

ReGen Therapeutics Plc

Interim Results for the Six Months' to 30 June 2003

CHAIRMAN'S STATEMENT

- First half expenditure reduced by 46% compared with the first half of 2002.
- £1.67 million raised to meet funding needs into 2004.
- Colostrinin™ trial studies provisionally accepted for publication in an international peer reviewed journal.
- Colostrinin™ project on target for resumption of clinical studies in second half of 2004.
- Nutraceutical potential of Colostrinin™ encouraged by interest from manufacturers and distributors in USA, Australia and New Zealand.

I am pleased to report on the progress of the Company. I would like to comment firstly on the financial items.

- Expenditure

Expenditure in the first half of the year was down by 46% on the comparative period of 2002 and this reflected two factors. Firstly, cost cutting carried out in the second half of 2002 showed through in these figures. Secondly, development costs were lower as we were in the process of commissioning the next set of studies, which are now on going, and we will see a significant rise in development expenditure in the second half of the year. I should also point out that we have always counted the Chief Scientific Officer and Development Director within administrative costs whereas in fact their time is wholly involved with scientific development.

- Funding

Since the beginning of April 2003, the Company has raised approximately £1.67m through placing of new shares and disposal of investments in New Opportunities Investment Trust plc ("NOIT") and Jubilee Investment Trust plc ("Jubilee"). Subsequent falls in share prices of these Trusts require the Company to make a provision of £761,000 during the period. We stress that this is not a cash loss to the Company and shareholders should note the two following points:

- a) The Investment Trust funding was crucial in securing our financial future at a time when more traditional methods were not available and, at the time, no one anticipated the falls in the Investment Trust stock prices.
- b) The share exchange was done at a ReGen price of 5p in both cases. This is significantly above the current share price and above the two prices at which we have raised equity in the first half of the year (0.75p and 1.5p). In practice, therefore, taking into account the fall in the Investment Trust price we actually sold the NOIT shares at 1.25p per ReGen share and the Jubilee shares at 1.3p

per ReGen share. I would also stress that with transactions of this type there is very little additional cost.

Although cash at bank was £43,000 at the half-year end, this does not take into account our fundraising activities since that date. Our share placing on 15th July raised £954,000 and we received £194,000 from the sale of Jubilee shares on the 8th July. We still retain 560,606 NOIT shares.

Looking to the future we now have funding for our needs into 2004 and whilst we anticipate the possible need for further funding in order to complete our current scientific development programme the amounts involved are not expected to be significant to the Company.

- Colostrinin™

Since we reported on our scientific development in our AGM Statement only three month's ago there have been no major advances in our programme, but we continue to receive confirmatory science in respect of Colostrinin™.

Importantly however, following submission of our manuscript on the full findings of the clinical trial of Colostrinin™ on 106 patients in Poland, we are pleased to confirm that the article has been provisionally accepted for publication within the next few months in an international peer reviewed journal. This 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.

We remain on course to be in a position to resume clinical studies supporting initially the development of a nutraceutical product during the second half of 2004 as planned.

- Nutraceutical potential

We are pleased to report that we have received several enquiries from established nutraceutical distributors in the United States, who have expressed an interest in discussing the potential to add Colostrinin™ to their existing product portfolio. Similarly, we are continuing to make contact with potential manufacturers and distributors of colostrum based products in the USA, Australia and New Zealand as potential manufacturers and/or distributors of Colostrinin™.

- Acquisitions

It remains the view of the Board of Directors that the future success of ReGen can be strengthened and protected by the acquisition of other corporate entities whose business either enhances the potential of the Company's existing projects or adds a new dimension for future growth into new areas of business activity.

Conclusion

The Colostrinin™ project remains on schedule and we continue to be confident in the potential for its future success.

We are also most encouraged by the support we continue to attract from investors. Although the overall climate in equity markets appears to be somewhat brighter than it was a year ago, raising funding in the biotech sector has continued to be difficult and we consider our own success in this area to be a very positive demonstration of confidence in the way in which ReGen conducts its business.

Finally, I would like to add my own thanks to everyone who continues to contribute to the success of the Company; our employees, consultants and advisors and, last but certainly not least, our shareholders and investors.

