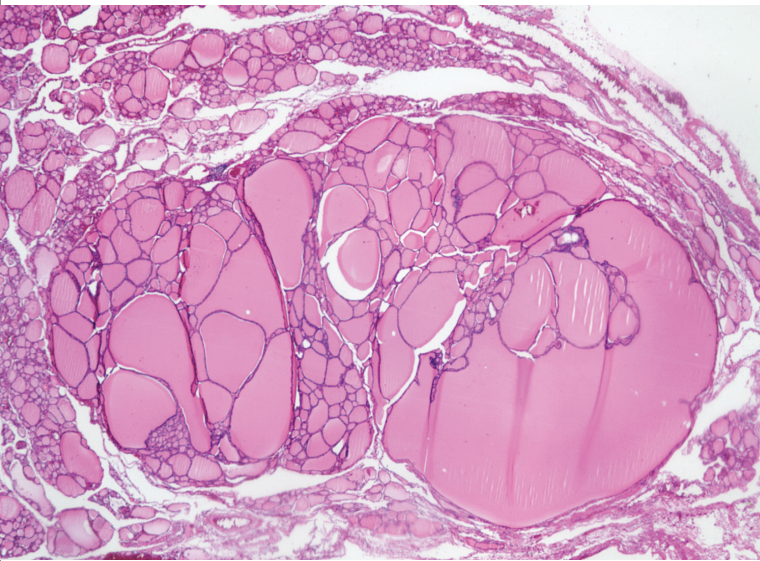




Asterand[®]

Partners in Human Tissue Research



Asterand plc

Interim Results for the Period Ended 30 June 2011

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Asterand plc ("Asterand" or the "Group" – LSE: ATD), a leading supplier of human tissue based solutions to pharmaceutical and biotechnology companies engaged in drug discovery research, today announces its unaudited financial results for the six months ended 30 June 2011.

Highlights

- Revenue of \$11.9 million (H1 2010: \$8.7 million)
An increase of 36%. Includes full six months of revenue associated with BioSeek as compared to 4.5 months in H1 2010.
- Operating expenses of \$6.6 million (H1 2010: \$6.0 million)
Includes full six months of operating expenditures associated with BioSeek as compared to 4.5 months in H1 2010
- Loss for the period of \$2.3 million (H1 2010: \$1.5 million loss)
Includes \$1.7 million exceptional interest expense relating to the acquisition of BioSeek
- EBITDA profit of \$0.9 million (H1 2010: \$1.4 million loss)
Basic loss per 5p Ordinary Share of 1.9c (H1 2010: (1.3)c)
- Gross Margin of 57% (H1 2010: 50%)
- Cash resources at 30 June 2011 of \$4.7 million (31 December 2010: \$5.9 million)
- Awarded key BioMAP® patents by the US Patent and Trademark office, solidifying the Company's IP position for this important platform
- Attained ISO 9001:2008 certification for the Company's tissue and biobanking operations in Detroit
- Launched isletOrganDOT™ a novel 3D human cell based model for diabetes research
- Partnered with SAM Solutions to create next generation virtual biobanking software to expand access to geographically distinct biospecimen resources
- Volatile trading experienced post period end (excluding BioSeek) has led to a reduced outlook for the year and the Group is consequently looking to raise funds to bolster working capital

Jack Davis, Chairman and Interim CEO of Asterand plc said:

"We are pleased to report a 36% increase in Group revenues. This reflects the successful integration of our BioSeek acquisition, which has been a key growth driver within the Group. At the same time we are seeing the benefits of our continuing drive to improve gross margins through focused cost reductions. These efforts coupled with the steps we are taking to reduce volatility in the Tissues Solutions business position us well to attain a larger share of the burgeoning tissue and tissue services market."

Chairman's Statement

H1 2011 Results

Excluding revenues from Bioseek, the rest of the Tissue Based Solutions business has experienced volatile trading in the year to date. Demand for these products and services remains high, particularly for highly annotated materials, however meeting these needs has been challenging, resulting in a retraction in the non-BioSeek revenues, including the anticipated revenues under the NCI contract. We are actively addressing these supply issues but in the short term, after experiencing flat revenue year on year and weakness at the start of the second half, we now expect that revenue and earnings for the year, excluding BioSeek, will be materially lower than current market expectations. At the same time, I am pleased to say that the BioSeek business continues to grow dramatically, driving total revenue for H1 to \$11.9 million (H1 2010: \$8.7 million), an increase of 36% (includes full six months of revenue associated with BioSeek as compared to 4.5 months in H1 2010).

