

REGEN THERAPEUTICS PLC

Chairman's Statement and preliminary results to 31 December 2003

2003 was a year of solid achievement for ReGen Therapeutics Plc on the financial, scientific development and commercial fronts.

- **Financials**

Administrative costs (excluding development costs) were 25% lower in 2003 compared with 2002. This reflected primarily the reduction in salary overheads following the departure of three executives in 2002 and no recruitment to replace them.

Development costs fell by 44% but this reflected the ending of the clinical trials in the second quarter of 2002. During 2003 we conducted no clinical trials. Clinical trials are very much more expensive than individual pieces of laboratory scientific/development work. In fact our scientific/development spending rose during the year.

The amounts written off current asset investments in 2002 and 2003 reflect the disparity between the price we actually paid for our investment trust shares in paper and our realisation price. It must be stressed, however, that this is a paper loss. In fact this innovative financing enabled us to raise cash more cheaply and at a higher price than more conventional fundraising methods, which were not then open to us because of poor market conditions at the time. During the year, by conventional methods, we placed stock at 0.75p, 1.5p and 2p, an average price of 1.36p. Our prices per ReGen share for our three sales of Investment Trust stocks were 1.25p, 1.3p and 2.5p, an average price of 1.65p.

Turning now to the Balance Sheet the principal changes come within current assets. Our investments have now been sold. As I have said previously we are not an investment company but we were merely using this as part of our funding. Debtors increased by two and a half times, but this reflects cash of £402,000 due to us from Hoodless Brennan in respect of the December placing and subsequently paid to us in January 2004. Most importantly from our point of view, cash at bank was almost £1m (2002 £6,570). Whilst we have plans to expand our development programme during the coming year and are also into manufacturing scale-up, this amount of cash, relative to our potential needs, is very reassuring.

- **Scientific and Commercial Development**

During the year we have been working with a number of collaborators, most notably The University of Texas Medical Branch on developing our science.

Activity has focused on developing a greater understanding of the mode of action of Colostrinin™, which in turn has enabled development of bio-assays and the identification of animal (in-vivo) models. These are crucial elements in developing an

effective manufacturing process and fully evaluating the therapeutic potential of Colostrinin™ in Alzheimer's and other diseases. Progress made to date encourages the Board to believe that continuation of this work will place ReGen in a position to begin the next stage of clinical development around the end of 2004.

The Company anticipates that such clinical trials will be undertaken in collaboration with a co-development/commercialisation partner. In this context ReGen is now working with a licensing company to assist with finding such a partner.

ReGen has also made considerable progress in planning the development opportunities for Colostrinin™ as a nutraceutical, in particular in the United States.

With regard to the manufacturing of Colostrinin™ it has been confirmed that the more readily available bovine colostrum (as opposed to ovine), can be used as the source material. Work is now underway with a major US bovine colostrum processor to achieve manufacturing scale up and this enables us cost-effective access to a manufacturing facility without any major capital expenditure.

Also, although preliminary data only is available at the moment, a proteomics screen with Colostrinin™ has shown that it has the ability to selectively modulate the expression of proteins by nerve cells in culture. This confirms that active principles within Colostrinin™ are able to activate cells and direct the synthesis of proteins. The nature of these proteins is now being investigated. This work offers the prospect of shedding even more light on the way Colostrinin™ works and identifying new potential disease targets and uses.

The results of our clinical trial RG-010 will be published in the peer reviewed Journal of Alzheimer's Disease February 2004 edition. The publication of the article will communicate the potential of Colostrinin™ as a safe and effective therapy for Alzheimer's disease to a much wider audience, including potential development and/or marketing partners.

- **2004**

In 2004 we propose to develop the business by achieving manufacturing scale-up, a licensing deal and further development of our science. With this achieved, ReGen will be a very different company at the end of the year.

Percy W Lomax
Executive Chairman

12th February 2004

REGEN THERAPEUTICS PLC**Consolidated profit and loss account for the year ended 31 December 2003**

	2003 £ (Unaudited)	2002 £ (Audited)
Administrative costs		
Development costs	325,636	580,246
Other	905,619	1,211,531
Goodwill amortisation	74,490	74,490
	_____	_____
Operating loss	(1,305,745)	(1,866,267)
Interest receivable	10,391	22,157
Amounts written off current asset investments	(688,106)	(525,000)
Interest payable	(8,098)	(2,257)
	_____	_____
Loss on ordinary activities before taxation	(1,991,558)	(2,371,367)
Taxation on loss from ordinary activities	30,000	64,754
	_____	_____
Loss on ordinary activities after taxation	(1,961,558)	(2,306,613)
	=====	=====
Basic and diluted loss per share	(0.98)p	(3.05)p

REGEN THERAPEUTICS PLC

Consolidated balance sheet at 31 December 2003

	2003	2003	2002	2002
	£	£	£	£
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Fixed assets				
Intangible assets		1,825,445		1,861,786
Tangible assets		4,357		24,087
		-----		-----
		1,829,802		1,885,873
Current assets				
Investments	-		535,606	
Debtors	484,002		135,211	
Cash at bank and in hand	996,215		6,570	
		-----	-----	
	1,480,217		677,387	
Creditors: amounts falling due within one year	281,769		358,515	
		-----	-----	
Net current assets		1,198,448		318,872
		-----		-----
Total assets less current liabilities		3,028,250		2,204,745
		=====		=====
Capital and reserves				
Called up share capital		5,559,733		4,656,070
Share premium		7,592,878		5,711,478
Profit and loss account		(10,124,537)		(8,162,979)
		-----		-----
Equity shareholders' funds		3,028,250		2,204,569
Non-equity minority interests		176		176
		-----		-----
		3,028,250		2,204,745
		=====		=====

