INTERIM REPORT
FOR THE SIX MONTHS ENDED 31 JULY 2011

Tissue Regenix
Group plc

DIRECTORS

John Samuel	(Executive Chairman)
Antony Odell	(Managing Director)
Ian Jefferson	(Chief Financial Officer)
Alan Aubrey	(Non-Executive Director)
Alan Miller	(Non-Executive Director)
Alexander Stevenson	(Non-Executive Director)
Michael Bretherton	(Non-Executive Director)

COMPANY SECRETARY
Ian Jefferson

COMPANY WEBSITE
www.tissueregenix.com

COMPANY NUMBER
5969271

REGISTERED OFFICE
The Biocentre
Innovation Way
Heslington
York
North Yorkshire
YO10 5NY

REGISTRAR
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

AUDITOR
Baker Tilly
2 Whitehall Quay
Leeds
LS1 4HQ

LEGAL ADVISER
DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

NOMINATED ADVISER AND BROKER
Peel Hunt Limited
111 Old Broad Street
London
EC2N 1PH

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Chairman's Statement

Overview

Tissue Regenix was formed in 2006 in order to commercialise new technology developed by Leeds University in the field of regenerative medicine. Using our proprietary platform technology, known as dCELL®, our goal is to build a global leader in this exciting area of healthcare. I believe the progress we have made over the year or so since our admission to AIM has been impressive and whilst there is much to do, as always, I believe we can continue to build on the momentum within the business.

The dCell® Process

The dCELL® process, which is protected by a library of patents, is used to create biological scaffolds by decellularising human or animal tissue. When used to replace damaged or diseased body parts in humans these scaffolds have been shown to be capable of regeneration and become integrated into the patient's body. The scaffolds are inert on implantation as a result of the dCELL® process, and the subsequent regeneration is a natural bodily function. This means that our products are classified as medical devices and therefore subject to faster, less costly and less risky regulatory approval procedures than, for example, pharmaceutical products.

Product Development

Cardiac

In April 2011 we entered into a commercialization and IP agreement with our development partners in Brazil. This agreement gave us world-wide rights (excluding Brazil) to the clinical data arising from the use of our process with human donor heart valves. Currently in excess of 140 patients have benefitted from the use of our dCELL® heart valve and the results of up to five years data are most encouraging. We are also continuing to develop a dCELL® version of an existing bovine bioprosthetic valve, which is already in use in over 1200 patients. We are planning a further pilot study of our dCELL® porcine valve prior to a full preclinical study planned for early 2012.

Dermis

Earlier this year we announced that we had initiated a pilot study of the use of human donor decellularised skin in the treatment of chronic wounds with our UK development partner, NHS Blood and Transplant. This trial is currently underway and recruitment is progressing but it remains too early to assess when data will be available. We also intend to examine use of this product in plastic surgery and burns.

Vascular

Our dCELL® Vascular Patch continues to attract interest and we are steadily building the clinical evidence needed to fully commercialise it. The two year follow up data is anticipated to be available in early 2012. We are planning to extend the vascular patch's application to cardiac and dura (neurosurgery) and preclinical work will begin shortly in Brazil. We have applied for approval in the USA via the 510k process and are in dialogue with the FDA regarding additional data requests. Preclinical trial results for our Arterial-Vascular graft, which can be used to replace damaged veins and arteries, have been most encouraging and we plan full clinical trials for 2012.

Orthopaedic

Pilot work on the dCELL® porcine meniscal repair product is complete and we have begun preclinical trials. There is a very large clinical need for this product and as yet there are no real competitive products in the market. As pilot work has been completed on meniscal repair we are now able to turn our attention to our porcine ligament repair product.

Financial Review

Revenue of £108k (H1 2010: £112k) was comprised mainly of grant income. The first half of the year was characterised by increased investment in programmes designed to expand our product offering through product line innovations. To this end, administrative expenses increased to £1,466k (H1 2010: £799k) primarily due to increased development spend on new product trials and additional staff costs incurred as we begin to scale up to develop multiple products concurrently. As a result of these investments, operating loss for the period increased to £1,358k (H1 2010: £687k excluding £3,745k of deemed cost on reverse acquisition). Net cash at the end of the period was £4,848k (H1 2010: £6,702k at the end of the prior period).

The Board

Ian Jefferson commenced his appointment as Chief Financial Officer on 13 June 2011. As previously announced, he replaced Mike Bretherton who remains on the board as a Non-Executive Director.

I am also delighted that the two founders of the company have received external recognition. Eileen Ingham received the top award for Innovation and Entrepreneurship in Academia and Research at the UK Research Council's Women of Outstanding Achievement Awards and John Fisher was awarded a CBE in recognition of his services to biomedical engineering.

Outlook

During the period we have seen a continuation of our strategy of working with partners to develop a strong product pipeline at low cost and minimum risk and the commercialization and IP agreement signed with our Brazilian partners has expanded our pipeline of innovative products which address the needs of very large global markets.