This revenue was achieved while making well placed investments in science and innovation and keeping other expenditures in check. Operating expenses for the period were \$6.6 million (H1 2010: \$6.0 million). The additional expenditures reflect a full six month's expenditures for the BioSeek operations (2010: 4.5 months) and expansion of our R&D activities following the appointment of Dr Dalia Cohen as Chief Scientific Officer in September 2010. The Biobank inventory was reduced to \$9.0 million at 30 June 2011 (31 December 2010: \$9.1 million) as the Group has improved its efficiency on tissue spend. Gross margins for the first half of 2011 increased to 57% (H1 2010: 50%).

The Group realised a \$2.3 million loss for the period, including a \$1.7 million exceptional interest expense relating to the acquisition of BioSeek. Excluding this exceptional cost, the Group's loss for the period was \$0.6 million, an improvement from the \$1.5 million loss in H1 2010. When reviewed on an EBITDA basis, the Group made a \$0.9 million profit as compared to a \$1.4 million loss in H1 2010.

At 30 June 2011, cash resources were \$4.7 million (31 December 2010: \$5.9 million). The change in cash is attributable to working capital movements, tax and interest payments, as well as the investment in equipment and servicing the Group's debt. The Group has a \$2.7 million cash balance on a term loan with Silicon Valley Bank. \$2.5 million (plus accrued interest) of the \$8.5 million contingent BioSeek payment was paid subsequent to the period end and the remaining \$6 million contingent payment was converted into loan notes that mature over the period to December 2013.

We continue to prudently manage cash flows through more efficient spending on tissue acquisition and have taken measures to trim our cost base going forward to better improve efficiency. As a result, in July 2011, we've reduced costs by \$150,000 per month. These savings were achieved by reducing fixed production and operating expenses and are expected to be in full effect by September 2011. We expect to raise additional funds in the short term to provide sufficient working capital for operations and to fund improved tissue sourcing strategies.

Expanding and Growing our Base Business

The Bioseek acquisition has been a true success story for Asterand. As we have mentioned in previous reports, we have established a blended sales model which has expanded the promotion of BioSeek within our key accounts. This strategy has begun to gain traction. H1 2011 revenues for BioSeek products grew by 111% when compared to full six months H1 2010 revenues.

In addition, we expanded our service offerings with the launch of isletOrganDOT, a 3-D human cell based technology. This IP protected platform allows us to provide clients with relevant data on the effects of their therapeutic compounds for treating diabetes, a disease that afflicts more than 300 million people worldwide.

I would also like to take this opportunity to acknowledge the Detroit operations team for its achievement of ISO 9001:2008 certification. This important milestone recognises the consistent quality exhibited throughout our tissue procurement, processing and biobanking operations.

Board Changes and Corporate Governance

On 29 July 2011 we announced that Martyn Coombs, the Group's Chief Executive Officer, had left the Company. On 31 August 2011, and unrelated to Martyn's departure, we announced that John Stchur, the Group's Chief Financial Officer, had also decided to step down with immediate effect.

Martyn and John were responsible for guiding the Group through an exciting period of its development, including the acquisition of BioSeek in 2010 and their influence has added significantly to the Group's positive growth prospects. I would like to take this opportunity to thank both Martyn and John for their service over the past years and wish them well in their future endeavors.

During the search for their replacements, I have taken on the role of Interim CEO and Alan Fishman has been appointed as the Interim CFO, bringing 30 years of financial experience to the Company.

The board is also reviewing the cost of the Company's current listing. Whilst the Company remains committed to being publicly quoted, the costs of being on the Premium segment of the Official List are quite significant for a Company of our size.

The principal risks and uncertainties faced by the Group remain maintaining sufficient tissue supply, financial and liquidity risk (in particular, in respect of the ability to raise sufficient capital through fund-raising as discussed in the Outlook section below), competition, potential for government regulation and reliance on key personnel. A more detailed explanation of these risks can be found on page 22 of the 2010 Annual Report and Accounts.