REGEN THERAPEUTICS PLC

Consolidated cash flow statement for the year ended 31 December 2003

	2003 £ (Unaudited)	2003 £ (Unaudited)	2002 £ (Audited)	£ (Audited)
Net cash outflow from operating activities		(1,609,927)		(1,785,178)
Returns on investments and servicing of finance				
Interest received	10,391		22,157	
Interest paid	(8,098)		(2,257)	
	-----	2,293	-----	19,900
Taxation		83,533		195,199
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(92)		(4,749)	
Payments to acquire intangible fixed assets	(49,719)		(75,068)	
	-----	(49,811)	-----	(79,817)
		-----		-----
Net cash outflow before management of liquid resources and financing		(1,573,912)		(1,649,896)
Management of liquid resources				
(Increase)/decrease in short term deposits	(941,221)		950,000	
Sales of short-term investments	597,500		-	
	-----	(343,721)	-----	950,000
Financing				
Proceeds of shares issued for cash	2,095,350		492,470	
Expenses paid on share issue	(60,287)		(3,921)	
	-----	2,035,063	-----	488,549
		-----		-----
Increase/(decrease) in cash		117,430		(211,347)
		=====		=====

ReGen Therapeutics Plc

Notes forming part of the financial statements for the year ended 31 December 2003

1 Accounts

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2002 has been extracted from the statutory financial statements for that year which have been filed with the Registrar of Companies. The audit report on those financial statements was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985. It did contain however an explanatory paragraph dealing with a fundamental uncertainty relating to going concern. The financial information for the year ended 31 December 2003 has been extracted from the draft statutory financial statements for that year upon which the auditors have yet to report. The auditors have indicated that their final audit report will contain an explanatory paragraph dealing with the fundamental uncertainty referred to in the next paragraph.

2 Going concern

The directors have reviewed and amended the Company's plans for utilising its existing resources and identified a need for additional funding during the next financial year. The Directors are considering a number of methods of meeting the funding requirement.

On this basis the Directors consider it appropriate to prepare the financial statements on the going concern basis.

If the fundraising and ongoing drug development programme are not successful then adjustments may be necessary to write down assets to their recoverable amounts, reclassify fixed assets and long term liabilities as current and provide for additional liabilities.

3 Accounting policies

The accounting policies used to prepare the financial information contained in this statement are consistent with those set out in the statutory financial statements for the year ended 31 December 2002. All accounting policies are in accordance with applicable accounting standards.

4 Intangible fixed assets

Costs amounting to £49,719 relating to patent rights have been capitalised in the year in accordance with the Group's stated accounting policy.

5 Share Capital

On 30 January 2003 15,000,000 ordinary shares of 5p each were issued in exchange for 750,000 10p ordinary shares in Jubilee Investment Trust plc.

On 10 April 2003 and 24 April 2003, the company issued 32,793,333 and 20,000,000 ordinary shares of 0.1p each respectively at a premium of 0.65p per share.

On 22 July 2003, the company issued 63,600,000 ordinary shares of 0.1p each at a premium of 1.4p per share.

On 10 December 2003 and 23 December 2003, the company issued 32,600,000 and 4,670,000 ordinary shares of 0.1p each respectively at a premium of 1.9p per share.

The issued shares rank pari passu with existing shares.

6 Loss per share

The basic loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial year. The weighted average number of equity shares in issue are 200,799,291 and the loss is £1,961,558 (2001 - 75,500,242 shares and the loss £2,306,613).

The effect of all potential ordinary shares is anti-dilutive.

7 Reconciliation of movements in equity shareholders' funds

	2003 £ (Unaudited)	2002 £ (Audited)
Loss for the financial year	(1,961,558)	(2,306,613)
New share issue	903,663	1,306,841
Premium on new share issue net of issue costs	1,881,400	242,315
	-----	-----
Increase/(decrease) to equity shareholders' funds	823,505	(757,457)
Opening equity shareholders' funds	2,204,569	2,962,026
	-----	-----
Closing equity shareholders' funds	<u>3,028,074</u>	<u>2,204,569</u>

8 Reconciliation of operating loss to net cash outflow from operating activities

	2003 £ (Unaudited)	2002 £ (Audited)
Operating loss	(1,305,745)	(1,866,267)
Amortisation	86,060	76,597
Depreciation	19,822	19,121
(Increase)/decrease in debtors	(392,323)	59,293
Decrease in creditors	(17,741)	(73,922)
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Net cash outflow from operating activities	(1,609,927)	(1,785,178)
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9 Reconciliation of net cash flow to movement in net funds

	2003 £ (Unaudited)	2002 £ (Audited)
Increase/(decrease) in cash in the year	117,430	(211,347)
Increase/(decrease) in liquid resources	405,615	(414,394)
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Movement in net funds in the year	523,045	(625,741)
Net funds at start of year	473,170	1,098,911
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Net funds at end of year	996,215	473,170
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The annual report and financial statements for the year ended 31 December 2003 will be sent to all shareholders in due course and copies will be available from the company's business address at Suite 406, Langham House, 29-30 Margaret Street, London, W1W 8SA.

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