352	401
Cash and cash equivalents	17	4,650	5,949
		19,090	22,035
Total assets		43,243	46,039
Liabilities			
Non-current liabilities			
Loans and borrowings	19	(5,527)	(5,258)
Deferred tax	20	(400)	(520)
Lease liability	21	(3,226)	(3,216)
		(9,153)	(8,994)
Current liabilities			
Trade and other payables	18	(3,783)	(5,510)
Taxation payable		(310)	–
Loans and borrowings	19	(458)	(1,000)
Lease liability	21	(184)	(134)
		(4,735)	(6,644)
Total liabilities		(13,888)	(15,638)
Net assets		29,355	30,401
Equity			
Share capital	22	15,950	15,950
Share premium	23	134,253	134,179
Merger reserve	23	16,441	16,441
Reverse acquisition reserve	23	(10,798)	(10,798)
Reserve for own shares	23	(1,257)	(1,257)
Share-based payment reserve	23	1,088	824
Cumulative translation reserve	23	(1,763)	(1,958)
Retained deficit	23	(123,764)	(122,129)
Equity attributable to owners of the parent company		30,150	31,252
Non-controlling interest	24	(795)	(851)
Total equity		29,355	30,401

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 18 March 2024 and are signed on its behalf by:

Daniel Lee

Chief Executive Officer

Company number: 05969271

The notes on pages 42 to 73 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital USD'000	Share premium USD'000	Merger reserve USD'000	Reserve acquisition reserve USD'000	Reserve for own shares USD'000	Share-based payment reserve USD'000	Cumulative translation reserve USD'000	Retained deficit USD'000	Total USD'000	Non-controlling interest USD'000	Total equity USD'000
At 31 December 2021	15,947	134,173	16,441	(10,798)	(1,257)	1,573	(1,305)	(120,432)	34,342	(950)	33,392
<i>Transactions with owners in their capacity as owners:</i>											
Exercise of share options	3	6	-	-	-	-	-	-	9	-	9
Transfer to retained deficit in respect of lapsed, expired and exercised options	-	-	-	-	-	(998)	-	998	-	-	-
Share-based payments	-	-	-	-	-	249	-	-	249	-	249
Total transactions with owners in their capacity as owners	3	6	-	-	-	(749)	-	998	258	-	258
Loss for the year	-	-	-	-	-	-	-	(2,695)	(2,695)	99	(2,596)
Other comprehensive income:											
Currency translation differences	-	-	-	-	-	-	(653)	-	(653)	-	(653)
Total other comprehensive income for the year	-	-	-	-	-	-	(653)	-	(653)	-	(653)
Total comprehensive income for the year	-	-	-	-	-	-	(653)	(2,695)	(3,348)	99	(3,249)
At 31 December 2022	15,950	134,179	16,441	(10,798)	(1,257)	824	(1,958)	(122,129)	31,252	(851)	30,401
<i>Transactions with owners in their capacity as owners:</i>											
Exercise of share options	-	74	-	-	-	-	-	-	74	-	74
Transfer to retained deficit in respect of exercised and expired options	-	-	-	-	-	(78)	-	78	-	-	-
Share-based payments	-	-	-	-	-	342	-	-	342	-	342
Total transactions with owners in their capacity as owners	-	74	-	-	-	264	-	78	416	-	416
Loss for the year	-	-	-	-	-	-	-	(1,713)	(1,713)	56	(1,657)
Other comprehensive income:											
Currency translation differences	-	-	-	-	-	-	195	-	195	-	195
Total other comprehensive income for the year	-	-	-	-	-	-	195	-	195	-	195
Total comprehensive income for the year	-	-	-	-	-	-	195	(1,713)	(1,518)	56	(1,462)
At 31 December 2023	15,950	134,253	16,441	(10,798)	(1,257)	1,088	(1,763)	(123,764)	30,150	(795)	29,355

The notes on pages 42 to 73 form part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 USD '000	2022 USD '000
Operating activities		
Loss on ordinary activities before taxation	(1,669)	(2,828)
Adjustments for:		
Finance income	(26)	(8)
Finance charges	1,301	826
Depreciation of property, plant and equipment	395	353
Depreciation of right-of-use assets	132	164
Amortisation of intangible assets	450	618
Share-based payments	342	249
Unrealised foreign exchange loss/(gain)	84	(239)
Operating cash inflow/(outflow) before movements in working capital	1,009	(865)
Decrease/(increase) in inventory	524	(1,163)
Decrease/(increase) in trade and other receivables	1,073	(702)
(Decrease)/increase in trade and other payables	(1,836)	1,249
Net cash generated from/(used in) operations	770	(1,481)
Research and development tax credits received	270	187
Net cash generated from/(used in) operating activities	1,040	(1,294)
Investing activities		
Interest received	26	8
Purchase of property, plant and equipment	(413)	(381)
Capitalised development expenditure	(450)	(709)
Net cash used in investing activities	(837)	(1,082)
Financing activities		
Proceeds from exercise of share options	74	9
(Repayment of)/proceeds from loans and borrowings	(238)	1,708
Interest paid on loans and borrowings	(567)	(450)
Fees paid on loans and borrowings	(355)	–
Lease liability payments	(140)	(66)
Lease interest payments	(284)	(291)
Other interest payments	(2)	–
Net cash (used in)/generated from financing activities	(1,512)	910
Net decrease in cash and cash equivalents	(1,309)	(1,466)
Cash and cash equivalents at beginning of year	5,949	7,709
Effect of movements in exchange rates on cash held	10	(294)
Cash and cash equivalents at end of year	4,650	5,949

The notes on pages 42 to 73 form part of the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. Corporate information

Tissue Regenix Group plc (the 'Company' and, together with its subsidiaries, the 'Group') is a public company limited by shares, domiciled and incorporated in England and Wales under the Companies Act 2006. Its registered number is 05969271.

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

The nature of the Group's operations and its principal activity is that of an international, medical technology company focused on commercialising two platform technologies, dCELL, addressing soft tissue needs, and BioRinse, providing sterile bone and soft tissue allografts.

2. Adoption of new and revised standards

Standards adopted during the year

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

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

- Amendments to IFRS 17 - *Insurance contracts*
- Amendments to IFRS 17 - *Initial application of IFRS 17 and IFRS 9 - comparative information*
- Amendments to IAS 1 and IFRS practice statement 2 - *Disclosure of accounting policies*
- Amendments to IAS 8 - *Definition of accounting estimates*
- Amendments to IAS 12 - *Deferred tax related assets and liabilities arising from a single transaction*
- Amendments to IAS 12 - *International tax reform - pillar two model rules*

Standards issued but not yet effective

Any new or amended Accounting Standards or interpretations that are not yet mandatory (and in some cases, had not yet been endorsed by the UK Endorsement Board) have not been early adopted by the Group for the year ended 31 December 2023. They are as follows:

- Amendments to IAS 1 - *Classification of liabilities as current or non-current*
- Amendments to IAS 1 - *Non-current liabilities with covenants*
- Amendments to IFRS 16 - *Lease liability in a sale and leaseback*
- Amendments to IAS 7 and IFRS 7 - *Supplier finance arrangements*
- Amendments to IAS 21 - *Lack of exchangeability*
- Amendments to IFRS 10 and IAS 28 - *Sale or contribution of assets between an investor and its associate or joint venture*
- IFRS S1 - *General requirements for disclosure of sustainability - related financial information*
- IFRS S2 - *Climate-related disclosures*

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

Notes to the Consolidated Financial Statements

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3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

The financial statements are presented in United States dollars ('USD'). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

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

The preparation of the financial statements in compliance with UK-adopted International Accounting Standards requires management to make estimates and the Directors to exercise judgement in applying the Group's accounting policies. The significant judgements made by the Directors in the application of these accounting policies that have a significant impact on the financial statements and the key sources of estimation uncertainty are disclosed in note 4.

