



**Asterand plc**  
**PRELIMINARY RESULTS STATEMENT**  
**for the year ended 31 December 2009**

**Building a Foundation for Future Growth**

Asterand plc (LSE: ATD), a leading global supplier of human tissue and human tissue-based research services to pharmaceutical companies engaged in drug discovery and development, announces its audited preliminary financial results for the year ended 31 December 2009.

**Highlights**

- Revenue of £12.0 million (2008: £15.2 million).  
*A decrease of 30% at constant exchange rates.*
- Base business revenue up 20% to £9.5 million (2008: £7.9 million) with exclusions for non-recurring revenue proceeds in 2008.  
*An increase of 7% at constant exchange rates.*  
*We define base business revenue as total revenue excluding licensing payments from Allergan and non-recurring revenue sources including a government contract to assess the US Department of Defense biorepository and the completed Baylor contract.*
- Gross margins improved to 57% (2008: 56%).
- Significant investment in supply network and setting foundation for BioSeek acquisition.  
*Agreements signed in 2009 with East-West Bio and Asian collaborator adds 22 new sites in Europe and Asia.*  
*Investment in defence of the Company's freedom to operate in Asia.*  
*Prepared ground for acquisition of BioSeek.*
- Operating expenses increased 30% to £7.8 million (2008: £6.0 million).  
*An increase of 26% at constant exchange rates.*  
*General and Administrative expenses (excluding exceptional expenses) decreased by £0.1 million at constant exchange rates.*
- Loss for the year £1.1 million (2008: £3.9 million profit).  
*Adjusted EBITDA £0.21 million profit (2008: £3.1 million profit).*  
*Basic earnings per share (0.96)p (2008: 3.53p profit).*
- Tissue-based solutions segment adjusted EBITDA £0.5 million profit (2008: £1.0 million)
- Cash resources £4.2 million (2008: £ 6.9 million). No long-term debt.
- Established additional collaborations with key customers.  
*Executed two more global supply agreements with global pharmaceutical companies; in total thirteen.*  
*Extended collaboration with Bristol-Myers Squibb for up to three years.*  
*Entered into a collaborative agreement with Abcam for the validation and characterisation of select antibodies through our PhaseZERO® services platform.*

**Post Year End Events**

- Completed acquisition of BioSeek, Inc.  
*Expands the Company's offering into predictive human biology through BioSeek's unique human primary cell based disease models.*
- Established GLP at Royston UK facility  
*Admission into the UK GLP Monitoring Programme expands product offering into GLP compliant services.*
- Signed development collaboration with Ono Pharmaceutical Co., Ltd.  
*The multi-year agreement allows for the application of BioSeek's proprietary BioMAP® platform for phenotypic screening, hit identification, lead optimization and clinical selection of selected Ono drug candidates.*

**Martyn Coombs, CEO, Asterand, commented:**

“During an extremely tumultuous year which saw significant R&D retrenchment in the pharmaceutical and biotech sector, Asterand fared better than most. Indeed, we have seen increasing demand for human tissue solutions, even against these turbulent industry headwinds. We experienced 7% growth in our base business at constant exchange rates. While others downsized and restricted expansion, we chose to innovate and make bold investments for future growth. We expanded our supply network, and acquired novel technologies. Even after choosing to invest, we delivered essentially a breakeven adjusted EBITDA performance.”

“Going forward, we seek to lead the development of the human-based solution market. Our investments have set the stage for continued growth and future profitability. We are very optimistic about the future.”

**2009 Annual Report and Accounts**

The full 2009 Annual Report and Accounts can be found on our website at [www.asterand.com/Asterand/investors/financialreports/2009/financialreports2009.htm](http://www.asterand.com/Asterand/investors/financialreports/2009/financialreports2009.htm)

**Webcast of 2009 Preliminary Results:**

Simultaneously to the analyst briefing at 10:00 am BST, there will be a live audio web cast of the presentation.

To connect to the web cast facility, please go to: <http://mediaserve.buchanan.uk.com/2010/asterand300310/registration.asp>

Please connect approximately 10 minutes (09:50 am BST) before the start of the briefing. The presentation will also be available on [www.buchanan.uk.com](http://www.buchanan.uk.com) for replay shortly after the conclusion of the presentation.

**Notes to Editors**

Asterand is a leading global supplier of high quality human tissue and tissue-based services. Our comprehensive approach to human tissue and research services offers pharmaceutical, biotech and diagnostic companies the unique opportunity to have one company meet all of their human biomaterial needs along the continuum of drug discovery and development. Our mission is to accelerate target discovery and compound validation and enable pharmaceutical and biotechnology companies to take safer and more effective drugs into the clinic.

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## **Chairman's Statement**

Dear Shareholders,

It has been my long held belief that human tissue and human tissue-based research services contain the key solution to advance the discovery and development of more effective and safer therapies to treat human disease. I have also long held the view that Asterand is uniquely positioned to lead this growing worldwide market. We have been pleased with the concrete steps taken in 2009 towards these ends.