Outlook

On July 29th, as part of a Board Changes announcement, we indicated confidence in achieving market expectations for the year as a whole. Since then, we have experienced lower than anticipated sales in the Tissue Based Solutions business (excluding BioSeek) causing us to lower our tissue sales outlook for the remainder of the year. As a consequence, we now believe that revenue and earnings for the year will be materially lower than current market expectations. We expect to experience a slight retraction in the Tissue Based Solutions business (excluding BioSeek) for the full year as compared to 2010. We believe that the retraction is driven by inefficiency in our ability to supply an increasing demand for highly annotated materials (something that we are addressing). Conversely, the BioSeek business continues to grow at a rate of approximately 50% as compared to last year. Thus Group revenue for 2011, while materially lower than market expectations, is expected to still be greater than 2010.

Operating costs continue to be managed carefully, although we are anticipating exceptional costs in H2 surrounding Board changes. In addition exceptional interest charges are anticipated in relation to the BioSeek debt. Additionally, the Group has taken on a total of \$9.3 million in debt to finance the BioSeek acquisition with corresponding debt service obligations.

The post period payment to the former BioSeek shareholders of \$2.5 million, plus accrued interest, has significantly decreased our cash position. In addition, worse than expected trading post period end will result in a breach of banking covenants in August and the re-classification of the \$2.7 million term loan as current debt. Additional funds must be raised in the near future to see the Group through this volatile trading period. Based on discussions with potential investors, the Board believes that it has a reasonable expectation that sufficient funds will be raised within an appropriate timeframe to continue operating as a going concern and provide enough working capital headroom to fund improved tissue sourcing strategies, which are expected to improve supply and thereby stabilise the non-BioSeek sales.

In addition to the inherent risk that funds cannot be raised within the necessary timeframe, the following are considered to be additional uncertainties related to raising these funds:

- Shareholder approval – raising sufficient funds in a cost efficient manner is predicated on shareholder approval. The Board intends to convene a General Meeting at which the necessary resolutions will be put to shareholders. While there is uncertainty over the outcome of these votes, the Board has a reasonable expectation that approval to proceed with this strategy will be forthcoming.
- Loan covenants – it will be necessary to re-negotiate the conditions attached to the Group's banking facility. It is likely that such re-negotiation will be linked to the raising of capital as above. While there is a risk that the Group will not be able to successfully renegotiate the covenants with its providers of finance, the Board has a reasonable expectation based on discussions with the Group's lenders that facilities will continue to be made available.
- Trading results – management have prepared revised budgets and projections which they believe are prudent and achievable, taking into account the volatility in sales (excluding BioSeek) currently being experienced. However, the achievement of these trading results is uncertain.

The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above and making appropriate enquiries, the directors have a reasonable expectation that the company will obtain adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Jack Davis

Chairman, Asterand plc

Consolidated Income Statement

For the six months ended 30 June 2011

		Six months ended 30 June 2011	Six months ended 30 June 2010
		Unaudited	Unaudited
	Note	\$'000	\$'000
Revenue	5	11,850	8,684
Cost of sales		(5,088)	(4,340)
Gross profit		6,762	4,344
Research and development costs		(672)	(503)
Selling and distribution costs		(1,721)	(1,826)
– Normal operations		(4,188)	(3,811)
– Exceptional items (severance, acquisition and litigation costs)	6	–	(438)
– Exceptional gain	6	–	564
Total general and administrative expenses		(4,188)	(3,685)
Total operating expenses		(6,581)	(6,014)
Operating profit/(loss)		181	(1,670)
Interest income – normal operations		29	–
Interest expense – normal operations		(129)	(13)
Interest expense – exceptional costs		(1,688)	–
Total interest expense		(1,817)	(13)
Foreign exchange (charge)/credit		(16)	112
Finance (expense)/income		(1,804)	99
Loss before taxation		(1,623)	(1,571)
Taxation (charge)/credit		(668)	61
Loss for the financial period		(2,291)	(1,510)
Loss per 5p ordinary share			
Basic	8	(1.9)c	(1.3)c
Diluted	8	(1.9)c	(1.3)c

The notes on pages 10 to 18 form an integral part of this condensed interim financial information.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited	Unaudited
	\$'000	\$'000
Loss for the financial period	(2,291)	(1,510)
Other comprehensive income:		
Exchange translation differences on consolidation recognised directly in equity	(68)	(80)
Other comprehensive expense for the period net of tax	(2,359)	(1,590)
Total comprehensive expense for the period	(2,359)	(1,590)

The notes on pages 10 to 18 form an integral part of this condensed interim financial information.