Going concern

The Group financial statements have been prepared on a going concern basis based on cash flow projections, approved by the Board for the Group, for the period to 31 December 2025 (the 'Cash Flow Projections'). Funding requirements are reviewed on a regular basis by the Group's Chief Executive Officer and Chief Financial Officer and are reported to the Board at each Board meeting, as well as on an ad hoc basis if requested. Until sufficient cash is generated from its operations, the Group remains reliant on cash reserves of USD4.7 million at 31 December 2023 and the ongoing support of MidCap (borrowings of USD6.0 million at 31 December 2023) and other lending institutions to meet its working capital requirements, capital investment programme and other financial commitments. Repayment of the MidCap borrowings commenced in February 2024.

In compiling the Cash Flow Projections, the Board has considered a downside scenario regarding the effect of reduced and delayed revenues due to slower market uptake of the Group's product offerings. The Cash Flow Projections prepared by the Board, including the downside scenario, indicate that the Group will still have cash reserves at the end of the forecast period. The Group's Cash Flow Projections assume that the MidCap revolving credit facility is available throughout the forecast period and that the term loan repayment begins in 2024. The availability of these facilities is dependent upon compliance with a rolling 12-month revenue covenant that is measured on a monthly basis. The Cash Flow Projections, including the downside scenario, indicate compliance with this covenant throughout the forecast period.

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

Basis of consolidation

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

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial results of subsidiaries are included in the consolidated financial statements from the date that

Notes to the Consolidated Financial Statements

continued

control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interest

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

Controlled joint venture

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

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration payable and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is tested annually for impairment as described below.

Revenue

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

In some instances, for a small proportion of the business, goods are held by third parties (e.g. hospitals) and revenue is recognised upon utilisation within surgical procedures.

Bill-and-hold sales

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

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

Foreign currencies

The individual financial statements of each component entity are presented in the currency of the primary economic environment in which the entity operates (the 'functional currency'). For the purposes of the consolidated financial statements, the results and the financial position of each Group entity are expressed in USD, which is the presentation currency for the consolidated financial statements.

Notes to the Consolidated Financial Statements

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

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

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

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

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

Research and development

Research costs are charged to profit and loss as they are incurred. An intangible asset arising from development expenditure on an individual project is recognised only when all of the following criteria can be demonstrated:

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

Notes to the Consolidated Financial Statements

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Such intangible assets are amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit and are reviewed for an indication of impairment at each reporting date. Other development costs are charged against profit or loss as incurred since the criteria for capitalisation are not met.

The costs of an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on technical development, testing and certification, materials consumed and any relevant third-party 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. The assets are reviewed for indicators of impairment, but they are not amortised until completion of the development project.

Inventories

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

Property, plant and equipment and right-of-use assets

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

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

Buildings	over 39 years
Laboratory equipment	over 5–7 years
Computer equipment	over 3 years
Fixtures and fittings	over 5 years

Land is not depreciated.

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability plus any incremental costs of obtaining the lease and any lease payments made when or before the leased asset is available for use by the Group. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case it is depreciated over the useful life.

Notes to the Consolidated Financial Statements

continued

Intangible assets

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

Trademarks	over 5 years
Customer relationships	over 10 years
Process and information technology	over 10 years
Supplier agreements	over 5 years

Impairment of property, plant and equipment, right-of-use and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use 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).

In respect of goodwill and intangible assets with an indefinite life, the Group performs an annual impairment review as required by IAS 36.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ('CGUs')).

Discounted cash flow valuation techniques are generally applied for assessing recoverable amounts using Board-approved forward-looking cash flow projections and terminal value estimates, together with discount rates appropriate to the risk of the related CGUs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Share-based payments

Share options

Equity settled share-based payment transactions are measured with reference to the fair value at the date of grant, recognised on a straight-line basis over the vesting period, based on management's estimate of shares that will eventually vest. The fair value of options is measured using a binomial model where the performance conditions of grants are market-based, the Monte Carlo model where there are multiple performance conditions and the Black-Scholes model where there are non-market related performance conditions. See note 25 for more information on performance conditions.

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

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

Jointly held shares

Where an employee acquires an interest in shares in the Company jointly with the Tissue Regenix Employee Share Trust, the fair value of the option at the purchase date is recognised on a straight-line basis over the vesting period. The fair value benefit is measured using a binomial valuation model, considering the terms and conditions upon which the jointly owned shares were purchased.

Notes to the Consolidated Financial Statements

continued

Financial assets and liabilities

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets measured at fair value through profit or loss.

Financial assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial liabilities are subsequently measured at either amortised cost or fair value.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset or financial liability, a gain or loss is recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The measurement of the loss allowance depends upon management's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability-weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Trade and other receivables

Trade and other receivables do not carry any interest and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method less any provision for impairment.

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

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

Notes to the Consolidated Financial Statements

continued

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

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

Trade and other payables

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

Borrowings

Borrowings are interest-bearing and are initially recognised at fair value less the directly attributable costs of issue. They are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and deposits on a term of not greater than three months. The Group places its funds with financial institutions with an A rating or higher.

Equity instruments

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

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

Leases

On commencement of a contract that gives the Group the right to use assets for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease (where the term is 12 months or less with no option to purchase the leased asset) or a 'low-value' lease (where the underlying asset is USD5,000 or less when new).

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

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

Notes to the Consolidated Financial Statements

continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Segmental reporting

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Recoverability of non-current assets

The Directors are required by IAS 36 *Impairment of assets* to carry out an annual impairment review in respect of goodwill to determine whether there was any requirement for an impairment provision in respect of the Group's goodwill at 31 December 2023.

The carrying amount of non-current assets at 31 December 2023 was USD24.2 million (2022: USD24.0 million).

Critical judgements

The Group's non-current assets include intangible assets and goodwill arising on the acquisition of CellRight Technologies LLC, plus certain property, plant and machinery and right-of-use assets. It is the Directors judgement that the recoverable amount of these assets cannot be determined individually and that this is the smallest identifiable group of assets whose output has an active market and which generate largely independent cash flows from other assets or group of assets. It is, therefore, the Directors judgement that these assets should be considered to be a single cash generating unit ('CGU'). Only the assets included in the CGU are subject to impairment review.

Notes to the Consolidated Financial Statements

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Estimations

The aggregate carrying value of the CGU was assessed for impairment based on value in use, which requires the Directors to estimate the future cash flows expected to arise from the CGU using a suitable discount rate in order to calculate present value. The future cash flows expected to arise were calculated using a discount rate of 18.3% (2022: 18.3%) based on the weighted average cost of capital.

The impairment test indicated that the recoverable amount was at least equal to the carrying amount of the assets and, therefore, no provision for impairment was required at 31 December 2023 (2022: nil). See note 14.

The key inputs to the cash flow forecast are revenues, gross margin and overheads, future anticipated capital expenditure and movements in working capital. The key estimation relates to sales growth, which is inherently difficult to forecast in a rapidly growing market, and it is possible that any or all of these key assumptions may change, which may then impact the estimated recoverable amount of the CGU and require a material adjustment to the carrying value of the assets in future periods.

Leases

Critical judgements

Determining the term of a lease that includes an option to purchase requires the Directors to use their judgement in determining whether the option is reasonably certain to be exercised. The Directors' assessment will impact both the determination of the lease term and the useful economic life of the asset.

In determining the term of a lease, the Directors consider all facts and circumstances that create an economic incentive to exercise an option to purchase a leased asset. Periods after the date of the option to purchase are not included in the lease term if the option to purchase is reasonably certain to be exercised.

In making their assessment, the Directors considered the potential cash outflow arising as a result of financing the option to purchase against the potential cost of ongoing lease payments, the potential market value of the property, which an independent appraisal indicated would be in excess of the fixed option exercise price, and the commercial advantages of taking ownership and control of the property.

The Directors concluded that the option to purchase is reasonably certain to be exercised, therefore, the lease term has been determined on this basis, and the USD3 million cash outflow on exercise of the option has been included in the lease liability.

Estimations

Right-of-use assets are depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case it is depreciated over the useful life. As a result of the Directors assessment that the Group will exercise the option to purchase, the assets are being depreciated over an estimated useful life of 39 years.

5. Segmental information

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

	2023 USD '000	2022 USD '000
US	25,327	20,711
Rest of World	4,166	3,765
	29,493	24,476

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Analysis of revenue by customer

During the year ended 31 December 2023, the Group had one customer who individually exceeded 10% of revenue. This customer generated 13% of revenue (2022: one customer who generated 13% of revenue).