### **Adding shareholder value through the acquisition of BioSeek**

I would like to take this opportunity to welcome our BioSeek customers, shareholders and employees to Asterand. We are excited to add this exceptional human biology company into the Group. I have had the opportunity to meet the BioSeek shareholders and employees and have been impressed by the foresight with which they enabled this technology to be developed into a predictive tool. Allied now with Asterand's management team and worldwide customer connections, we believe we will forge an unbeatable combination.

In addition, BioSeek brings assets, additional capital and products which will provide substantial opportunity for growth. Let me say a little about the deal structure, as we put in a lot of thought to de-risk this acquisition, whilst enabling good upside for both Asterand and BioSeek shareholders.

Finalised in February 2010, the Group acquired 100% of the share capital of BioSeek, Inc. in exchange for 2,695,856 Asterand shares valued at \$1 million (\$0.37 per share). The deal includes a provision for an additional payment of up to \$13 million which would be payable should BioSeek revenues reach \$10 million in the year ended December 2010. The additional payment will consist of Asterand Ordinary Shares, or a combination of Asterand Ordinary Shares and cash, at Asterand's discretion.

The acquisition also brings us a presence on the West Coast of the US – clearly it will be beneficial to be right at this centre of innovation. We now have a proper international footing, with bases in Michigan, the UK, and now in South San Francisco.

### **Leveraging excellence and experience within our Board**

Our shareholders will recall the wholesale changes to our Board in the Spring of 2008, when we rotated industry professionals with track records of success onto our Board. We are fortunate that all of our Board of Directors continued to serve throughout 2009, and I would like to thank them for their many contributions. At Asterand's current size, be it in terms of market capitalisation or revenue, I cannot think of any other company with such a quality Board. Clearly we are setting a foundation for the possibility of a much more substantive company.

### **Building a strong relationship with investors**

Throughout 2009, as in the past, we have clearly communicated our strategy, and related activities, in order to be completely transparent in all of our actions. We also continue to listen to our major shareholders in an effort to truly understand their perspectives.

In addition, we have added the expertise of Cenkos Securities plc as a financial advisor and co-broker in May 2009. With their extensive experience in working with small and mid cap high technology companies, we believe Cenkos is an excellent addition to our financial team. We look forward to Cenkos' and Daniel Stewart's combined expertise and guidance as we advance Asterand's position in the emerging human tissue market.

### **Aligning objectives between employees and shareholders**

During 2009, we granted a total of 1,773,000 shares to our employees through our Long Term Incentive programme. This programme enables us to retain key employees, while aligning the goals of our shareholders with those of our employees. Under the programme, every Asterand employee receives shares. During 2010, we anticipate extending this programme to include the new BioSeek employees, allowing them to own a part of their Company, thereby benefiting from the growth and success they help to build.

### **Positive Outlook**

The year 2009 was one of major investment for Asterand. These investments – our preparations for the BioSeek acquisition, the GLP accreditation process, and the expansion of our tissue donor network among others – are all key steps positioning us to achieve our strategic goals. These advancements also came about through the efforts of Asterand's employees and the management team. I'd like to take this opportunity to thank each and every employee of our Company for their dedication, commitment and hard work. With these investments in place we are positioned to more effectively meet the continually evolving demands of our customers. In conclusion, our investments in 2009 contribute to a strong foundation which will better enable us to lead in the marketplace in 2010 and beyond.

**Jack Davis** Chairman, Asterand plc

## Chief Executive's Business Overview

2009 was the most turbulent year in the pharmaceutical and biotech sector that I can recall. Against a backdrop of an unprecedented global economic crisis, our key customers were in addition faced with looming drug patent expirations, and increasing cost levels to develop new compounds. Several of our larger customers merged or announced significant retrenchments in R&D expenditure. On 16 March 2010, PhRMA (the association of the top 30-50 Pharmaceutical companies in the US) announced that in 2009 PhRMA-member companies spent an estimated \$45.8 billion on R&D. This is a 9% reduction on the previous year. Customers became more cautious in committing to large expenditures, and several parceled larger orders into smaller portions to be made over time.

What then of Asterand? Well, we have fared better than most. Indeed, we have seen increasing demand for human tissue solutions, even against these turbulent headwinds.

- **Growth:** Leaving aside one-off contracts with AFIP, Baylor and Allergan, our base business revenue grew by 7% in 2009 at constant exchange rates.
- **Investment:** While others have downsized and restricted expansion, we have chosen to innovate and make bold investments for future growth. We have expanded our supply network, and acquired novel technologies. These investments are outlined below.
- **Breakeven Results:** Even after choosing to invest, we delivered essentially a breakeven adjusted EBITDA performance.

## Investing in building a foundation for the Future

### Expanding our Supplier Network

Our previously stated strategy has been to build out our tissue procurement network, in order to:

- Be able to meet a greater proportion of customer orders in the future.
- Enable the offering of a credible one-stop shop to customers.
- Offer an ethnically diverse biobank – our clients seek to establish that their compounds have efficacy for people from all over the world, not just from the West.
- Reduce dependence on Russia, and hence risk to sudden geopolitical policy changes.