Chairman's Statement

The investments we are undertaking to develop new product innovations has ideally positioned Tissue Regenix to capitalise on major global needs and become a leader in regenerative medicine. Our focus therefore is to continue to develop our pipeline of products and seek commercialization for them as soon as we are able. I believe we are making good progress in our endeavours.

John Samuel
Executive Chairman
10 October 2011

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months to 31 July 2011

	Notes	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Twelve months to 31 January 2011 £'000
Revenue	3	108	112	173
Administrative expenses		(1,466)	(799)	(2,117)
Deemed cost on reverse acquisition		–	(3,749)	(3,749)
Operating loss		(1,358)	(4,436)	(5,693)
Finance income		22	7	28
Loss before tax		(1,336)	(4,429)	(5,665)
Taxation	4	75	102	238
Loss after tax attributable to equity holders of the parent		(1,261)	(4,327)	(5,427)
Loss per share, basic and diluted:				
Pre deemed cost on reverse	5	(0.28p)	(0.21p)	(0.46p)
Post deemed cost on reverse	5	(0.28p)	(1.56p)	(1.48p)

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

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months to 31 July 2011

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Capital Reserves £'000	Share Based Payments Reserve £'000	Revenue Deficit Reserve £'000	Total Equity £'000
At 31 January 2010	600	4,333	–	(1,054)	3,879	1	(2,593)	1,287
Loss for the period	–	–	–	–	–	–	(4,327)	(4,327)
Reverse acquisition	1,210	–	10,884	(6,094)	6,000	–	–	6,000
Issue of shares	533	4,803	–	–	5,336	–	(836)	4,500
Expense on issue of shares	–	(513)	–	–	(513)	–	–	(513)
Share based payment	–	–	–	–	–	20	–	20
At 31 July 2010	2,343	8,623	10,884	(7,148)	14,702	21	(7,756)	6,967
Loss for the period	–	–	–	–	–	–	(1,100)	(1,100)
Expense on issue of shares	–	32	–	–	32	–	–	32
Employee interest in jointly owned shares	–	–	–	–	–	–	8	8
Share based payment	–	–	–	–	–	311	–	311
At 31 January 2011	2,343	8,655	10,884	(7,148)	14,734	332	(8,848)	6,218
Loss for the period	–	–	–	–	–	–	(1,261)	(1,261)
Issue of shares	10	2	–	–	12	–	(4)	8
Employee interest in jointly owned shares	–	–	–	–	–	–	1	1
Share based payment	–	–	–	–	–	51	–	51
At 31 July 2011	2,353	8,657	10,884	(7,148)	14,746	383	(10,112)	5,017

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 July 2011

	Notes	31 July 2011 £'000	31 July 2010 £'000	31 January 2011 £'000
Non-current assets				
Property, plant and equipment		169	180	189
Total non-current assets		169	180	189
Current assets				
Trade and other receivables		328	471	393
Cash and cash equivalents		4,848	6,702	5,889
Total current assets		5,176	7,173	6,282
Total Assets		5,345	7,353	6,471
Current liabilities				
Trade and other payables		(328)	(386)	(253)
Total liabilities		(328)	(386)	(253)
Net Assets		5,017	6,967	6,218
Equity				
Share capital	6	2,353	2,343	2,343
Share premium	6	8,657	8,623	8,655
Merger Reserve	6	10,884	10,884	10,884
Reverse acquisition reserve	6	(7,148)	(7,148)	(7,148)
Capital reserves		14,746	14,702	14,734
Share based payment reserve		383	21	332
Revenue deficit reserve	7	(10,112)	(7,756)	(8,848)
Total Equity		5,017	6,967	6,218

Approved by the Board and authorised for issue on 10 October 2011.

John Samuel
Executive Chairman

Ian Jefferson
Chief Financial Officer

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 31 July 2011

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Twelve months to 31 January 2011 £'000
Operating Activities			
Operating loss	(1,358)	(4,436)	(5,693)
Adjustment for non-cash items:			
Depreciation of property, plant and equipment	31	21	46
Share based payment	51	20	331
Deemed cost on reverse acquisition	–	3,749	3,749
Tax refunded	114	–	183
Operating cash outflow	(1,162)	(646)	(1,384)
Decrease/(increase) in trade and other receivables	28	(98)	(68)
Increase/(decrease) in trade and other payables	73	108	(24)
Net cash outflow from operations	(1,061)	(636)	(1,476)
Investing Activities			
Interest received	22	7	28
Purchases of property, plant and equipment	(11)	(66)	(100)
Net cash outflow from investing activities	11	(59)	(72)
Financing Activities			
Cash acquired on reverse acquisition	–	2,327	2,327
Proceeds from issue of share capital	8	4,500	4,500
Sale of joint interest in shares to employees	1	–	8
Expense of issue of share capital	–	(513)	(481)
Net cash inflow from financing activities	9	6,314	6,354
(Decrease)/increase in cash and cash equivalents	(1,041)	5,619	4,806
Cash and cash equivalents at start of period	5,889	1,083	1,083
Cash and cash equivalents at end of period	4,848	6,702	5,889

Notes to the Condensed Financial Statements (Unaudited)

For the six months ended 31 July 2011

1. BASIS OF PREPARATION

The interim financial statements of Tissue Regenix Group Plc are unaudited condensed consolidated financial statements for the six months to 31 July 2011. These include unaudited comparatives for the six months to 31 July 2010 together with the audited accounts for the year to 31 January 2010.