Operating segments

In accordance with IFRS 8, the Group has derived the information for its operating segments using the information used by the chief operating decision-maker, who has been identified as the Board of Directors.

The Board of Directors has determined that the Group has three operating segments for internal management, reporting and decision-making purposes, namely dCELL, BioRinse and GBM-V.

Central overheads, which primarily relate to operations of the Group function, are not allocated to an operating segment.

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

Refer to the Business Overview on page 2 for more details on the Group's operating segments and operations.

Segmental information is presented below.

	dCELL 2023 USD '000	BioRinse 2023 USD '000	GBM-V 2023 USD '000	Central 2023 USD '000	Total 2023 USD '000
Statement of Income					
Revenue	6,183	20,133	3,177	–	29,493
Gross profit	2,839	10,141	1,060	–	14,040
Depreciation	(4)	(423)	(16)	(84)	(527)
Amortisation	–	(450)	–	–	(450)
Operating profit/(loss)	340	1,838	220	(2,792)	(394)
Net finance income/(charges)	4	(1,296)	–	17	(1,275)
Profit/(loss) before taxation	344	542	220	(2,775)	(1,669)
Taxation	202	(190)	–	–	12
Profit/(loss) for the year	546	352	220	(2,775)	(1,657)

	dCELL 2022 USD '000	BioRinse 2022 USD '000	GBM-V 2022 USD '000	Central 2022 USD '000	Total 2022 USD '000
Statement of Income					
Revenue	5,301	16,049	3,126	–	24,476
Gross profit	1,829	8,258	1,171	–	11,258
Depreciation	(10)	(394)	–	(113)	(517)
Amortisation	–	(618)	–	–	(618)
Operating (loss)/ profit	(994)	678	409	(2,103)	(2,010)
Net finance charges	–	(818)	–	–	(818)
(Loss)/profit before taxation	(994)	(140)	409	(2,103)	(2,828)
Taxation	112	120	–	–	232
(Loss)/profit for the year	(882)	(20)	409	(2,103)	(2,596)

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	dCELL 2023 USD '000	BioRinse 2023 USD '000	GBM-V 2023 USD '000	Central 2023 USD '000	Total 2023 USD '000
Statement of Financial Position					
Non-current assets	1,946	21,987	6	214	24,153
Current assets	5,030	12,649	807	604	19,090
Total assets	6,976	34,636	813	818	43,243
Non-current liabilities	–	(9,123)	–	(30)	(9,153)
Current liabilities	(693)	(3,345)	(200)	(497)	(4,735)
Total liabilities	(693)	(12,468)	(200)	(527)	(13,888)
Net assets	6,283	22,168	613	291	29,355
Capital expenditure	165	167	9	54	395
Additions to intangible assets	334	116	–	–	450

	dCELL 2022 USD '000	BioRinse 2022 USD '000	GBM-V 2022 USD '000	Central 2022 USD '000	Total 2022 USD '000
Statement of Financial Position					
Non-current assets	1,376	22,382	13	233	24,004
Current assets	3,571	14,998	806	2,660	22,035
Total assets	4,947	37,380	819	2,893	46,039
Non-current liabilities	–	(8,921)	–	(73)	(8,994)
Current liabilities	(736)	(5,171)	(255)	(482)	(6,644)
Total liabilities	(736)	(14,092)	(255)	(555)	(15,638)
Net assets	4,211	23,288	564	2,338	30,401
Capital expenditure	124	230	9	36	399
Additions to intangible assets	549	160	–	–	709

6. Finance income

	2023 USD '000	2022 USD '000
Bank interest receivable	24	8
Other interest received	2	–
	26	8

7. Finance charges

	2023 USD '000	2022 USD '000
Interest on loans and borrowings	603	450
Fees on loans and borrowings	248	–
Interest on lease liabilities	284	291
Amortisation of debt cost	163	85
Other interest paid	3	–
	1,301	826

Notes to the Consolidated Financial Statements

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8. Loss on ordinary activities before taxation

The loss before taxation for the year has been arrived at after charging:

	2023 USD '000	2022 USD '000
Depreciation of property, plant and equipment	395	353
Depreciation of right-of-use assets	132	164
Amortisation of intangible assets	450	618
Rentals subject to 'short lease' exemption	147	136
Expensed inventory	11,658	11,831
Staff costs including share-based payments	10,247	9,068
Foreign exchange losses	15	24
Auditor's remuneration:		
Fees payable for the audit of the parent company and consolidated financial statements	74	70
Fees payable for the audit of subsidiary entity financial statements pursuant to legislation	70	64
	144	134

9. Staff costs

The average monthly number of employees (including Directors) was:

	2023 Number	2022 Number
Directors	6	6
Laboratory and administration staff	76	79
	82	85

Their aggregate remuneration comprised:

	2023 USD '000	2022 USD '000
Wages and salaries	9,174	8,176
Social security costs	697	608
Other pension costs	34	35
Share-based payments	342	249
	10,247	9,068

Included within wages and salaries are other staff benefits provided to employees. The cost of providing these benefits is USD0.6 million (2022: USD0.5 million).

Refer to the Directors' Remuneration Report for details regarding the remuneration of the highest paid Director and the total amounts for Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations.

Notes to the Consolidated Financial Statements

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10. Taxation

	2023 USD '000	2022 USD '000
Current tax:		
UK R&D tax credit	(202)	(112)
Foreign taxation	310	–
	108	(112)
Deferred tax:		
Origination and reversal of temporary differences	(120)	(120)
Tax credit for the year	(12)	(232)

The credit for the year can be reconciled to the loss per the Consolidated Statement of Income as follows:

	2023 USD '000	2022 USD '000
Loss on ordinary activities before tax	(1,669)	(2,828)
Loss multiplied by the standard rate of corporation tax for UK companies of 23.52% (2022: 19%)	(393)	(537)
Effects of:		
Research and development tax credits received	–	(80)
Surrender of tax losses for R&D tax credit refund	233	104
Deduction for R&D expenditure	(115)	(59)
Remeasurement of deferred tax for changes in tax rates	(22)	–
Adjustments in respect of prior period current and deferred tax	122	(154)
Movement in deferred tax not recognised on unutilised tax losses	175	(366)
Expenses not deductible for tax purposes	108	980
Origination and reversal of timing differences	(120)	(120)
Tax credit on loss for the year	(12)	(232)

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

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

	2023 USD '000	2022 USD '000
Tax losses		
Losses available to carry forward	60,361	58,900
Unrecognised deferred tax asset at 25% (2022: 25%)	15,090	14,725

Notes to the Consolidated Financial Statements

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11. Loss per Ordinary Share

Basic loss per Ordinary Share is calculated by dividing the net loss for the year attributable to owners of the parent company by the weighted average number of Ordinary Shares in issue during the year, excluding own shares held jointly by the Tissue Regenix Employee Share Trust and certain employees.

Diluted loss per Ordinary Share is calculated by dividing the net loss for the year attributable to owners of the parent company by the weighted average number of Ordinary Shares in issue during the year adjusted for the dilutive effect of potential Ordinary Shares arising from the Company's share options and jointly owned shares.

The calculation of the basic and diluted loss per Ordinary Share is based on the following data:

	2023 USD '000	2022 USD '000
Losses		
Losses for the purpose of basic and diluted loss per Ordinary Share being net loss for the year attributable to owners of the parent company	(1,713)	(2,695)

	Number	Number
Number of shares		
Weighted average number of Ordinary Shares for the purpose of basic and diluted loss per Ordinary Share	70,426,760	70,345,218
Basic and diluted, cents per share	(2.43)	(3.83)

The Company has options issued over 2,585,537 (2022: 2,009,293) Ordinary Shares and warrants issued over 30,968 (2022: 30,968) Ordinary Shares, and there are 161,128 (2022: 161,128) jointly owned shares that are potentially dilutive. See note 25.

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

The information shown above has been restated to reflect the share consolidation, that became effective on 28 April 2023, in all periods presented. See note 22.