As explained previously, building strong collaborations takes much time – after over 18 months of concerted effort, I am pleased to report:

- **Europe:** In September 2009, we executed an agreement with East-West Bio in Paris, facilitating collaboration with 9 key hospitals in Europe.
- **Asia:** In October 2009, we executed an agreement with procurement sites in Asia, again facilitating collaboration with 13 key hospitals in Asia.
- **Dismissal of lawsuit:** On 9 November 2009, the lawsuit filed against Asterand by ILSbio LLC in the US Federal District Court (Southeastern District of Michigan) was dismissed. The lawsuit was attempting to restrict Asterand's activities in Asia. The dismissal of this lawsuit followed a similar rejection of claims for injunctive relief ILSbio filed in the Maryland courts.

As at 31 December 2009, we had over 100 active supplier collaborations with academic centres and hospitals.

### Acquisition of BioSeek

We were pleased to complete the acquisition of BioSeek in February 2010. BioSeek's platform, BioMAP®, is patent protected and consists of high throughput/high content screening using human primary cells. Validated disease models can be used to predict biological response to compounds. We believe the platform is a strong extension to Asterand's human tissue-based products and services. Furthermore, our experienced sales team and connections within pharmaceutical companies will allow us to rapidly expand awareness and adoption of BioMAP® within the marketplace.

### Good Laboratory Practices (GLP)

During 2009, we made substantial investments at Royston, in the UK, to create a state of the art facility for providing GLP compliant studies, with the aim of broadening our services offering. With the subsequent acceptance of our facility into the UK GLP Monitoring Programme, we are now able to offer preclinical safety studies for regulatory submission. Our initial product offering will be tissue cross reactivity testing for therapeutic antibodies. This critical data is required by regulatory authorities, such as the Food & Drug Administration (FDA) and the European Medicines Agency (EMA), for all biologic investigational new drug submissions.

### **Continuing progress on our licenced programmes**

Work at Allergan continues on the series of small molecule prostanoid agonists licensed from Asterand in 2008. The programme is making progress and Allergan is currently exploring different compound(s) and formulations to optimise the pre-clinical pharmacology, PK and safety studies.

BGC20-1531 is the lead molecule in a portfolio of prostanoid EP4 receptor targeting compounds, licensed to BTG in 2006, under development for a variety of indications. BTG has successfully completed pre-clinical development and Phase I safety and tolerability studies. Additional formulation work is being undertaken to optimise the drug product for the first Phase II study to treat acute migraine and is progressing well. In addition to migraine, there is extensive evidence supporting the utility of EP4 receptor antagonists in further pain indications and inflammatory diseases. BGC20-1531 has shown statistically significant analgesic effects in both neurogenic and inflammatory pain paradigms in healthy volunteers and data from further non-clinical models supports a broader therapeutic application for this novel compound.

### **Leveraging partnerships to expand our global footprint**

Our client base includes every one of the top 30 pharmaceutical companies in the world. By the end of 2009, 13 of these companies had signed Master Service Agreements (MSAs) with us. Our MSAs include long term partnerships like Bristol-Myers Squibb, which in 2009 extended its collaboration with us for an additional three years, and Lundbeck, a new MSA client which entered a global framework research agreement with us in July 2009. The enthusiastic support we continue to receive from our clients is a validation of the quality of products and services we provide.

In April 2009, we entered into a collaborative agreement with Abcam, the rapidly growing bioscience company that markets antibodies online. Asterand assisted Abcam in the validation and characterisation of select antibodies through our PhaseZERO® human tissue services platform.

During 2009, we were pleased to successfully complete our contract with Baylor College of Medicine (Texas, USA) to replace its breast cancer repository that was permanently lost as a result of flooding that followed tropical storm Allison in 2001. Through this partnership, Asterand delivered thousands of specimens and associated clinical data to Baylor. We are honoured to have assisted this preeminent institution in continuing its vital research into cures for breast cancer.

We are also delighted to report that in March 2010 our BioSeek subsidiary finalised a drug development collaboration with Ono Pharmaceuticals Co., Ltd. to apply its proprietary BioMAP® platform for phenotypic screening, hit identification, lead optimisation and clinical candidate selection. Under the multi-year agreement BioSeek will receive research funding and additional payments upon achievement of certain milestones by drug candidate(s) discovered as a result of the collaboration. These drug development partnerships represent a new model for Asterand that have upside potential for future revenue streams.

### **Leading into 2010**

We expect the headwinds previously described to continue, at least for the first half of 2010. Nevertheless, given the growing realisation that responses in animals are a poor guide to responses in humans, we expect the long term trend of demand for human-based solutions to continue to increase.

We intend to be the clear leader in this space. Therefore we will continue to invest to strengthen our foundation in:

- **Supply:** Our clients' needs are becoming more specific and exact. In order to meet these needs, and to provide further differentiation from our competitors, we will seek closer relationships with our collaborators, and to improve our matching of supply and demand.
- **Customer intimacy:** We will seek more senior level relationships, and to increase further the number of clients on MSA agreements.
- **Integration of BioSeek:** We are very excited about the potential of BioSeek, but we have a seasoned management team that has seen many integrations executed well, and many executed poorly. We therefore have a 100-day implementation plan to carefully implement, following which we will investigate the extension of this technology to other therapeutic areas.
- **The market itself:** We will seek to lead the development of the human-based solution market. As one example, in April 2010, we plan to host our inaugural human tissue conference. ("Understanding Cancer through Human Tissue-based Models"). We are pleased that a raft of key opinion leaders, from both academia, and pharmaceutical companies, have kindly agreed to present at this two-day event. We intend for these sorts of initiatives to help make a real difference in the use of human-based solutions to develop new therapies against disease.