Non-IFRS Measure

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") – and excluding exceptional items and share option related charges/(credits) for the six months ended 30 June 2011. Although it is a non-IFRS measure, the Directors and management monitor EBITDA closely as a metric to measure progress of business operations towards profitability and positive cash flow.

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited	Unaudited
	\$'000	\$'000
Operating profit/(loss)	181	(1,670)
Exceptional items (severance, acquisition and litigation costs)	–	438
Exceptional gain	–	(564)
Share option related charge/(credit)	128	(4)
Depreciation and amortisation	541	448
EBITDA	850	(1,352)

The notes on pages 10 to 18 form an integral part of this condensed interim financial information.

Consolidated Balance Sheet

As at 30 June 2011

	30 June 2011	31 Dec 2010
	Unaudited	Audited
	\$'000	\$'000
Assets		
Non-current assets		
Intangible assets	4,712	4,778
Property, plant and equipment	3,351	3,386
Deferred tax asset	4,777	4,843
Trade and other receivables	94	94
	12,934	13,101
Current assets		
Biobank inventory	9,037	9,136
Trade and other receivables	5,588	6,216
Cash and cash equivalents	4,659	5,918
	19,284	21,270
Liabilities		
Current liabilities		
Trade and other payables	(4,070)	(5,250)
Income tax payable	(1,036)	(797)
Other financial liabilities – Finance leases	(8)	(12)
– Current debt	(600)	(703)
– Amounts due to former shareholders of BioSeek	(4,607)	(7,624)
– Warrants	(57)	–
	(10,378)	(14,386)
Net current assets	8,906	6,884
Non-current liabilities		
Deferred tax liability	(221)	(282)
Other financial liabilities – Finance leases	(2)	(5)
– Long term debt	(1,987)	(2,348)
– Amounts due to former shareholders of BioSeek	(4,705)	–
Other payables	(1,988)	(2,191)
	(8,903)	(4,826)
Net assets	12,937	15,159
Shareholders' equity		
Ordinary shares	9,474	9,262
Shares to be issued	–	535
Share premium	84,676	84,298
Reverse acquisition reserve	(66,757)	(66,757)
Merger reserve	510	510
Other reserves	4,910	4,910
Profit and loss reserve	(24,358)	(22,149)
Currency translation reserve	4,482	4,550
Total equity	12,937	15,159

The notes on pages 10 to 18 form an integral part of this condensed interim financial information.

Consolidated Statement of Changes in Equity

As at 30 June 2011

	Share capital	Shares to be Issued	Share premium	Reverse acquisition reserve	Merger reserve	Other reserves	Investment in own shares	Profit and loss reserve	Currency translation reserve	Total equity
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
At 1 January 2010	9,043	5	84,282	(66,757)	-	4,910	(1,062)	(18,434)	4,616	16,603
Comprehensive income										
Loss for the period	-	-	-	-	-	-	-	(1,510)	-	(1,510)
Other comprehensive income										
Exchange translation	-	-	-	-	-	-	-	-	(80)	(80)
Total comprehensive income	-	-	-	-	-	-	-	(1,510)	(80)	(1,590)
Transactions with owners										
Employee share option schemes										
Value of employee services	-	-	-	-	-	-	-	(4)	-	(4)
Proceeds from shares issued	5	(5)	14	-	-	-	-	-	-	14
Acquisition of BioSeek	213	-	-	-	510	-	-	-	-	723
Transactions with owners	218	(5)	14	-	510	-	-	(4)	-	733
At 30 June 2010	9,261	-	84,296	(66,757)	510	4,910	(1,062)	(19,948)	4,536	15,746
At 1 January 2011	9,262	535	84,298	(66,757)	510	4,910	(1,587)	(20,562)	4,550	15,159
Comprehensive income										
Loss for the period	-	-	-	-	-	-	-	(2,291)	-	(2,291)
Other comprehensive income										
Exchange translation	-	-	-	-	-	-	-	-	(68)	(68)
Total comprehensive income	-	-	-	-	-	-	-	(2,291)	(68)	(2,359)
Transactions with owners										
Employee share option schemes										
Value of employee services	-	-	-	-	-	-	-	128	-	128
Proceeds from shares issued	212	(535)	378	-	-	-	(46)	-	-	9
Transactions with owners	212	(535)	378	-	-	-	(46)	128	-	137
At 30 June 2011	9,474	-	84,676	(66,757)	510	4,910	(1,633)	(22,725)	4,482	12,937

The notes on pages 10 to 18 form an integral part of this condensed interim financial information.