Notes to the Consolidated Financial Statements

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12. Property, plant and equipment

	Land and buildings USD '000	Laboratory equipment USD '000	Fixtures and fittings USD '000	Computer equipment USD '000	Total USD '000
Cost					
At 31 December 2021	5,018	3,067	1,054	939	10,078
Additions	75	136	6	182	399
Exchange adjustment	–	(167)	(90)	(76)	(333)
At 31 December 2022	5,093	3,036	970	1,045	10,144
Additions	18	135	10	232	395
Disposal	–	(11)	–	(2)	(13)
Exchange adjustment	–	75	40	38	153
At 31 December 2023	5,111	3,235	1,020	1,313	10,679
Depreciation					
At 31 December 2021	246	2,315	989	820	4,370
Charge for the period	132	161	18	42	353
Exchange adjustment	–	(161)	(90)	(68)	(319)
At 31 December 2022	378	2,315	917	794	4,404
Charge for the period	132	193	17	53	395
Disposal	–	(11)	–	(2)	(13)
Exchange adjustment	–	73	39	33	145
At 31 December 2023	510	2,570	973	878	4,931
Carrying amount					
At 31 December 2023	4,601	665	47	435	5,748
At 31 December 2022	4,715	721	53	251	5,740
At 31 December 2021	4,772	752	65	119	5,708

Property, plant and equipment with a carrying amount of USD5.7 million (2022: USD5.7 million) have been pledged to secure borrowings of the Group. The Group is not permitted to pledge these assets as security for other borrowings or to sell them to another entity.

Notes to the Consolidated Financial Statements

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13. Right-of-use assets

	Land and buildings USD'000	Laboratory equipment USD'000	Total USD'000
Cost			
At 31 December 2021	3,569	–	3,569
Exchange adjustment	(24)	–	(24)
At 31 December 2022	3,545	–	3,545
Additions	–	195	195
Exchange adjustment	10	–	10
At 31 December 2023	3,555	195	3,750
Depreciation			
At 31 December 2021	181	–	181
Charge for the period	164	–	164
Exchange adjustment	(3)	–	(3)
At 31 December 2022	342	–	342
Charge for the period	128	4	132
Exchange adjustment	6	–	6
At 31 December 2023	476	4	480
Carrying amount			
At 31 December 2023	3,079	191	3,270
At 31 December 2022	3,203	–	3,203
At 31 December 2021	3,388	–	3,388

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14. Intangible assets

	Development costs USD '000	Goodwill USD '000	Customer relationships USD '000	Trademarks USD '000	Process and information technology USD '000	Supplier agreements USD '000	Total USD '000
Cost							
At 31 December 2021	2,099	19,458	3,000	799	1,500	600	27,456
Additions	709	–	–	–	–	–	709
Exchange adjustment	(229)	–	–	–	–	–	(229)
At 31 December 2022	2,579	19,458	3,000	799	1,500	600	27,936
Additions	450	–	–	–	–	–	450
Exchange adjustment	136	–	–	–	–	–	136
At 31 December 2023	3,165	19,458	3,000	799	1,500	600	28,522
Amortisation							
At 31 December 2021	1,311	7,871	1,319	703	660	528	12,392
Charge for the period	–	–	300	96	150	72	618
Exchange adjustment	(135)	–	–	–	–	–	(135)
At 31 December 2022	1,176	7,871	1,619	799	810	600	12,875
Charge for the period	–	–	300	–	150	–	450
Exchange adjustment	62	–	–	–	–	–	62
At 31 December 2023	1,238	7,871	1,919	799	960	600	13,387
Carrying amount							
At 31 December 2023	1,927	11,587	1,081	–	540	–	15,135
At 31 December 2022	1,403	11,587	1,381	–	690	–	15,061
At 31 December 2021	788	11,587	1,681	96	840	72	15,064

Development costs represent expenditure on clinical evaluation studies relating to the Group's products. The assets are reviewed for indicators of impairment but are not amortised until completion of the development project.

Goodwill, customer relationships, trademarks, process and information technology and supplier agreements relate to the acquisition of CellRight Technologies LLC in 2017.

Goodwill represents the excess of the consideration paid over the fair value of the assets acquired.

Customer relationships represents the fair value attributed to the customer base existing on acquisition. The carrying value of these assets is USD1.1 million, and the remaining useful life is 3.6 years.

Trademarks relate to registered trademarks acquired in the acquisition, which have now been amortised in full.

Process and information technology represent the fair value attributed to in-house developed technology for each product group, 'trade secrets' and in-house developed information technology. The carrying value of these assets is USD0.5 million, and the remaining useful life is 3.6 years.

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Supplier agreements relate to agreements for the supply of human tissue, which have now been amortised in full.

The assets acquired on the acquisition of CellRight Technologies are subject to annual impairment testing as described below.

Impairment of intangible assets

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

Value in use is estimated based on future cash flow discounted to present value using a pre-tax discount rate of 18.3% (2022: 18.3%), which still reflects increases in the risk-free interest rate inherent in the calculation of the weighted average cost of capital. An impairment charge arises where the carrying value exceeds the value in use.

The inputs into cash flow forecasts are based on the most recent budgets/forecasts approved and reviewed by the Directors for the following year, extended forward for the next four years based on expected growth within the CGU over that period. At the end of year five, a terminal value is calculated using a long-term growth assumption of 2% (2022: 2%).

The key inputs to the cash flow forecasts are:

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

The key assumption within the cash flow forecasts relates to sales growth which is inherently difficult to forecast in a rapidly growing market. Across the five-year forecast period, the compound annual growth rate ('CAGR') is 20.5% (2022: 20.3%).

At 31 December 2023, the impairment test prepared by the Directors indicates a recoverable amount based on value in use of USD68.2 million (2022: USD47 million) compared with a CGU carrying amount of USD32.6 million (2022: USD33 million). The Directors, therefore, do not consider that an impairment charge is appropriate for the year ended 31 December 2023 (2022: nil). However, in drawing this conclusion, the Directors note the importance of achieving the anticipated CAGR and have calculated that an impairment arises in the event that the CAGR falls to 12.4% (2022: 15%) across the five-year period.

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15. Inventory

	2023 USD '000	2022 USD '000
Raw materials and consumables	4,518	4,128
Work in progress	5,133	5,873
Finished goods, including goods for resale	707	881
	10,358	10,882

Inventory of finished goods, including goods for resale, is presented net of a provision of USD0.2 million (2022: USD0.3 million).

16. Trade and other receivables

	2023 USD '000	2022 USD '000
Trade receivables	3,027	4,195
VAT recoverable	49	24
Other receivables	77	19
Prepayments and accrued income	577	565
	3,730	4,803

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

	2023 USD '000	2022 USD '000
Trade receivables	3,087	4,279
Less: allowance for expected credit losses	(60)	(84)
	3,027	4,195

Allowance for expected credit losses

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

	Expected credit loss Rate	Carrying amount 2023 USD '000	Allowance for expected credit losses 2023 USD '000	Carrying amount 2022 USD '000	Allowance for expected credit losses 2022 USD '000
Not overdue	0%	2,835	–	3,764	–
0-3 months overdue	0%	161	–	229	–
3-4 months overdue	25%	5	1	35	9
4-5 months overdue	50%	35	8	77	6
Over 5 months overdue	100%	51	51	174	69
		3,087	60	4,279	84

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The average credit term with customers is 40 days (2022: 40 days).

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

	2023 USD '000	2022 USD '000
At 1 January	84	78
Increase during the year	120	161
Receivables written off during the year as uncollectable	(31)	(21)
Unused amounts reversed	(113)	(134)
At 31 December	60	84

17. Cash and cash equivalents

Cash and cash equivalents held by the Group at 31 December 2023 were USD4.7 million (2022: USD5.9 million). The Directors consider that the carrying amount of these assets approximates to their fair value and do not believe that the Group is exposed to any significant credit risk on its cash.

18. Trade and other payables

	2023 USD '000	2022 USD '000
Trade payables	1,207	1,075
Taxes and social security	35	39
Accruals	2,541	4,396
	3,783	5,510

At 31 December 2023, an accrual in respect of goods received not invoiced which was presented as a trade payable in the prior year has now been presented as an accrual in order to better reflect the nature of the balance. The comparative figures have, therefore, been reclassified for comparison purposes. The reclassification amounted to USD2.4 million.