We are very optimistic about the future.

### **Martyn Coombs**

CEO, Asterand plc

## Financial Review

### Results for the year ended 31 December 2009

The Group's 2009 revenue was £12.0 million (2008: £15.2 million), a reduction of 21% (30% at constant exchange rates). There are a number of one-off effects that need to be analysed in order to explain the performance of the base business. 2008 revenue included:

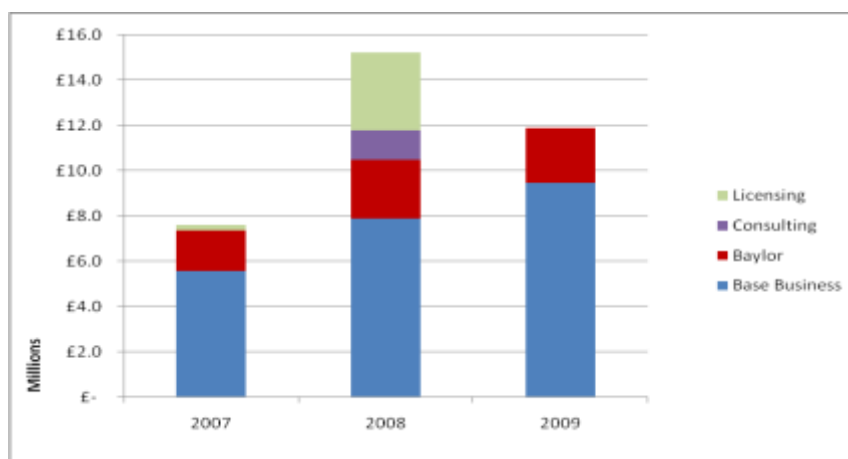
- Licensing Segment: £3.4 million (\$6.25 million) of non-recurring licensing revenue from Allergan;
- Human Tissue-Based Solutions Segment: £11.8 million.

If we concentrate on the Human Tissue-Based Solutions Segment, as indicated in previous reports, 2008 included the following revenues which were fixed term in nature and non-recurring:

- £1.3 million relating to the Group's contract with the US Department of Defense for the evaluation of the Armed Forces Institute of Pathology biorepository.
- £2.6 million relating to Asterand's contract with Baylor School of Medicine. As previously estimated, the revenue from this client in 2009 was £2.4 million, and this contract is now complete.

Excluding these non-recurring sources of revenue (from 2008 and 2009), 2008 base business revenue was £7.9 million and grew 20% (7% at constant exchange rates) to £9.5 million in 2009. This is shown graphically below. **So, our base business continued to perform well in a challenging economic environment.**

Revenue by Source 2007-2009 (£ millions):



The Group's cost of sales was £5.1 million (2008: £6.6 million), leading to a gross profit for the year of £6.8 million (2008: £8.6 million profit). As a result, gross margins were 57% (2008: 56%). The improvement in gross margin is directly attributed to reduction in costs associated with tissue and contract drug discovery research.

On 31 December 2009, the biobank inventory was valued at £5.5 million (31 December 2008: £4.5 million). During 2009, the Group invested in expanding its donor network to meet changing customer needs which resulted in an increase in inventory. We anticipate that these expanded offerings will better meet market demands. The increase in inventory was partially offset by £0.4 million in foreign currency exchange differences between the US dollar and the UK Sterling.

Research & Development (R&D) expenses were £0.3 million (2008: £0.3 million). All 2009 R&D expenses relate to improvements to new product offerings to support the Group's focus on the business of human tissue supply and human tissue-based solutions.

Selling and distribution costs were £2.3 million (2008: £1.8 million). These costs relate to sales staff salaries, commissions and marketing expenses. £0.3 million of the increase was due to foreign currency effects. The remainder of the increase was attributed to additional sales staff salaries expense, associated with part year 2008 hires working full year in 2009.

Total general and administrative expenses were £5.2 million (2008: £3.9 million). General and administrative expenses are analysed on the income statement into those relating to exceptional costs and those to normal operations. Exceptional general and administrative costs were £1.0 million (2008: £0.3 million). These expenses relate to legal and professional fees associated with the BioSeek acquisition and the defence of the Group's ability to secure Asian supply collaborations. General and administrative costs relating to normal operations were £4.2 million (2008: £3.6 million), beyond exceptional expenses the Group actually experienced a decrease of £0.1 million in G&A expenses at constant exchange rates. The resulting loss for the year was £1.1 million (2008: £3.9 million).

Though it is a non-IFRS measure, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA – excluding exceptional items and share option related charges) is monitored closely by the Directors and management as a metric to measure progress of business operations towards profitability and positive cash flow. The adjusted EBITDA for 2009 was a £0.2 million profit, a £2.9 million reduction over 2008 (2008: £3.1 million profit).

