

INTERIM REPORT
FOR THE SIX MONTHS ENDED 31 JULY 2013



DIRECTORS

John Samuel	(Executive Chairman)
Antony Odell	(Managing Director)
Ian Jefferson	(Chief Financial Officer)
Alison Fielding	(Non-Executive Director)
Alan Miller	(Non-Executive Director)
Randeep Grewal	(Non-Executive Director)
Steven Couldwell	(Non-Executive Director)

COMPANY SECRETARY

Ian Jefferson

COMPANY WEBSITE

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COMPANY NUMBER

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Chairman's Statement

Overview

The first six months of 2013 have seen Tissue Regenix continue to make real progress with its commercialisation strategy. We have taken a number of key steps including establishing our US subsidiary as well as reaching a series of important additional milestones in the evolution of our product range. Furthermore, as anticipated, we have continued to invest in a number of senior appointments across the Group to build Tissue Regenix's market presence as we prepare for commercial roll-out. This includes the appointment in May of Peter Hamer as Business Development Manager of our orthopaedics division, meaning we now have dedicated Business Development Managers in place in our three key areas of focus – wound care, cardiac and orthopaedics.

Tissue Regenix in the USA

The Group has made significant headway with its USA subsidiary, Tissue Regenix Wound Care Inc. We see the North American market as an important growth opportunity and our achievements during the period are all designed to provide us with a solid platform upon which we can commercialise our products.

Our strategy of collaborating with prominent industry partners allows the Group to be effective in setting up operations in new geographies, as well as gaining access to local industry knowledge and potential customers. With this in mind, we signed a processing agreement in June with Community Tissue Services (CTS), one of the largest tissue banks in the USA. Through the agreement, Tissue Regenix's dCELL[®] technology will be applied to tissue provided by CTS to produce human biological scaffolds for use with acute and chronic wounds. We anticipate that this agreement will provide the basis for increasing the scope of applications in the future. Chronic wounds alone affect 6.5 million patients in the USA. This partnership provides Tissue Regenix with access to provide dCELL[®] Dermis products to a wound healing and device market that has a current value of \$1.4bn and is anticipated to reach \$1.5bn by 2016 and we remain on track to deliver the commercial launch of DermaPure™ in the US in the first half of 2014.

With this opportunity in mind, we have also made a number of additions to the USA team, including strategic appointments in Sales, Marketing, Clinical Affairs and Operations. We are confident that this investment in personnel will help to drive our commercialisation strategy in the USA and build awareness of Tissue Regenix and its product range in the marketplace.

Product developments

The Group has seen encouraging product developments during the period. In May, Tissue Regenix announced that more than half of patients involved in the first trial of a new treatment for chronic leg ulcers at University Hospital South Manchester had their wounds completely healed. The trials in partnership with NHS Blood and Transplant ('NHSBT') demonstrated that patients who have had tough chronic wounds for 4½ years who were treated with Tissue Regenix DermaPure™, have seen an 87% reduction in the size of all wounds, while 60% of patients were completely healed with virtually no recurrences.

Positive results were also seen following the conclusion of a pre-clinical trial of our dCELL® meniscus product and the product has been certified safe for use. This now paves the way for clinical studies on the product to begin in Europe in the coming months as the Group looks to commercialise a product for the treatment of knee injuries, a potentially significant market due to the 1.5 million meniscal tears treated every year in the US and EU.

These developments demonstrate how Tissue Regenix continues to successfully execute its commercialisation strategy, aiming to make patient treatment more effective, improve recovery times and promote more successful healing.

House of Lords Science and Technology Committee Report

In July, the Group welcomed the findings of the House of Lords Science and Technology Committee's report on regenerative medicine, to which Tissue Regenix provided written evidence. We believe the report underlined the important role that companies like Tissue Regenix can play in driving the UK economy, as well as placing the country at the forefront of the regenerative medicine landscape and treating chronic and acute conditions.

We now await next steps, particularly regarding the recommendations made to fast-track clinical trials, regulatory approvals and facilitate research funding and co-ordination to ensure that the UK is able to capitalise on its leadership in regenerative medicine research and become a world leader in its development and commercialisation.