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

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

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

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19. Loans and borrowings

	2023 USD '000	2022 USD '000
Term loan	2,000	2,000
Revolving credit	4,148	4,387
Gross loans and borrowings	6,148	6,387
Capitalised debt issue costs	(163)	(129)
	5,985	6,258
Current loans and borrowings	458	1,000
Non-current loans and borrowings	5,527	5,258
	5,985	6,258

Remaining contractual maturity analysis

The following table details the Group's remaining contractual maturity for its loans and borrowings. The table has been drawn up based on the undiscounted cash flows based on the earliest date on which the loans and borrowings are required to be paid. The tables include both principal and interest cash flows.

	2023 USD '000	2022 USD '000
Maturity analysis		
Less than 6 months	526	291
6 months to 1 year	558	1,264
1 year to 2 years	1,064	5,593
2 years to 5 years	6,137	–
	8,285	7,148

In June 2019, the Group signed a US bank facility with MidCap.

The facility includes a term loan and a revolving credit facility, which originally incurred interest at LIBOR rate plus 6.75% and LIBOR rate plus 4.5% respectively, subject to a floor LIBOR rate of 2.25%.

In January 2023, the Group agreed new terms in respect of the MidCap facility, as follows:

- The replacement of LIBOR by Secured Overnight Financing Rate ('SOFR') due to the discontinuation of LIBOR. The floor SOFR rate is 3%.
- The extension of the maturity date of both the term loan and the revolving credit facility to 1 January 2028. The term loan will be repaid over 48 months commencing February 2024.
- An early payment of the exit fee of USD0.25 million (initially due on 1 June 2024) relating to the USD5.5 million term loan which, was repaid in 2019. This fee has been charged against the revolving credit facility. An exit fee of 4.5% on the remaining balance of the term loan (USD0.09 million) will be due on maturity or earlier settlement if applicable.
- An increase in the funds available under the terms of the revolving credit facility up to USD10 million (extended from USD5 million at 31 December 2022), with a fee payable in respect of each facility expansion of 0.5%.

Additional debt issue costs of USD0.2 million have been capitalised against the loan during the year ended 31 December 2023 and are being amortised over the life of the facilities.

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In respect of the term loan, MidCap holds security over the Group's freehold property in San Antonio and certain intellectual property. The carrying amount of these assets at 31 December 2023 is USD4.6 million (2022: USD4.7 million) and USD nil (2022: USD nil), respectively.

The revolving credit is subject to a rolling 12-month revenue covenant, which is measured on a monthly basis. The Group was in full compliance with the terms of the covenant in the periods reported.

The movement in loans and borrowings during the year was:

	2023 USD '000	2022 USD '000
At 1 January	6,258	4,465
Cash flows - financing activities - loan repayments	(238)	1,708
Non-cash movements - movement in amortised loan costs	(35)	85
At 31 December	5,985	6,258

20. Deferred tax liabilities

	2023 USD '000	2022 USD '000
At 1 January	520	640
Release to the income statement	(120)	(120)
At 31 December	400	520

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

21. Lease liabilities

	2023 USD '000	2022 USD '000
Current lease liabilities	184	134
Non-current lease liabilities	3,226	3,216
At 31 December	3,410	3,350

Maturity analysis of leases

The maturity of the gross contractual undiscounted cashflows due on the Group's lease liabilities is set out below based on the period between 31 December 2023 and the contractual maturity date.

	2023 USD '000	2022 USD '000
Less than 6 months	236	203
6 months to 1 year	236	203
1 year to 2 years	3,147	412
2 years to 5 years	138	3,107
	3,757	3,925

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

Notes to the Consolidated Financial Statements

continued

The movement in lease liabilities during the year was:

	2023 USD '000	2022 USD '000
At 1 January	3,350	3,482
Cash flows - financing activities - lease repayments	(140)	(66)
Non-cash movements - additions to right-of-use-assets	195	–
Non-cash movements - net effect of foreign exchange	5	(66)
At 31 December	3,410	3,350

Effect of leases on financial performance

	2023 USD '000	2022 USD '000
Depreciation of right-of-use assets	132	164
Interest expense	284	291
	416	455

The Group leases properties used for its operations in the UK and the US.

- UK land and buildings: Five-year fixed lease, which included a break clause in 2023 not exercised.
- US land and buildings: Ten-year fixed lease, which includes an option to purchase within the first five years, being up to November 2024.
- US property, plant and equipment: Five-year fixed leases.

The Group's average effective borrowing rate for leases at 31 December 2023 was 9% (2022: 9%).

22. Share capital

	2023 USD '000	2022 USD '000
Allotted issued and fully paid		
Ordinary Shares of 0.1 pence	91	9,167
Deferred Shares of 0.4 pence	6,783	6,783
Deferred Shares of 9.9 pence	9,076	–
	15,950	15,950

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

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

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

On 28 April 2023, the Company consolidated every 100 Ordinary Shares of 0.1 pence each into one 'Consolidated Ordinary Share of 10 pence each'. Immediately following the consolidation, each Consolidated Ordinary Share was subdivided into one New Ordinary Share of 0.1 pence each and one New Deferred Share of 9.9 pence each. The New Ordinary, and New Deferred Shares have the same rights as the existing Ordinary and Deferred Shares, respectively.

Notes to the Consolidated Financial Statements

continued

Due to the difference in functional and presentation currencies of the parent company, foreign exchange differences can arise between the allotted, issued and fully paid share capital, which is presented at historical rates of exchange.

Issued Ordinary Share capital

On 21 June 2022, the Company issued 2,717,391 Ordinary Shares of 0.1 pence each at a price of 0.0276 pence per share, raising gross proceeds of USD9,203 (£7,500), in respect of the exercise of share options (pre-consolidation).

Immediately prior to the share consolidation on 28 April 2023, the Company issued 10 Ordinary Shares of 0.1 pence each at nil consideration to allow for an exact consolidation of 100:1.

On 6 September 2023, the Company issued 216,519 Ordinary Shares of 0.1 pence each at a price of 27.6 pence per share, raising gross proceeds of USD74,693 (£59,759), in respect of the exercise of share options.

Movements in share capital during the period were as follows:

	Ordinary Shares of 0.1p Number	Deferred Shares of 9.9p Number	Deferred Shares of 0.4p Number
At 1 January 2022	7,033,077,499	–	1,171,971,322
Allotment of shares	2,717,391	–	–
At 31 December 2022	7,035,794,890	–	1,171,971,322
Share issue	10	–	–
Immediately prior to share consolidation	7,035,794,900	–	–
Share consolidation	(6,965,436,951)	–	–
Post-consolidation subdivision of shares	70,357,949	70,357,949	–
Allotment of shares	216,519	–	–
At 31 December 2023	70,574,468	70,357,949	1,171,971,322

23. Reserves

Reserves of the Group represent the following:

Share premium

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

Merger reserve

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

Reverse acquisition reserve

Retained earnings of a reverse acquisition.

Reserve for own shares

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

Share-based payment reserve

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

Notes to the Consolidated Financial Statements

continued

Cumulative translation reserve

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

Retained deficit

All current and prior period retained profits and losses.

24. Non-controlling interest

	2023 USD '000	2022 USD '000
As at 1 January	(851)	(950)
Attributable profit for the year	56	99
As at 31 December	(795)	(851)

The non-controlling interest has a 50% (2022: 50%) equity holding in GBM-V GmbH.

GBM-V GmbH contributed revenue of USD3.2 million (2022: USD3.1 million) and a profit before tax of USD0.2 million (2022: USD0.4 million) after elimination of intercompany trading for the year ended 31 December 2023. Further financial information relating to GBM-V GmbH can be found in note 5.

25. Share-based payments

The Company operates a number of share incentive plans, under which Directors and certain employees have been granted options to subscribe for the Company's Ordinary Shares.