### **Financing & Liquidity**

The Directors monitor the cash flow and cash resources closely. During 2009, the Group utilised £2.7 million of cash principally for investments in inventory, defence of the Group's ability to secure Asian supply collaborations, expenses associated with GLP accreditation and professional fees associated with the BioSeek acquisition. At 31 December 2009 the Group had cash and cash equivalents of £4.2 million (2008: £6.9 million). The Group currently has a \$5.0 million (previously £2.0 million) working capital line of credit with Silicon Valley Bank.

### **Outlook**

During 2009, the Group made major investments in building its supply of biospecimens, acquiring a new business and securing GLP accreditation for its UK facility. These expenses, while reducing profitability for this year, will provide a foundation for future growth within the market.

We believe our investments have set the stage for continued growth and future profitability. When others were downsizing, closing facilities and reducing inventories, we invested in new business, technology and product development, which we anticipate will pay off over time. Furthermore, our 2009 results were achieved during a challenging year of global recession and pharmaceutical industry consolidations. With our new investments in place, we will continue to move forward with our strategic goals.

**John Stchur, CPA** Chief Financial Officer

## Consolidated Income Statement

for the year ended 31 December 2009		2009	2008 <sub>1</sub>
	Note	£000	£000
<b>Revenue</b>	2	<b>11,957</b>	15,211
Cost of Sales		<b>(5,123)</b>	(6,636)
<b>Gross Profit</b>		<b>6,834</b>	8,575
Research and development costs		<b>(305)</b>	(270)
Selling and distribution costs		<b>(2,345)</b>	(1,837)
General and administrative expenses			
– Normal operations		<b>(4,243)</b>	(3,617)
– Exceptional items (severance, acquisition and litigation costs)		<b>(953)</b>	(319)
– Total general and administrative expenses		<b>(5,196)</b>	(3,936)
Total operating expenses		<b>(7,846)</b>	(6,043)
Gain on insurance recovery		–	717
<b>Operating (loss)/profit</b>		<b>(1,012)</b>	3,249
Financial income – net		<b>3</b>	53
Foreign exchange (charge)/credit		<b>(269)</b>	681
Finance (expense)/income		<b>(266)</b>	734
<b>(Loss)/profit before taxation</b>		<b>(1,278)</b>	3,983
Taxation		<b>198</b>	(108)
<b>(Loss)/profit for the financial year</b>		<b>(1,080)</b>	3,875
<b>(Loss)/profit per 5p ordinary share</b>			
Basic	4	<b>(0.96)p</b>	3.53p
Diluted	4	<b>(0.96)p</b>	3.33p

## Non-IFRS Measure

Earnings before interest, taxes, depreciation and amortisation (“EBITDA”) – excluding exceptional items and share option related charges.

for the year ended 31 December 2009	2009 £000	2008, £000
<b>Operating (loss)/profit</b>	<b>(1,012)</b>	3,249
Exceptional items (severance, acquisition and litigation costs)	953	319
Gain on insurance recovery	–	(717)
Share option related charges	54	23
Depreciation and amortisation	218	242
<b>Adjusted EBITDA</b>	<b>213</b>	3,116

1. Foreign exchange (charges)/credits arising on the retranslation of cash balances and intercompany loans have been reclassified from general and administrative expenses to finance income/(expense).

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009	Group 2009 £000	Group 2008 £000
(Loss)/profit for the financial year	(1,080)	3,875
Other comprehensive income:		
Exchange translation difference on consolidation recognised directly in equity	(900)	2,076
<b>Other comprehensive (expense)/income for the year net of tax</b>	<b>(900)</b>	2,076
<b>Total comprehensive (expense)/income for the year</b>	<b>(1,980)</b>	5,951

## Consolidated Balance Sheet

as at 31 December 2009		2009	2008
	Note	£000	£000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		823	689
Property, plant and equipment		475	464
Deferred tax asset	3	709	–
		<b>2,007</b>	1,153
<b>Current assets</b>			
Biobank inventory		5,537	4,459
Trade and other receivables		2,289	4,110
Cash and cash equivalents		4,172	6,880
		<b>11,998</b>	15,449
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(3,067)	(4,240)
Income tax payable		(248)	–
Financial liabilities-current debt		(36)	(32)
		<b>(3,351)</b>	(4,272)
<b>Net current assets</b>			
		<b>8,647</b>	11,177
<b>Non-current liabilities</b>			
Deferred tax liability	3	(229)	–
		<b>(229)</b>	–
<b>Net assets</b>			
		<b>10,425</b>	12,330
<b>Shareholders' equity</b>			
Ordinary Shares		5,678	5,684
Share premium		52,921	52,900
Shares to be issued		3	20
Reverse acquisition reserve		(41,916)	(41,916)
Other reserves		3,083	3,083
Retained losses		(9,344)	(7,441)
<b>Total equity</b>		<b>10,425</b>	12,330