Consolidated Cash Flow Statement

For the six months ended 30 June 2011

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited	Unaudited
	\$'000	\$'000
Cash flows from operating activities		
Loss for the year	(2,291)	(1,510)
Adjustments for:		
Exceptional gain	–	(564)
Finance expense/(income)	1,804	(99)
Tax charge/(credit)	668	(61)
Depreciation of property, plant and equipment	429	368
Amortisation of intangible assets	112	80
Share option compensation charge/(credit)	128	(4)
Operating cash flows before movement in working capital	850	(1,790)
Decrease in trade and other receivables	628	251
Decrease/(increase) in biobank inventory	99	(1,079)
Decrease in trade and other payables	(1,754)	(1,384)
Cash used in operations	(177)	(4,002)
Interest received	2	2
Interest paid	(126)	(14)
Interest element of finance lease rental payments	(1)	(1)
Income taxes paid	(422)	–
Receipt of research and development tax credit	87	–
Net cash used in operating activities	(637)	(4,015)
Cash flows from investing activities		
Acquisition of BioSeek, net of cash acquired	–	1,573
Purchase of property, plant and equipment	(254)	(156)
Purchase of intangible assets	–	(33)
Net cash (used in)/generated from investing activities	(254)	1,384
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	14	14
Debt and finance lease principal payments	(394)	(62)
Net cash used in financing activities	(380)	(48)
Net decrease in cash and cash equivalents	(1,271)	(2,679)
Exchange gain/(loss) on cash and cash equivalents	12	(41)
Cash and cash equivalents at beginning of period	5,918	6,644
Cash and cash equivalents at end of period	4,659	3,924

The notes on pages 10 to 18 form an integral part of this condensed interim financial information.

Notes to the interim results for the six months ended 30 June 2011

1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is: 2 Orchard Road, Royston, Herts, SG8 5HD. The Company is listed on the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 30 August 2011.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010 were approved by the Board on 28 April 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

2.1. Going concern basis

As discussed in the Outlook section of the interim report, the post period payment to the former BioSeek shareholders of \$2.5 million, plus accrued interest, has significantly decreased our cash position. In addition, worse than expected trading post period end will result in a breach of banking covenants in August and the re-classification of the \$2.7 million term loan as current debt. Additional funds must be raised in the near future to see the Group through this volatile trading period. Based on discussions with potential investors, the Board believes that it has a reasonable expectation that sufficient funds will be raised within an appropriate timeframe to continue operating as a going concern and provide enough working capital headroom to fund improved tissue sourcing strategies, which are expected to improve supply and thereby stabilise the non-BioSeek sales.

In addition to the inherent risk that funds cannot be raised within the necessary timeframe, the following are considered to be additional uncertainties related to raising these funds:

- Shareholder approval – raising sufficient funds in a cost efficient manner is predicated on shareholder approval. The Board intends to convene a General Meeting at which the necessary resolutions will be put to shareholders. While there is uncertainty over the outcome of these votes, the Board has a reasonable expectation that approval to proceed with this strategy will be forthcoming.
- Loan covenants – it will be necessary to re-negotiate the conditions attached to the Group's banking facility. It is likely that such re-negotiation will be linked to the raising of capital as above. While there is a risk that the Group will not be able to successfully renegotiate the covenants with its providers of finance, the Board has a reasonable expectation based on discussions with the Group's lenders that facilities will continue to be made available.
- Trading results – management have prepared revised budgets and projections which they believe are prudent and achievable, taking into account the volatility in sales (excluding BioSeek) currently being experienced. However, the achievement of these trading results is uncertain.

The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above and making appropriate enquiries, the directors have a reasonable expectation that the company will obtain adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

During the period, the Group recognised for the first time financial liabilities at fair value through profit or loss (see note 13) in accordance with the following accounting policy:

The Group classifies its financial liabilities as either financial liabilities at fair value through profit or loss or as other financial liabilities. The category of financial liabilities at fair value through profit or loss also has two sub-categories: liabilities held for trading and those designated to the category at inception. An entity has the right to designate any financial liability at fair value through profit or loss on initial recognition provided such a designation results in more relevant information either:

- because it eliminates or significantly reduces a measurement or recognition inconsistency; or
- because it is part of a group of financial liabilities that is managed, and its performance evaluated on a fair value basis in accordance with a documented risk management or investment management strategy, and information about this group is provided internally on that basis to the entity's key management personnel.