Financial Review

As planned, Tissue Regenix has continued to make investments in product development and increase its headcount to recruit the right people to drive business growth during the period and maintain a strong cash position of £21.7m at the end of the first half (H1 2012: £26.1m). As in previous periods, we expect to continue to use our cash resources to fund our development

Chairman's Statement

programmes, and would expect cash utilisation to increase over the coming years as the programmes progress through pre-clinical and clinical trials.

Board of Directors

As we continue to execute our commercialisation strategy, we have recognised the importance of evolving the composition of our Board of Directors to ensure that we have the appropriate levels of healthcare industry experience in place to complement the extensive expertise and talent of our executive team. To this end, during the period we appointed two new non-executive directors – Steven Couldwell and Randeep Singh Grewal – both of whom come with a wealth of knowledge and insight on our industry. They will provide invaluable support to the Group's management team with their experience of building successful international businesses based on pioneering technology.

Outlook

The first six months of this year have seen Tissue Regenix make further progress in taking our dCELL[®] technology platform to market and we are developing a growing body of evidence demonstrating the effectiveness of using our regenerative medical devices in treating chronic and acute conditions. The House of Lords Science and Technology committee report also underlines the crucial role that the UK regenerative medicine community will have in redefining treatments of chronic diseases and conditions. With this in mind, and as adoption of regenerative medical devices continues to grow, we believe that Tissue Regenix is well-positioned to capitalise on opportunities that are available in the world's most attractive markets.

John Samuel

Executive Chairman

8 October 2013

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months to 31 July 2013

	Notes	Six months to 31 July 2013 £'000	Six months to 31 July 2012 £'000	Twelve months to 31 January 2013 £'000
Operating income	3	3	2	49
Administrative expenses		(2,503)	(2,087)	(4,461)
Operating loss		(2,500)	(2,085)	(4,412)
Finance income		152	220	440
Loss before tax		(2,348)	(1,865)	(3,972)
Taxation	4	200	100	474
Loss after tax attributable to equity holders of the parent		(2,148)	(1,765)	(3,498)
Loss per share, basic and diluted:	5	(0.34p)	(0.28p)	(0.55p)

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 2013

	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 Jan 2012	3,262	31,965	10,884	(7,148)	38,963	454	(11,538)	27,879
Loss for the period	-	-	-	-	-	-	(1,765)	(1,765)
Issue of shares	2	1	-	-	3	-	-	3
Share based payment	-	-	-	-	-	53	-	53
At 31 July 2012	3,264	31,966	10,884	(7,148)	38,966	507	(13,303)	26,170
Loss for the period	-	-	-	-	-	-	(1,733)	(1,733)
Share based payment	-	-	-	-	-	29	-	29
At 31 Jan 2013	3,264	31,966	10,884	(7,148)	38,966	536	(15,036)	24,466
Loss for the period	-	-	-	-	-	-	(2,148)	(2,148)
Share based payment	-	-	-	-	-	54	-	54
At 31 July 2013	3,264	31,966	10,884	(7,148)	38,966	590	(17,184)	22,372

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 July 2013

	Notes	31 July 2013 £'000	31 July 2012 £'000	31 January 2013 £'000
Non-current assets				
Property, plant and equipment		317	199	238
Total non-current assets		317	199	238
Current assets				
Trade and other receivables		868	562	707
Cash and cash equivalents		21,671	26,106	24,206
Total current assets		22,539	26,668	24,913
Total assets		22,856	26,867	25,151
Current liabilities				
Trade and other payables		(484)	(697)	(685)
Total liabilities		(484)	(697)	(685)
Net assets		22,372	26,170	24,466
Equity				
Share capital	6	3,264	3,264	3,264
Share premium	6	31,966	31,966	31,966
Merger Reserve	6	10,884	10,884	10,884
Reverse acquisition reserve	6	(7,148)	(7,148)	(7,148)
Capital reserves		38,966	38,966	38,966
Share based payment reserve		590	507	536
Revenue deficit reserve	7	(17,184)	(13,303)	(15,036)
Total equity		22,372	26,170	24,466

Approved by the Board and authorised for issue on 8 October 2013.