Details of the share options and EBT shares outstanding at 31 December 2023 were as follows:

	EMI options Number	Unapproved options Number	EBT shares Number	SAYE options Number	LTIP options Number	Total Number	Weighted average exercise price
Outstanding at							
31 December 2021	7,555	4,969	161,128	234,638	821,167	1,229,457	91p
Granted	–	–	–	–	979,434	979,434	10p
Exercised	–	–	–	(27,174)	–	(27,174)	27.6p
Expired	(2,400)	–	–	–	–	(2,400)	£12.50
Lapsed	–	–	–	–	(8,896)	(8,896)	10p
Outstanding at							
31 December 2022	5,155	4,969	161,128	207,464	1,791,705	2,170,421	54p
Granted	–	–	–	–	787,041	787,041	10p
Exercised	–	–	–	(216,519)	–	(216,519)	27.6p
Expired adjustment	–	–	–	9,055	–	9,055	27.6p
Lapsed	–	(3,334)	–	–	–	(3,334)	9.88p
Outstanding at							
31 December 2023	5,155	1,635	161,128	–	2,578,746	2,746,664	42p
Exercisable at							
31 December 2023	–	–	161,128	–	–	161,128	£5

The information shown above has been restated to reflect the share consolidation, that became effective on 28 April 2023, in all periods presented. See note 22.

Notes to the Consolidated Financial Statements

continued

The options outstanding at 31 December 2023 had an estimated weighted average remaining contractual life of 7.5 years (2022: 8.1 years) with an exercise price ranging between 10 pence and £19.75, as follows:

- 3,154 with an exercise price of £19.75
- 3,636 with an exercise price of £11
- 161,128 with an exercise price of £5
- 2,578,746 with an exercise price of 10 pence

The latest date for exercise of the options is 21 March 2033, and, unless otherwise agreed, the options are forfeited if the Director or employee leaves the Group before the options vest, or in respect of those options that have already vested, are not exercised within an agreed time period.

Unapproved share incentive plan

The Company has granted awards under the unapproved share incentive plan, some of which qualify as Enterprise Management Incentives ('EMI'), which have a three-year share price performance condition.

- 1,519 EMI options have a share price performance condition under which the price of the Company's Ordinary Shares must reach £25 in year 1, £30 in year 2 and £35 in year 3 for a minimum of 30 consecutive days.
- 3,636 EMI options have a share price performance condition under which the price of the Company's Ordinary Shares must reach £15 in year 1, £20 in year 2 and £30 in year 3 for a minimum of 30 consecutive days.
- The unapproved share options have a share price performance condition under which the price of the Company's Ordinary Shares must reach £25 in year 1, £30 in year 2 and £35 in year 3 for a minimum of 30 consecutive days.

Share options that are not exercised within 10 years from the date of grant will expire.

Save As You Earn ('SAYE') scheme

The Company operates a SAYE share option plan, under which Directors and certain employees have been granted options to subscribe for the Company's Ordinary Shares. Employees must pay into the plan for a minimum of three years before options can be exercised. At the end of the scheme, employees can exercise their options or elect to have their contributions refunded.

Share options that are not exercised within 10 years from the date of grant will expire.

Long-Term Incentive Plan ('LTIP')

The Company operates an LTIP share option plan, under which Directors and certain employees have been granted options to subscribe for the Company's Ordinary Shares.

Awards vest based on a three-year performance period and are granted in two tranches:

- Tranche 1 - awards vest according to a market-related performance condition which is based on the growth in the Company's Total Shareholder Return ('TSR') over the performance period. The percentage of the TSR tranche awards that vest is as follows:

	Percentage of TSR tranche awards that vest
Company's TSR growth	
Less than 50%	Nil
At least 50% but less than 75%	25%
At least 75% but less than 100%	50%
100% or more	100%

Notes to the Consolidated Financial Statements

continued

The Remuneration Committee may use its discretion to adjust the percentage of TSR awards that are deemed to vest at the end of the vesting period. A likely reason is that the Committee considers that the Group's strong operating performance is not reflected in the Company's share price due to prevailing market conditions outside the Company's control.

- Tranche 2 - awards vest according to non-market performance conditions as follows:

- 20% based on annual revenue targets;
- 20% based on annual profitability targets; and
- 20% based on personal performance targets.

Awards made under all plans are equity-settled. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Share options that are not exercised within 10 years from the date of grant will expire.

At 31 December 2023, 1,031,499 awards had been granted with market-related performance conditions (tranche 1) and 1,547,248 awards had been granted with non-market performance conditions (tranche 2).

Shares held in employee benefit trust ('EBT')

The Company also operates a jointly owned EBT share scheme for senior management, under which the trustee of the Company-sponsored EBT has acquired shares in the Company, jointly with a number of employees. The shares were acquired pursuant to certain conditions, set out in Jointly Owned Equity agreements ('JOEs'). Subject to meeting the performance criteria conditions set out in the JOEs, the employees are able to benefit from most of any future increase in the value of the jointly owned EBT shares. The portion available is calculated based on the price of the Company's Ordinary Shares at the time the employee wishes to take their portion.

Employee interests in jointly owned EBT shares that are not exercised within 10 years from the date of grant will expire.

Grant of LTIP options

On 21 March 2023, the Company issued 787,041 share options with an exercise price of 10 pence per Ordinary Share under the LTIP.

- 314,816 of the awards were issued with a market related performance condition (Tranche 1).
- 472,225 of the awards were issued with non-market performance conditions (Tranche 2).

The performance period is the three years from 1 January 2023 to 31 December 2025.

The fair value of the market related performance options has been calculated using the Monte Carlo model as it is considered to be a more appropriate model for options granted with multiple performance conditions. The fair value of the options granted with non-market performance conditions has been calculated using the Black-Scholes model.

The significant inputs into the models for the IFRS 2 valuation were as follows:

	Grants in year
	787,041
	Options
Exercise price (pence)	10
Expected volatility (%)	50
Expected life (years)	3
Risk-free rates (%)	3.43
Expected dividends	—

The expected volatility was calculated using the historic volatility of the Company's TSR for the period 2013 to 2023.

Notes to the Consolidated Financial Statements

continued

The fair value of the options granted during the year was USD0.3 million. The share price at the date of grant was 60.5 pence per Ordinary Share.

In the year ended 31 December 2023, the Company recognised a total expense of USD0.3 million (2022: USD0.25 million) in respect of employment-related securities.

On 6 September 2023, the Company issued 216,519 Ordinary Shares of 0.1 pence each at a price of 27.6 pence per share, raising gross proceeds of USD74,693 (£59,759), in respect of the exercise of share options.

Warrants

In 2019, warrants were issued to MidCap as part of the Group's new borrowing facilities. Options over 30,968 shares were granted at an exercise price of £5.74. These options are equity-settled and remain exercisable. The weighted average remaining contractual life is 5.5 years (2022: 6.5 years).

26. Financial instruments

Financial risk management objectives

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

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

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

Capital risk management

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

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

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

Categories of financial instruments

	2023 USD '000	2022 USD '000
Financial assets measured at amortised cost		
Cash and cash equivalents	4,650	5,949
Trade receivables	3,027	4,195
Other receivables	77	19
	7,754	10,163
	2023 USD '000	2022 USD '000
Financial liabilities measured at amortised cost		
Trade payables	1,207	1,075
Accruals	2,541	4,396
Loans and borrowings	5,985	6,258
Lease liabilities	3,410	3,350
	13,143	15,079

Notes to the Consolidated Financial Statements

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Fair value of financial instruments

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

Interest rate risk management

The Group's policy on interest rate management is agreed at Board level and is reviewed on an ongoing basis.

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

The Group's main interest rate risk arises from long-term loans and borrowings that incur interest charges at a fixed rate above established parameters. See note 19. The Directors have performed a sensitivity analysis for the impact of changes in the interest rate charged on its loans and borrowings and have determined that a 1% (increase)/decrease in the interest rate would result in an additional (charge)/credit to the income statement of USD0.06 million.

Credit risk management

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

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

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

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

The credit risk on liquid funds (cash) is considered to be limited as a result of the Group's policy that the counterparties are financial institutions with an A rating or higher, assigned by international credit rating agencies.

Liquidity risk management

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

With the exception of loans and borrowings and leases, outlined in notes 19 and 21, respectively, the Group's financial liabilities mature within six months.

The Group does not face a significant liquidity risk with regard to its lease liabilities, which are monitored by the Board.

At 31 December 2023, the Group was compliant with all the terms relating to the MidCap facilities. During the year, the Group increased the funds available to it under the terms of the facility from USD5 million to USD10 million.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, with the result that exposure to exchange rate fluctuations arises.