Percy Lomax
Chairman
24th September 2003

Further information:
Andrew Marshall
Marshall Robinson Roe
Tel: 020 7960 6007

ReGen Therapeutics Plc

Interim Results for the Six Months' to 30 June 2003

Consolidated Profit and Loss Account For the six months ended 30 June 2003

	Unaudited 6 months to 30-Jun-03	Unaudited 6 months to 30-Jun-02	Audited Year to 31-Dec-02
	(£000)	(£000)	(£000)
Administrative expenses	450	679	1,212
Goodwill amortisation	37	37	74
Development costs	122	419	580
Operating loss	(609)	(1,135)	(1,866)
Amounts written off current asset investment	(761)	-	(525)
Interest Receivable	-	16	22
Interest Payable	(6)	-	(2)
Loss on ordinary activities before taxation	(1,376)	(1,119)	(2,371)
Tax on ordinary activities	(40)	(71)	(64)
Loss on ordinary activities after taxation	(1,336)	(1,048)	(2,307)
Loss per share (basic and diluted)	(1.05)p	(1.54)p	(3.05)p

ReGen Therapeutics Plc

Consolidated Balance Sheet

	Unaudited As at 30-Jun-03 (£000)	Unaudited As at 30-Jun-02 (£000)	Audited As at 31-Dec-02 (£000)
Fixed Assets			
Intangible assets	1,835	1,871	1,862
Tangible assets	11	26	24
	<hr/>	<hr/>	<hr/>
	1,846	1,897	1,886
Current assets			
Investments	400		536
Debtors	55	214	135
Cash at bank	43	705	6
	<hr/>	<hr/>	<hr/>
	498	919	677
Creditors: amounts falling due within one year	<hr/>	<hr/>	<hr/>
	(329)	(409)	(358)
Net current assets	<hr/>	<hr/>	<hr/>
	169	510	319
Net assets	<hr/>	<hr/>	<hr/>
	2,015	2,407	2,205
Capital and reserves			
Share Capital - Issued and fully paid	161	3,596	4,656
- Deferred	5,298	-	-
Share premium	6,055	5,715	5,712
Profit and loss account	(9,499)	(6,904)	(8,163)
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Equity shareholders' funds	2,015	2,407	2,205
	<hr/>	<hr/>	<hr/>
	2,015	2,407	2,205

ReGen Therapeutics Plc

Consolidated Cash Flow Statement

	Unaudited As at 30-Jun-03 (£000)	Unaudited As at 30-Jun-02 (£000)	Audited As at 31-Dec-02 (£000)
Operating loss	(609)	(1,135)	(1,866)
Amortisation	43	38	77
Depreciation	13	12	19
Decrease in debtors	36	69	59
(Decrease)/increase in creditors	(29)	46	(74)
Net cash outflow from operating activities	(546)	(970)	(1,785)
Returns on investments and servicing of finance			
Interest received	-	16	22
Interest paid	(6)	-	(2)
Taxation	84	113	195
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	-	-	(5)
Payments to acquire intangible fixed assets	(16)	(45)	(75)
Net cash outflow before management of liquid resources and financing	(484)	(886)	(1,650)
Management of liquid resources			
Decrease in short term deposits	-	350	950
Sales of short-term investments	125	-	-
Financing			
Proceeds of shares issued for cash	396	492	493
Expenses paid on share issue	-	-	(4)
	396	492	489
Increase/(Decrease) in cash	37	(44)	(211)

Notes to the Interim Report:

Basis of preparation

The results for the six months ended 30 June 2003 are unaudited and have been prepared on a basis consistent with the statutory accounts for the year ended 31 December 2002. The comparative amounts for the year ended 31 December 2002 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but have been extracted from the audited statutory accounts delivered to the Register of Companies on which the auditors issued an unqualified report which did not contain a statement under section 237 of that Act.

Loss per share

The calculation of loss per share is based on the weighted average number of shares in issue for the period of 127,447,758 and the loss for the period of £1,335,869.

Reconciliation of movements in equity shareholders' funds

	30-Jun-03 (£000)
Loss for the six months	(1,336)
New share issues	803
Premium on new share issues net of issue costs	<u>343</u>
Decrease to equity shareholders' funds	(190)
Opening equity shareholders' funds	2,205
Closing equity shareholders' funds	<u><u>2,015</u></u>

Intangible fixed assets

Costs amounting to £16,105 relating to patent rights have been capitalised for the six months to 30 June 2003 in accordance with the company's stated accounting policy.

Post balance sheet events

On 15 July 2003 ReGen Therapeutics Plc placed with new and existing shareholders 63,600,000 0.1p ordinary shares at 1.50p per share raising £954,000 before expenses.