Gains or losses arising from changes in the fair value of the 'financial liabilities at fair value through profit or loss' are presented in the income statement as an exceptional item within finance income/expense in the period in which they arise.

Warrants with an exercise price denominated in a currency different to that of the company's functional currency are recorded at their fair value within financial liabilities and re-measured to their fair value at each balance sheet date. Gains or losses arising from changes in their fair value are presented in the income statement as an exceptional item within finance income/expense in the period in which they arise.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- Amendment to IAS 24, 'Related party disclosures'. The revised standard clarifies and simplifies the definition of a related party but is not expected to have a significant impact on the disclosures of the Group.
- Amendment to IAS 32, 'Financial instruments: Presentation on classification of rights issue'. This addresses the accounting for rights issues which are denominated in a currency other than the functional currency of the issuer.

- Amendment to IFRS 1, 'First time adoption' on 'Financial instrument disclosures'. This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7 regarding comparative information for the new three level disclosures. This is not relevant to the Group or Company as consolidated and parent Company accounts are already prepared under IFRS.
- Annual improvements 2010. This set of amendments includes changes to six standards and one IFRIC. These are minor amendments and are not expected to have a significant impact on the Group.
- Amendment to IFRIC 14, 'Prepayments of minimum funding requirement'. This relates to companies that are required to make minimum funding contributions to a defined benefit pension plan. The Group does not have such schemes and therefore it is not relevant.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the accounting when an entity re-negotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor.

There is not expected to be a significant impact resulting from the future adoption of accounting standards that have been issued but do not yet need to be applied by the Group.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2010, with the exception of changes in estimates that are required in determining the provision for income taxes and the fair value of liabilities associated with the acquisition of BioSeek (see note 13).

5. Segmental reporting

The Directors are of the opinion that under IFRS 8, 'Operating segments', the Group has two business segments: Tissue Based Solutions and Licensing. All revenue and costs are recorded in the income statement under these two segments. BioSeek is classified under the Tissue Based Solutions business segment.

Revenue by segment is split as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited \$'000	Unaudited \$'000
Tissue Based Solutions	11,850	8,665
Licensing	–	19
	11,850	8,684

5. Segmental reporting (continued)

EBITDA by segment is split as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited \$'000	Unaudited \$'000
Tissue Based Solutions	898	(1,227)
Licensing	(48)	(125)
	850	(1,352)

A reconciliation of EBITDA for the operating profit/(loss) for the periods presented is given on page 6.

Gross margin is split as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited %	Unaudited %
Tissue Based Solutions	57%	51%
Licensing	-	-

All assets of the Group relate to Tissue Based Solutions.

The Group operates across four geographical segments. The UK is the home country of the legal parent.

	Revenue (by destination)		Revenue (by origin)	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
U.K.	627	488	1,827	1,562
Rest of Europe	1,511	2,156	-	-
North America	7,373	5,136	10,023	7,122
Japan	2,339	904	-	-
	11,850	8,684	11,850	8,684

5. Segmental reporting (continued)

	Net Assets		Capital expenditure	
	30 June 2011	30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
U.K.	(3,675)	(7,675)	54	38
North America	16,612	23,421	369	181
	12,937	15,746	423	219

During the period, the Group paid \$137,000 for a Robotics upgrade and a further \$169,000 is committed to be spent post period end (2010: \$nil).

6. Exceptional items

Unusual and/or one time general and administrative expenses incurred outside the normal course of business are classified as exceptional items in the income statement.

General and administrative exceptional items comprised the following:

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited \$'000	Unaudited \$'000
Professional fees in relation to severance, acquisition and litigation costs	–	438
Exceptional gain on initial acquisition consideration	–	(564)
Net exceptional gain	–	(126)

Exceptional severance, legal and professional fees were incurred in the six months to 30 June 2010. These related to the acquisition of BioSeek Inc, the litigation to secure access to new procurement sites in Asia, Group transfer pricing tax advisory fees and severance costs relating to the restructuring of the Detroit operations.

The exceptional gain of \$564,000 recognised in the six months ended 30 June 2010 relates to the re-measurement of the contingent consideration recognised on the acquisition of BioSeek Inc.