These condensed consolidated financial statements do not constitute statutory accounts. The statutory accounts for the year to 31 January 2011 have been reported on by the auditors to Tissue Regenix Group Plc and have been filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards as adopted by the European Union.

The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements of Tissue Regenix Group Plc for the year ended 31 January 2011 and are disclosed in those statements.

3. SEGMENTAL REPORTING

At 31 July 2011, the Group operated in one business segment, that of the development and commercialisation of innovative platform technologies in the field of tissue engineering and regenerative medicine.

To date all the revenues comprise grant income earned in the UK. All of the Group's assets are held in the UK and all of its capital expenditure arises in the UK.

4. TAXATION

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Twelve months to 31 January 2011 £'000
Current Tax:			
Tax credit on research and development costs in the period	75	64	167
Tax credits received in respect of prior periods	–	38	71
	75	102	238
Deferred tax:			
Origination and reversal of temporary timing differences	–	–	–
Tax credit on loss on ordinary activities	75	102	238

Notes to the Condensed Financial Statements (Unaudited)

For the six months ended 31 July 2011

The Group has accumulated losses available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of tax losses as their recoverability is uncertain.

5. LOSS PER SHARE (BASIC AND DILUTED)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period excluding own shares held jointly by the Tissue Regenix Employee Share Trust and certain employees. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period to assume conversion of all dilutive potential ordinary shares.

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Twelve months to 31 January 2011 £'000
Loss attributable to the equity holders of the parent			
Pre deemed cost on reverse	(1,261)	(578)	(1,678)
Deemed cost on reverse acquisition	–	(3,749)	(3,749)
Total loss attributable to the equity holders of the parent	(1,261)	(4,327)	(5,427)
	No.	No.	No.
Weighted average number of ordinary shares in issue during the period	452,466,581	278,253,818	366,159,076
Loss per share			
Basic and diluted on loss for the period			
Pre deemed cost on reverse acquisition	(0.28)p	(0.21)p	(0.46)p
Post deemed cost on reverse acquisition	(0.28)p	(1.56)p	(1.48)p

The Company has issued employees options over 14,629,309 ordinary shares which are potentially dilutive. There is, however, no dilutive effect of these issued options as there is a loss for each of the periods concerned.

6. SHARE CAPITAL

	Number	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Total £'000
Ordinary shares of 0.1p each as at 31 January 2010	600,000,000	600	4,333	–	–	4,933
Share consolidation 1 for 5 in to Ordinary shares of 0.5p each	(480,000,000)	–	–	–	–	–
Issued to acquire the entire issued share capital of Tissue Regenix Ltd	241,885,103	1,210	–	10,884	–	12,094
Issued for cash	90,000,000	450	4,050	–	–	4,500
Issued to Tissue Regenix Employee Share Trust	16,712,800	83	753	–	–	836
Arising on reverse acquisition of Tissue Regenix Ltd	–	–	–	–	(7,148)	(7,148)
Expenses of issue of shares	–	–	(513)	–	–	(513)
Total Ordinary shares of 0.5p each as at 31 July 2010	468,597,903	2,343	8,623	10,884	(7,148)	14,702
Expenses of issue of shares	–	–	32	–	–	32
Total Ordinary shares of 0.5p each as at 31 January 2011	468,597,903	2,343	8,655	10,884	(7,148)	14,734
Issued on exercise of share options	1,136,376	6	2	–	–	8
Issued to Tissue Regenix Employee Share Trust	827,586	4	–	–	–	4
Total Ordinary shares of 0.5 p each as at 31 July 2011	470,561,865	2,353	8,657	10,884	(7,148)	14,746

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

Notes to the Condensed Financial Statements (Unaudited)

For the six months ended 31 July 2011

7. MOVEMENT IN REVENUE RESERVE AND OWN SHARES

	Retained Deficit £'000	Own Shares £'000	Revenue Deficit Reserve £'000
At 31 January 2010	(2,593)	–	(2,593)
Purchase of own shares	–	(836)	(836)
Loss for the period	(4,327)	–	(4,327)
At 31 July 2010	(6,920)	(836)	(7,756)
Employee interest in jointly owned shares	–	8	8
Loss for the period	(1,100)	–	(1,100)
At 31 January 2011	(8,020)	(828)	(8,848)
Purchase of own shares	–	(4)	(4)
Employee interest in jointly held shares	–	1	1
Loss for the period	(1,261)	–	(1,261)
At 31 July 2011	(9,281)	(831)	(10,112)

8. INTERIM FINANCIAL REPORT

A copy of this interim report will be distributed to shareholders and is also available on the Company's website at www.tissueregenix.com

Tissue Regenix Group plc
The Biocentre
Innovation Way
Heslington
York, YO10 5NY
United Kingdom

www.tissueregenix.com