## Consolidated Statement of Changes in Equity

Group	Share Capital £000	Share Premium £000	Shares to be Issued £000	Reverse Acquisition Reserves £000	Other Reserves £000	Investment in own shares £000	Retained Loss £000	Total Equity £000
<b>At 1 January 2008</b>	5,502	52,627	15	(41,916)	3,083	(690)	(12,725)	5,896
<b>Comprehensive Income</b>								
Profit for the year	-	-	-	-	-	-	3,875	3,875
<b>Other comprehensive income</b>								
Exchange translation on consolidation	-	-	-	-	-	-	2,076	2,076
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	5,951	5,951
<b>Transactions with owners</b>								
Employee share option schemes								
Value of employees services	-	-	-	-	-	-	23	23
Proceeds from shares issued	182	273	(15)	-	-	-	-	440
Shares to be issued	-	-	20	-	-	-	-	20
Transactions with owners	182	273	5	-	-	-	23	483
<b>At 1 January 2009</b>	5,684	52,900	20	(41,916)	3,083	(690)	(6,751)	12,330
<b>Comprehensive Income</b>								
Loss for the year	-	-	-	-	-	-	(1,080)	(1,080)
<b>Other comprehensive income</b>								
Exchange translation on consolidation	-	-	-	-	-	-	(900)	(900)
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	(1,980)	(1,980)
<b>Transactions with owners</b>								
Employee share option schemes								
Value of employees services	-	-	-	-	-	-	54	54
Proceeds from shares issued	17	21	(20)	-	-	-	-	18
Shares to be issued	-	-	3	-	-	-	-	3
Re-classification	(23)	-	-	-	-	23	-	-
Transactions with owners	(6)	21	(17)	-	-	23	54	75
<b>At 31 December 2009</b>	5,678	52,921	3	(41,916)	3,083	(667)	(8,677)	10,425

£23,000 has been reclassified from share capital to investment in own shares to reflect the exercise of share options satisfied by the 2007 EOPT.

## Consolidated Cash Flow Statement

for the year ended 31 December 2009	Group 2009 £000	Group 2008 £000
<b>Cash flows from operations</b>		
<b>(Loss)/profit for the year</b>	<b>(1,080)</b>	3,875
Adjustments for:		
Exchange translation differences	<b>(787)</b>	1,104
Finance Income	<b>266</b>	(734)
Tax (credit)/charge	<b>(198)</b>	108
Depreciation of property plant and equipment (net of profit on disposal)	<b>196</b>	209
Amortisation of intangible assets	<b>21</b>	17
Share option compensation charge	<b>54</b>	23
Operating cash flows before movement in working capital	<b>(1,528)</b>	4,602
(Decrease)/increase in trade and other receivables	<b>1,847</b>	(568)
Increase in biobank inventories	<b>(1,516)</b>	(525)
(Decrease)/increase in trade and other payables	<b>(1,151)</b>	931
<b>Cash (used)/generated in operations</b>	<b>(2,348)</b>	4,440
Interest received	<b>33</b>	87
Interest paid	<b>(30)</b>	(33)
Interest element of finance lease rental payments	<b>–</b>	(1)
Income taxes paid	<b>(130)</b>	(90)
Receipt of research and development tax credit	<b>77</b>	12
<b>Net cash (used)/generated in operating activities</b>	<b>(2,398)</b>	4,415
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(217)</b>	(229)
Sale of property, plant and equipment	<b>1</b>	16
Purchase of intangible assets	<b>(157)</b>	(34)
<b>Net cash used in investing activities</b>	<b>(373)</b>	(247)
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary share capital	<b>17</b>	417
Proceeds from ordinary share capital to be issued	<b>3</b>	20
Proceeds from exercise of share options	<b>1</b>	23
Debt and finance lease principal payments	<b>4</b>	(26)
<b>Net cash generated from financing</b>	<b>25</b>	434
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,746)</b>	4,602
Exchange gains on cash and cash equivalents	<b>38</b>	79
Cash and cash equivalents at beginning of the year	<b>6,880</b>	2,199
<b>Cash and cash equivalents at end of the year</b>	<b>4,172</b>	6,880

## Notes to the preliminary statement for the year ended 31 December 2009

### 1. Accounting policies and basis of preparation

The preliminary announcement for the year ended 31 December 2009 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), International Accounting Standards (IAS) and IFRIC interpretations and the listing rules of the Financial Services Authority. The details of the significant accounting policies of the Group are set out in the 2009 Annual Report, copies of which are available from the Company or on the Company's website. Based on audited accounts, the financial information set out in this announcement does not constitute the Company's statutory accounts for the year ended 31 December 2009 as defined in Section 435 of the Companies Act 2006, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered after the Company's Annual General meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of Companies Act 2006 or equivalent preceding legislation.