Interest expense - exceptional costs

The change in the settlement of debt to the former shareholders of BioSeek has been treated as an extinguishment of the original financial liability on the balance sheet (see note 13). The movement in fair value between these financial liabilities and their subsequent re-measurement at the balance sheet date has been recorded as exceptional interest expense of \$1,688,000 during the period (2010: \$nil).

7. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, liquidity risk and credit risk. See note 13 for changes in the contractual cash outflows resulting from the renegotiation of the amounts due to the former shareholders of BioSeek.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

The Group's liabilities measured at fair value consist of the warrants issued to the former shareholders of BioSeek of \$429,000 and the warrants associated with the term loan of \$57,000 totalling \$486,000 (31 December 2010: \$nil). The inputs for the valuations of these financial liabilities are not based on observable market data. During the period, there were no significant changes in the business or economic circumstances that affected the fair value of the Group's financial liabilities.

8. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of 5p Ordinary Shares issued during the period.

For diluted loss per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the period presented. In the periods presented, the Group had no potentially dilutive Ordinary Shares in issue because it was loss making.

	Six months ended 30 June 2011	Six months ended 30 June 2010
	Unaudited	Unaudited
Loss attributable to ordinary shareholders (\$'000's)	(2,291)	(1,510)
Weighted average number of shares (000's)	118,504	114,890
Basic and diluted loss per Ordinary Share	(1.9)c	(1.3)c

9. Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated annual tax rate used for the year to 31 December 2011 is 40% (the estimated rate for the six months ended 2010 was 34%). The increase in tax rates is due to additional State taxes provided for. The tax provision of \$668,000 for the period ended 30 June 2011 (30 June 2010: \$61,000 credit) results from taxable profits generated by BioSeek and although there are significant tax losses available for off-set, these are restricted following the change in ownership.

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The Finance (No 3) Act 2011, which was substantively enacted on 5 July 2011, includes legislation reducing the main rate of corporation tax from 26% to 25% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these interim financial statements. The impact of the proposed changes to the UK corporation tax rates are not material to the UK deferred tax balances.

10. Dividends

No dividends have been paid or proposed for the period ended 30 June 2011 (30 June 2010: \$nil).

11. Borrowings and loans

	30 June 2011	31 Dec 2010	30 June 2010
	Unaudited \$'000	Audited \$'000	Unaudited \$'000
Current			
Other financial liabilities - finance leases	8	12	-
Other financial liabilities - current debt	600	703	-
Other financial liabilities - amounts due to former shareholders of BioSeek	4,177	-	-
Non-current			
Other financial liabilities - finance leases	2	5	10
Other financial liabilities - long term debt	1,987	2,348	-
Other financial liabilities - amounts due to former shareholders of BioSeek	4,705	-	-
Total borrowings and loans	11,479	3,068	10

Current other financial liabilities - amounts due to former shareholders of BioSeek excludes the fair value of warrants of \$430,000 (see note 13).

Movements in borrowings are analysed as follows:

Six months ended 30 June 2010	\$'000
Opening amount as at 1 January 2010	57
Finance leases on acquisition of subsidiary	29
Repayment of borrowings	(76)
Closing amount as at 30 June 2010	10
<hr/>	
Six months ended 30 June 2011	\$'000
Opening amount as at 1 January 2011	3,068
Reduction in value of term loan following issuance of associated warrants	(87)
Issuance of loan notes (see note 13)	6,417
Loan to ex-shareholders of BioSeek (see note 13)	2,551
Repayment of borrowings	(394)
Movement in fair value (recognised in exceptional interest)	(86)
Accretion of loan arrangement fees	6
Accretion of warrants associated with the term loan	4
Closing amount as at 30 June 2011	11,479

As explained in note 2.1, there is expected to be a post period end breach of banking covenants. Although correctly presented at the time of signing these interim financial statements, a breach of the loan covenants on 31 August 2011 would result in the re-classification of the term loan as current debt.

12. Share capital

	Share Capital		Share Premium	Shares to be issued	Total
	Unaudited Number	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
At 1 January 2011	116,343,860	9,262	84,298	535	94,095
Allotted under share option schemes	2,708,320	212	378	(535)	55
At 30 June 2011	119,052,180	9,474	84,676	-	94,150

Options exercised in the period to 30 June 2011 resulted in 567,650 shares being issued (30 June 2010: nil shares). Exercise proceeds of \$15,400 (30 June 2010: \$nil) were received in respect of 265,650 options, all others are zero cost options. In addition, 2,051,000 shares were issued as a result of options exercised in the year to 31 December 2010 that had not been issued as at 31 December 2010. 89,670 shares were also issued under the Share Incentive Plan (the "SIP").