Other than small amounts of cash balances that are held in currencies other than the functional currency of the relevant entity, the majority of its monetary assets and monetary liabilities are denominated in the functional currency of the relevant entity. As a result, there is limited exposure to fluctuations in exchange rates that would impact the income statement of the Group.

Notes to the Consolidated Financial Statements

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The financial statements of certain of the Group's foreign subsidiaries are denominated in currencies that differ from the Group's presentation currency. As a result, the Group is exposed to movements in USD in respect of foreign exchange differences arising on the translation of recognised assets and liabilities, which may impact equity.

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

Foreign currency sensitivity analysis

The carrying amounts of the Group's monetary assets and liabilities that are denominated in a different currency to the functional currency of the relevant entity are immaterial, and, as a result, the Group has not undertaken foreign currency sensitivity analysis in respect of the income statement.

The carrying amounts of the Group's assets and liabilities, including those that may give rise to net gain/(loss) on the hedge of net investment in foreign subsidiaries, denominated in currencies that differ from the Group's presentation currency, and that, which, may therefore, have an impact on equity, are as follows:

	GBP USD '000	Euro USD '000
Assets	47,050	813
Liabilities	(70,307)	(200)
	(23,257)	613

Sensitivity analysis has been performed to indicate how equity would have been affected by changes in the exchange rate between GBP/Euro and USD. The analysis is based on the weakening and strengthening of USD by 5%. The sensitivity analysis includes assets and liabilities denominated in a currency that differs from the Group's presentation currency and adjusts their translation at the period end for a 5% change in foreign currency rates.

The table below details the Group's sensitivity to a 5% decrease in USD against GBP/Euro. A negative number below indicates a decrease in equity where USD weakens 5% against GBP/Euro. For a 5% strengthening of USD, there would be an equal and opposite impact on equity, and the balance below would be positive.

	USD '000
Equity	(1,132)

27. Related party transactions

Amounts due from subsidiaries

The Group has taken advantage of the exemptions contained within IAS 24 *Related Party Disclosures* from the requirement to disclose transactions between group companies as these have been eliminated on consolidation.

Remuneration of key management personnel

Key management personnel are regarded as being members of the Company's Board of Directors. The governance section of this report includes persons other than Board members who are not considered key management personnel in terms of decision making, and they are, therefore, not included in the related party disclosure.

Notes to the Consolidated Financial Statements

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The remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2023		2022	
	Charges for the year USD '000	Amounts owing USD '000	Charges for the year USD '000	Amounts owing USD '000
Salary and other benefits	1,196	423	1,135	5
Social security costs	23	–	55	–
	1,219	423	1,190	5
Share-based payments	176	–	116	–
	1,395	423	1,306	5

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

All transactions with related parties have been conducted on an arm's length basis.

For more information on the salaries and fees, bonuses and benefits included above, see the Directors' Remuneration Report.

28. Ultimate controlling party

The Directors believe that there is no ultimate controlling party.

Company Statement of Financial Position

As at 31 December 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	C4	19,164	18,975
Intercompany loans	C5	36,988	32,881
		56,152	51,856
Current assets			
Trade and other receivables	C6	16	26
Cash and cash equivalents		276	1,832
		292	1,858
Total assets		56,444	53,714
Liabilities			
Current liabilities			
Trade and other payables	C7	(239)	(248)
Total liabilities		(239)	(248)
Net assets		56,205	53,466
Equity			
Share capital	C8	11,723	11,723
Share premium	C9	94,353	94,294
Merger reserve	C9	10,884	10,884
Share-based payment reserve	C9	814	574
Retained deficit	C9	(61,569)	(64,009)
Total equity		56,205	53,466

The Company has elected to take the exemption permitted by section 408 of the Companies Act 2006 not to present the parent company's Statement of Income or Statement of Comprehensive Income.

The parent company's profit for the year ended 31 December 2023 is £2.4 million (2022: £14.1 million).

The Company financial statements were approved by the Board of Directors and authorised for issue on 18 March 2024 and are signed on its behalf by:

Daniel Lee
Chief Executive Officer
Company number: 05969271

Company Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share- based payment reserve £'000	Retained deficit £'000	Total £'000
At 31 December 2021	11,720	94,290	10,884	987	(78,758)	39,123
<i>Transactions with owners in their capacity as owners:</i>						
Exercise of share options	3	4	–	–	–	7
Transfer to retained reserves in respect of lapsed/expired/ exercised share options	–	–	–	(628)	628	–
Share-based payments	–	–	–	215	–	215
Total transactions with owners in their capacity as owner	3	4	–	(413)	628	222
Profit for the year	–	–	–	–	14,121	14,121
At 31 December 2022	11,723	94,294	10,884	574	(64,009)	53,466
<i>Transactions with owners in their capacity as owners:</i>						
Exercise of share options	–	59	–	–	–	59
Transfer to retained reserves in respect of expired/ exercised share options	–	–	–	(35)	35	–
Share-based payments	–	–	–	275	–	275
Total transactions with owners in their capacity as owner	–	59	–	240	35	334
Profit for the year	–	–	–	–	2,405	2,405
At 31 December 2023	11,723	94,353	10,884	814	(61,569)	56,205

Notes to the Company Financial Statements

For the year ended 31 December 2023

C1. Principal accounting policies

Tissue Regenix Group plc (the 'Company') is a public company limited by shares, domiciled and incorporated in England and Wales under the Companies Act 2006.

The address of the registered office is Unit 3, Phoenix Court, Lotherton Way, Garforth LS25 2GY. The Company's shares are admitted to trading on AIM.

The presentation currency of these financial statements is pound sterling ('£'), which is the currency in which the Company raises funds. The functional currency is pound sterling.

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

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

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own statement of income.

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

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

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

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

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

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

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

Investments

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

Notes to the Company Financial Statements

continued

C2. Critical accounting estimates and judgements

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

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

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

Estimates

Recoverability of investments and loans to subsidiary undertakings

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

In accordance with IFRS 9 *Financial Instruments*, as the subsidiary undertakings cannot repay the loans at the reporting date, the Directors have made an assessment of expected credit losses. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, a cumulative lifetime ECL of £46.8 million has been recognised at 31 December 2023 (2022: £49.3 million), resulting in a reversal credit of £2.5 million.

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

It is possible that any or all of these key assumptions may change, which may then impact the estimated future cash flows expected to arise within the Company and may then require a material adjustment to the carrying value of the investments and loans in future periods.

The carrying value of amounts owed by subsidiary undertakings at 31 December 2023 is disclosed in note C5 to the Company financial statements.

C3. Staff costs

The average monthly number of employees (including Directors) was:

	2023 Number	2022 Number
Directors	6	6
Administration staff	1	1
	7	7

Notes to the Company Financial Statements

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Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	500	453
Social security costs	35	46
Other pension costs	10	9
Share-based payments	86	76
	631	584

C4. Investment in subsidiary companies

	2023 £'000	2022 £'000
At 1 January	18,975	18,836
Pushdown of share-based payment charges	189	139
At 31 December	19,164	18,975

The Company had investments in the following subsidiary undertakings at 31 December 2023:

	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Directly held				
Tissue Regenix Limited	UK	100%	100%	Holding company
Indirectly held				
TRX Wound Care Limited	UK	100%	100%	Holding company
TRX Orthopaedics Limited	UK	100%	100%	Regenerative medicine
TRX Cardiac Limited	UK	100%	100%	Regenerative medicine
TRX Vascular Limited	UK	100%	100%	Dormant
Tissue Regenix Holdings Limited	UK	100%	100%	Holding company
Tissue Regenix Wound Care Inc	US	100%	100%	Regenerative medicine
TRX Orthopedics Inc	US	100%	100%	Regenerative medicine
Tissue Regenix Holdings Inc	US	100%	100%	Holding company
CellRight Technologies LLC	US	100%	100%	Regenerative medicine
GBM-V GmbH	Germany	50%	50%	Regenerative medicine

The registered office address for all companies incorporated in the UK is Unit 3, Phoenix Court, Lotherton Way, Garforth, Leeds LS25 2GY.

The registered office address for all companies incorporated in the US is 1808 Universal City Boulevard, Universal City, Texas 78148.