John Samuel
Executive Chairman

Ian Jefferson
Chief Financial Officer

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 31 July 2013

	Six months to 31 July 2013 £'000	Six months to 31 July 2012 £'000	Twelve months to 31 January 2013 £'000
Operating Activities			
Operating loss	(2,500)	(2,085)	(4,412)
Adjustment for non-cash items:			
Depreciation of property, plant & equipment	54	31	74
Share based payment	54	53	82
Tax (charge)/credit	–	–	239
Operating cash outflow	(2,392)	(2,001)	(4,017)
Decrease/(increase) in trade & other receivables	39	(115)	(122)
(Decrease)/increase in trade & other payables	(201)	49	36
Net cash outflow from operations	(2,554)	(2,067)	(4,103)
Investing activities			
Interest received	152	220	440
Purchase of property, plant & equipment	(133)	(71)	(155)
Net cash outflow from investing activities	19	149	285
Financing activities			
Proceeds from issue of share capital	–	3	3
Net cash inflow from financing activities	–	3	3
(Decrease)/increase in cash and cash equivalents	(2,535)	(1,915)	(3,815)
Cash and cash equivalents at start of period	24,206	28,021	28,021
Cash and cash equivalents at end of period	21,671	26,106	24,206

Notes to the Condensed Financial Statements (Unaudited)

For the six months ended 31 July 2013

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 2013. These include unaudited comparatives for the six months to 31 July 2012 together with the audited accounts for the year to 31 January 2013.

These condensed consolidated financial statements do not constitute statutory accounts. The statutory accounts for the year to 31 January 2013 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 2013 and are disclosed in those statements.

3. SEGMENTAL REPORTING

At 31 July 2013, 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 income has been earned in the UK.

The majority of the Group's assets are held in the UK and the majority of its capital expenditure arises in the UK.

4. TAXATION

	Six months to 31 July 2013 £'000	Six months to 31 July 2012 £'000	Twelve months to 31 January 2013 £'000
Current Tax:			
Tax credit on research and development costs in the period	200	100	474
	200	100	474
Deferred tax:			
Origination and reversal of temporary timing differences	–	–	–
Tax credit on loss on ordinary activities	200	100	474

Notes to the Condensed Financial Statements (Unaudited)

For the six months ended 31 July 2013

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.

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 2013 £'000	Six months to 31 July 2012 £'000	Twelve months to 31 January 2013 £'000
Total loss attributable to the equity holders of the parent	(2,148)	(1,765)	(3,498)
	No.	No.	No.
Weighted average number of ordinary shares in issue during the period	635,515,678	635,267,519	635,276,123
Loss per share			
Basic and diluted on loss for the period	(0.34)p	(0.28)p	(0.55)p

The Company has issued employees options over 21,017,851 ordinary shares and there are 17,289,972 jointly owned 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
Total Ordinary shares of 0.5p each as at 31 January 2012	652,380,047	3,262	31,965	10,884	(7,148)	38,963
Issued on exercise of share options	444,972	2	1	–	–	3
Total Ordinary shares of 0.5p each as at 31 July 2012	652,825,019	3,264	31,966	10,884	(7,148)	38,966
Issued on exercise of share options	–	–	–	–	–	–
Total Ordinary shares of 0.5p each as at 31 January 2013	652,825,019	3,264	31,966	10,884	(7,148)	38,966
Issued on exercise of share options	–	–	–	–	–	–
Total Ordinary shares of 0.5p each as at 31 July 2013	652,825,019	3,264	31,966	10,884	(7,148)	38,966

Notes to the Condensed Financial Statements (Unaudited)

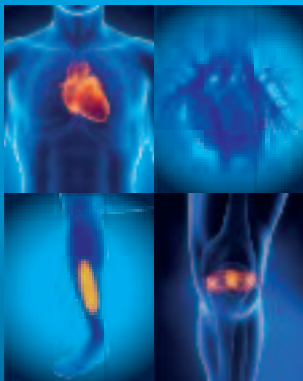
For the six months ended 31 July 2013

7. MOVEMENT IN REVENUE RESERVE AND OWN SHARES

	Retained Deficit £'000	Own Shares £'000	Revenue Deficit Reserve £'000
At 31 January 2012	(10,707)	(831)	(11,538)
Loss for the period	(1,765)	-	(1,765)
At 31 July 2012	(12,472)	(831)	(13,303)
Loss for the period	(1,733)	-	(1,733)
At 31 January 2012	(14,205)	(831)	(15,036)
Loss for the period	(2,148)	-	(2,148)
At 31 July 2013	(16,353)	(831)	(17,184)

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



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