13. BioSeek acquisition

The Group acquired 100% of the share capital of BioSeek, Inc. ("BioSeek") on 18 February 2010.

The initial consideration paid by Asterand was a sum of \$1.0 million satisfied by the issue of 2,695,856 New Asterand Shares at \$0.37 (22p) per share – calculated based on the per share closing prices of Ordinary Shares on the London Stock Exchange during the thirty (30) consecutive trading day period ended on 17 November 2009, converted into U.S. dollars at the exchange rate for purchasing U.S. dollars with pound sterling as quoted in the Financial Times on such date.

An additional sum of \$8.5 million became payable in April 2011 based on a formula applied to 2010 BioSeek revenues.

As previously announced, the first US \$3 million of this payment was to be satisfied through the issue of 8.1 million Asterand shares, and the remaining \$5.5 million consideration was to be paid in cash. All amounts recorded at the 31 December 2010 balance sheet date (valued under IFRS 3 (revised), 'Business combinations') were made under this assumption.

However, in April 2011 we subsequently agreed with the former BioSeek shareholders that the entire \$8.5 million of contingent consideration would be satisfied with cash rather than cash and shares; \$2.5 million to be paid in single payment and the remaining \$6 million to be satisfied by the issue of loan notes ("Amounts due to former shareholders of BioSeek") that mature over the period to December 2013. The Company has entered into a warrant agreement with the former BioSeek shareholders whereby they have the right to subscribe for 5.2 million new Ordinary Shares at 14.12p per share. This warrant agreement will expire on 22 July 2014.

The contingent consideration was classified as a financial liability under IFRS 3 (revised). Under IAS 39, 'Financial instruments: Recognition and measurement', the change in the settlement of debt to the former shareholders of BioSeek has been treated as an extinguishment of the original financial liability on the balance sheet. As a result, the fair value of the re-negotiated debt (i.e. cash and loan notes) is recorded as a liability on the balance sheet, with the movement in fair value being recorded through the income statement. The fair value of the cash and loan notes at inception was \$8,968,000. These financial liabilities have been designated at inception at fair value through profit or loss and therefore they will be recorded at their fair value each reporting period, with subsequent changes in fair value also being recorded through the income statement. The fair value of the cash and loan notes at 30 June 2011 was \$8,882,000.

13. BioSeek acquisition (continued)

Under IFRS, warrants with an exercise price denominated in a currency (GBP) different to that of the company's functional currency (USD) should be recorded at their fair value within liabilities, with changes in their fair value recorded through the income statement. The fair value of the warrants was initially recorded at \$716,000. The warrants will continue to be adjusted through the income statement each reporting period until such time as they are exercised or expire. The fair value of the warrants at 30 June 2011 was \$430,000.

The movement in fair value between these financial liabilities and their subsequent re-measurement at the balance sheet date has been recorded as exceptional interest expense as follows:

	Other financial liabilities – amounts due to former shareholders of BioSeek		Change in fair value
	30 June 2011	31 Dec 2010	
	\$'000	\$'000	\$'000
Fair value of contingent consideration	-	7,624	7,624
Fair value of cash and loan notes at inception	8,968	-	(8,968)
Re-measurement of cash and loan notes to fair value at period end	(86)	-	86
Initial fair value of warrants	716	-	(716)
Re-measurement of warrants to fair value at period end	(286)	-	286
Interest expense – exceptional costs			(1,688)

The warrants have been classified within current financial liabilities on the balance sheet as they can be exercised at any time.

Statement of Directors' Responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

A list of directors is maintained on the Asterand plc website: www.asterand.com.

By order of the Board

John Stchur
Chief Financial Officer

30 August 2011

Independent Review Report to Asterand plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Emphasis of matter – going concern

Without modifying our conclusion, we draw attention to note 2.1 to the interim financial statements concerning going concern. The interim financial statements have been prepared on a going concern basis and the validity of this depends on raising additional funds, as described more fully in note 2.1 to the interim financial statements. This indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include any adjustments that would result from a failure to raise additional funds.

PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge

30 August 2011

Notes:

- a. The maintenance and integrity of the Asterand plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half-yearly financial statements since they were initially presented on the website.
- b. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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