The registered office address for GBM-V GmbH is Schillingallee 68, 18057, Rostock, Germany.

C5. Intercompany loans

	2023 £'000	2022 £'000
Intercompany loans	83,835	82,184
Expected credit losses	(46,847)	(49,303)
	36,988	32,881
Non-current assets	36,988	32,881

Notes to the Company Financial Statements

continued

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

Intercompany loans include a gross sum of £0.8 million (2022: £0.8 million) before a provision of £0.7 million (2022: £0.7 million) due from the Group's EBT.

The Company has made loans to its subsidiary undertakings which are interest free and recoverable on demand, other than an unsecured loan of £13.2 million to one of its subsidiary undertakings on which interest is charged at 4% above the Bank of England base rate. Loan interest is rolled up into the loan, and the loan and accrued interest are due for repayment in 2024.

The repayment terms of the unsecured loan are currently being renegotiated, and repayment is not expected to be made within at least 12 months of the year end.

The Company has given an undertaking that it will continue to provide financial support to its subsidiary undertakings and will not demand repayment of the loans within at least 12 months following 31 December 2023. As a result, all the loans have been classified as non-current receivables.

The Directors have made an assessment of expected credit losses and have determined that a cumulative lifetime ECL of £46.8 million should be recognised at 31 December 2023 (2022: £49.3 million). See note C2.

C6. Trade and other receivables

	2023 £'000	2022 £'000
Prepayments and accrued income	11	17
VAT recoverable	5	9
	16	26

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

C7. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	20	38
Taxes and social security	13	13
Accruals	206	197
	239	248

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

C8. Share capital

	2023 £'000	2022 £'000
Allotted, issued and fully paid		
Ordinary Shares of 0.1 pence	71	7,036
Deferred Shares of 0.4 pence	4,687	4,687
Deferred Shares of 9.9 pence	6,965	–
	11,723	11,723

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

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

Notes to the Company Financial Statements

continued

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

On 28 April 2023, the Company consolidated every 100 Ordinary Shares of 0.1 pence each into one 'Consolidated Ordinary Share of 10 pence each'. Immediately following the consolidation, each Consolidated Ordinary Share was subdivided into one New Ordinary Share of 0.1 pence each and one New Deferred Share of 9.9 pence each. The New Ordinary and New Deferred Shares have the same rights as the existing Ordinary and Deferred Shares, respectively.

Issued Ordinary Share capital

On 21 June 2022, the Company issued 2,717,391 Ordinary Shares of 0.1 pence each at a price of 0.0276 pence per share, raising gross proceeds of £7,500, in respect of the exercise of share options (pre-consolidation).

Immediately prior to the share consolidation on 28 April 2023, the Company issued 10 Ordinary Shares of 0.1 pence each at nil consideration to allow for an exact consolidation of 100:1.

On 6 September 2023, the Company issued 216,519 Ordinary Shares of 0.1 pence each at a price of 27.6 pence per share, raising gross proceeds of £59,759, in respect of the exercise of share options.

Movements in share capital during the period were as follows:

	Ordinary Shares of 0.1p Number	Deferred Shares of 9.9p Number	Deferred shares of 0.4p Number
At 1 January 2022	7,033,077,499	–	1,171,971,322
Allotment of shares	2,717,391	–	–
At 31 December 2022	7,035,794,890	–	1,171,971,322
Share issue	10	–	–
Immediately prior to share consolidation	7,035,794,900	–	–
Share consolidation	(6,965,436,951)	–	–
Post-consolidation subdivision of shares	70,357,949	70,357,949	–
Allotment of shares	216,519	–	–
At 31 December 2023	70,574,468	70,357,949	1,171,971,322

C9. Reserves

Reserves of the Company represent the following:

Share premium

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

Merger reserve

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

Share-based payment reserve

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

Retained deficit

All current and prior period retained profits and losses.

Other

Notice of Annual General Meeting

Notice is given that the 2024 Annual General Meeting of Tissue Regenix Group plc ("**Company**") will be held at DLA Piper UK LLP, 160 Aldersgate St, Barbican, London EC1A 4HT on 25 April 2024 at 11.00 a.m. for the following purposes:

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

1. To receive the Company's annual accounts, strategic report and Directors' and auditors' reports for the year ended 31 December 2023.
2. To reappoint David Cocke, who retires by rotation, as a Director of the Company.
3. To reappoint Jonathan Glenn, who retires by rotation, as a Director of the Company.
4. To reappoint Shervanthi Homer-Vanniasinkam, who retires by rotation, as a Director of the Company.
5. To reappoint Daniel Lee, who retires by rotation, as a Director of the Company.
6. To reappoint Brian Phillips, who retires by rotation, as a Director of the Company.
7. To reappoint Trevor Phillips, who retires by rotation, as a Director of the Company.
8. To reappoint RSM UK Audit LLP as auditors of the Company.
9. To authorise the Directors to determine the remuneration of the auditors.
10. That, pursuant to section 551 of the Companies Act 2006 ("**Act**"), the Directors be generally and unconditionally authorised to allot Relevant Securities:
 - 10.1. up to an aggregate nominal amount of £23,524.822; and
 - 10.2. comprising equity securities (as defined in section 560(1) of the Act) up to a further aggregate nominal amount of £23,524.822 in connection with an offer by way of a rights issue:
 - 10.2.1. to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and
 - 10.2.2. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that these authorities shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on 25 July 2025 (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires that would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

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

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

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

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

Other

continued

11.1. in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph 10.1 of resolution 10, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue):

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

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

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

11.2. otherwise than pursuant to paragraph 11.1 of this resolution up to an aggregate nominal amount of £7,057.446,

and this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on 25 July 2025 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

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

12. That, pursuant to section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 0.1p each in the capital of the Company ("**Shares**"), provided that:

12.1. the maximum aggregate number of Shares which may be purchased is 7,057,446;

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

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

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on 25 July 2025 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the board
Kirsten Lund
Secretary
18 March 2024

Registered office

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

Registered in England and Wales No. 05969271

Other

continued

Notes

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at the close of business on 23 April 2024 (or, if the meeting is adjourned, close of business on the date that is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in notes 3 and 4 below and the notes to the proxy form.

The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

You can vote either:

- By logging on to www.signalshares.com and following the instructions.
- If you are an institutional investor, you may also be able to appoint a proxy electronically via the Proxymity platform, a process that has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00 a.m. on 23 April 2024 in order to be considered valid or, if the meeting is adjourned, by the time that is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
- In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
- You may request a hard copy form of proxy directly from the registrars, Link Group, by emailing them at shareholderenquiries@linkgroup.co.uk or by calling them on 0371 664 0300 if calling from the UK or +44 (0) 371 664 0300 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday (excluding public holidays in England and Wales).

In order for a proxy appointment to be valid, a form of proxy must be completed. In each case, the form of proxy must be received by PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, no later than 11.00 a.m. on 23 April (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

Other

continued

3. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST-sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Group (ID RA10) no later than 11:00 a.m. on 23 April 2024 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Group is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

4. A shareholder that is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.
5. Unless otherwise indicated on the form of proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

Documents available for inspection

6. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends:
 - 6.1 Copies of the service contracts of the Executive Directors.
 - 6.2 Copies of the letters of appointment of the Non-Executive Directors.

Other

continued

Biographical details of Directors

7. Biographical details of all those Directors who are offering themselves for reappointment at the meeting are set out on pages 17 and 20 of the enclosed annual report and accounts.

Share capital

8. As at 18 March 2024 (the last practicable business day prior to the date of this notice), the Company's issued share capital comprised 70,574,468 Ordinary Shares of 0.1 pence each, 1,171,971,322 deferred shares of 0.4 pence each and 70,357,949 class 2 deferred shares of 9.9 pence each. Each ordinary share carries the right to vote at a general meeting of the Company. The deferred shares and class 2 deferred shares carry no voting rights. Therefore, the total number of voting rights as at the date of this document is 70,574,468.

Company and Adviser Information

DIRECTORS

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

COMPANY SECRETARY

Kirsten Lund

COMPANY WEBSITE

www.tissueregenix.com

COMPANY NUMBER

05969271 (England & Wales)

REGISTERED OFFICE

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AUDITOR

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REGISTRAR

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