### 2. 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.

The segment information for the year ended 31 December 2009 is as follows:

	Tissue Based Solutions	Licensing	Total
Group 2009	£000	£000	£000
Revenue from external customers	11,957	–	11,957
Adjusted EBITDA	498	(285)	213
Gross Margin	60%	–	57%
Depreciation and amortisation	218	–	218
Exceptional expenses	953	–	953
Total assets	13,296	–	13,296
Additions to non-current assets	374	–	374

The segment information for the year ended 31 December 2008 is as follows:

	Tissue Based Solutions	Licensing	Total
Group 2008	£000	£000	£000
Revenue from external customers	11,772	3,439	15,211
Adjusted EBITDA	1,008	2,108	3,116
Gross Margin	55%	61%	56%
Depreciation and amortisation	242	–	242
Exceptional expenses	319	–	319
Gain on insurance recovery	(717)	–	(717)
Total assets	16,602	–	16,602
Additions to non-current assets	263	–	263

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2009 £000	2008 £000
Adjusted EBITDA for total segments	213	3,116
Depreciation and amortisation	(218)	(242)
Exceptional expenses	(953)	(319)
Gain on insurance recovery	–	717
Share option related charges	(54)	(23)
Finance (expense)/income	(266)	734
(Loss)/profit before tax	(1,278)	3,983

Reportable segments' assets are reconciled to total assets as follows:

	Note	2009 £000	2008 £000
Segment assets		13,296	16,602
<b>Unallocated:</b>			
Deferred tax asset	3	709	–
<b>Total assets</b>		<b>14,005</b>	16,602

Revenues of approximately £2.4 million (2008: £2.6 million) are derived from a single customer. These revenues are attributable to the Tissue Based Solutions segment.

The licensing revenue for the year ended 31 December 2009 is £nil (2008: £3.4 million). The group continues to invest in this segment.

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

	Revenue (by destination)		Revenue (by origin)		Net Assets		Capital Expenditure	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
United Kingdom	463	951	2,597	5,409	1,059	2,825	256	41
Rest of Europe	2,241	1,368	–	–	–	–	–	–
North America	8,757	12,627	9,360	9,802	9,366	9,505	118	222
Japan	496	265	–	–	–	–	–	–
	<b>11,957</b>	15,211	<b>11,957</b>	15,211	<b>10,425</b>	12,330	<b>374</b>	263

### 3. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2009 £000	2008 £000
Deferred tax assets:		
-US deferred tax asset to be recovered after more than 12 months	709	-
-US deferred tax asset to be recovered within 12 months	-	-
	<b>709</b>	<b>-</b>
Deferred tax liabilities		
-US deferred tax liability to be recovered after more than 12 months	-	-
-US deferred tax liability to be recovered within 12 months	(229)	-
<b>Total deferred tax</b>	<b>(229)</b>	<b>-</b>
<b>Deferred tax assets (net)</b>	<b>480</b>	<b>-</b>

The gross movement on the deferred income tax account is as follows:

	2009 £000	2008 £000
At 1 January	-	-
US Income statement credit	480	-
<b>At 31 December</b>	<b>480</b>	<b>-</b>

The movement in deferred income tax assets and liabilities during the year is as follows:

	Inventory Reserve £000	Provision for impairment of receivables £000	Total £000
Deferred tax assets			
At 1 January 2008	-	-	-
Charged/(credited) to the income statement	-	-	-
<b>At 31 December 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>
Charged/(credited) to the income statement	707	2	709
<b>At 31 December 2009</b>	<b>707</b>	<b>2</b>	<b>709</b>

	Insurance proceeds £000	Other £000	Total £000
Deferred tax liabilities			
At 1 January 2008	-	-	-
Charged/(credited) to the income statement	-	-	-
<b>At 31 December 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>
Charged/(credited) to the income statement	(174)	(55)	(229)
<b>At 31 December 2009</b>	<b>(174)</b>	<b>(55)</b>	<b>(229)</b>

No current tax liability arises on the UK results for each year due to losses incurred. At 31 December 2009, there were tax losses available for carry forward in excess of £37.7 million (2008: £36.9 million) subject to approval by HM Revenue and Customs. A potential deferred tax asset of up to £9.6 million (2008: £9.4 million) based on losses available for carry forward at the full Corporation rate (28% effective 1 April 2008) has not been recognised because it is not probable that these assets will be recovered in the foreseeable future.

#### 4. (Loss)/profit per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of 5p ordinary shares in issue during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential 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 year ended 31 December 2009.

Since 31 December 2009, 35,690 5p ordinary shares have been issued (2008: 254,724).

	2009	2008
	£000	£000
(Loss)/profit attributable to ordinary shareholders (£000s)	(1,080)	3,875
Weighted average number of shares (000's)	112,847	109,929
<b>Basic earnings/(loss) per ordinary share</b>	<b>(0.96)p</b>	3.53p

	2009	2008
	£000	£000
(Loss)/profit attributable to ordinary shareholders (£000s)	(1,080)	3,875
Weighted average number of shares (000's)	112,847	109,929
Adjustments for:		
Share options	-	6,546
Weighted average number of shares (000's)	112,847	116,475
<b>Diluted (loss)/earnings per ordinary share</b>	<b>(0.96)p</b>	3.33p

In the year ended 31 December 2009, the Group had no dilutive potential Ordinary Shares in issue because it made a loss for the year.

#### 5. Events after the reporting period

The Group acquired 100% of the share capital of BioSeek, Inc. ("BioSeek") on 18 February 2010. BioSeek was a privately held drug discovery services company that has developed proprietary human primary cell based, high throughput assay systems (BioMAP®) designed to replicate the intricate cell and pathway interactions present in disease. The system helps to predict clinical activities of a potential drug candidate through comparison of assay results to a proprietary database of data profiles for known compounds.

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 up to \$13.0 million is payable subject to BioSeek 2010 Revenues exceeding certain agreed levels ("Contingent Payment"). The Contingent Payment will consist of New Asterand Shares, or a combination of New Asterand Shares and cash, shortly after 31 December 2010, determined as follows:

- (a) if the BioSeek 2010 Revenue is less than \$4.0 million, the Contingent Payment will be an amount equal to (A) 0.75 multiplied by BioSeek's 2010 Revenue minus (B) \$1.0 million, which will be payable only in Ordinary Shares;
- (b) if the BioSeek 2010 Revenue is equal to or greater than \$4.0 million, the Contingent Payment will be an amount equal to (A) \$3.6 million plus (B) the product of 2.5 multiplied by the amount by which the BioSeek 2010 Revenue exceeds \$4.0 million minus (C) \$1.0 million, which amount will be payable in Ordinary Shares or a combination of Ordinary Shares and cash at the election of Asterand.

The value of any Ordinary Share issuable in respect of the Contingent Payment will be \$0.37 (22p) in respect of the first \$3.0 million of Ordinary Shares issued, and in respect of each Ordinary Share issued thereafter, the average of the per share

closing prices of Ordinary Shares on the London Stock Exchange during the thirty (30) consecutive trading day period ending on 31 December 2010, converted into U.S. dollars at the exchange rate for purchasing U.S. dollars with pound sterling quoted in the Financial Times on such date.

The total purchase consideration is not determinable until after 2010. An estimated total consideration of \$9.1 million was used for purposes of the calculations below. Details of the net assets acquired and goodwill are as follows:

	£'000
Initial consideration <sup>(1)</sup>	459
Contingent consideration <sup>(2)</sup>	4,616
Purchase consideration	<b>5,075</b>
Fair value of assets acquired (see below)	2,647
<b>Goodwill</b>	<b>2,428</b>

(1) Calculated based on 2,695,856 shares, the 18 February 2010 Asterand closing share price of 17p and 18 February 2010 spot rate of 1.57 dollars to the GBP.

(2) Calculated based on an estimated total consideration of \$9.1 million less \$1 million initial consideration. The first \$3 million of contingent consideration calculated based on 8,087,568 shares issued multiplied by the 18 February 2010 Asterand closing share price of 17p. The remaining \$5.1 million consideration calculated based on the 18 February 2010 spot rate of 1.57 dollars to the GBP.

The above goodwill consists largely of the expected synergies from combining the operations and intangible assets that do not qualify for separate recognition.

The assets and liabilities arising from the acquisition, provisionally determined, are as follows (USD balances converted at 18 February 2010 spot rate of 1.57 dollars to the GBP):

	Carrying Value £'000	Fair Value £'000
Cash and cash equivalents	1,001	1,001
Property, plant and equipment	2,032	2,032
Customer base	–	254
Developed technology	–	1,810
Trade and other receivables	201	201
Trade and other payables	(1,022)	(1,022)
-Financial liabilities –finance leases	(9)	(9)
<b>Non-current liabilities</b>		
-Finance lease obligations	(10)	(10)
-Deferred rent	(1,610)	(1,610)
Net assets acquired	<b>583</b>	<b>2,647</b>

The post balance sheet dilutive effect of shares issued as initial consideration and the potential dilutive effect if the \$9.1 million total consideration is achieved are as follows:

	Shares outstanding	2009 Loss per share
Year ended 31 December 2009	113,559,530	(0.96)p
Dilutive effect of 2.7 million shares issued as initial consideration February 2010	116,255,386	(0.93)p
Potentially dilutive effect if the \$9.1 million total consideration is achieved-assuming that 100% of the contingent payment is made in shares and based on 18 February 2010 share price and exchange rates	143,375,441	(0.75)p

Acquisition costs of £0.5 million have been included in exceptional expenses.

## **Notice of Annual General Meeting**

Asterand Plc will hold its Annual General Meeting at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 0AE on Tuesday 8 June 2010 at 5:00 pm.

The following documents have been sent to shareholders today:

Annual Report and Accounts 2009

- Notice of 2010 Annual General Meeting ('AGM')
- Form of Proxy

In accordance with Listing Rule 9.6.1 Asterand Plc has submitted two copies each of the above documents to the UK Listing Authority ('UKLA') and these documents will shortly be available for inspection at the UKLA's Document Viewing Facility, which is situated at:

Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS  
Tel: (0) 20 7066 1000.

Copies of the Annual Report and Accounts 2009 and Notice of AGM, which includes a summary of proposed changes to the Articles of Association, will be available on the Company's website at [www.asterand.com](http://www.asterand.com) on 30 March 2010.

Copies of the new Articles of Association, showing the amendments to be proposed at the AGM, will be forwarded to the UKLA and the FSA in accordance with DTR 6.1.2.

### **For further information contact:**

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