**For Immediate Release**

**30 June 2009**

**ReGen Therapeutics Plc ("ReGen" or "the Company")**

**Audited Report and Accounts and Notice of Meeting**

**Total Voting Rights**

**The Board of ReGen Therapeutics Plc (AIM:RGT) today announces that the Audited Annual Report and Accounts for the year to December 31 2008 ("the Accounts") together with the Notice of Meeting have been posted to Shareholders.**

**The Annual General Meeting will take place at 11.00 am on 21 July 2009 at the offices of Orrick, Herrington & Sutcliffe, Tower 42, Level 35, 25 Old Broad Street, London EC2N 1HQ.**

**Both the Accounts and Notice of Meeting are available on the Company's website: www.regentherapeutics.com**

**Total Voting Rights**

For the purposes of the Disclosure and Transparency Rules of the Financial Services Authority, the Board of ReGen is required to notify the market of the following:

As at the date of this announcement, the Company's issued share capital consists of 28,029,882 ordinary shares with a nominal value of 0.01 p each, with voting rights ("Ordinary Shares"). The Company does not hold any Ordinary Shares in Treasury.

Therefore the total number of Ordinary Shares in the Company with voting rights is 28,029,882.

The above figure of 28,029,882 Ordinary Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Service Authority's Disclosure and Transparency Rules.

**Final Results**

**Chairman's statement**

**Highlights**

- Loss before tax from continuing operations reduced by £1.076m to £1.510m. Further £1m reduction expected in 2009.
- Colostrinin™ sales up 44%. Worldwide roll-out proceeds.
- Intellectual Property portfolio still being enhanced.
- Sustainable profitability expected in 2010.

ReGen Therapeutics Plc ("ReGen" or "the Company" or "the Group") reacted quickly to the financial crisis, which engulfed the World in 2008. The Directors realised that as a small company, mainly dependent upon the capital markets in the unfashionable biotechnology sector, it was particularly vulnerable to the freezing of liquidity. The Directors therefore took every step to cut costs and focus on the commercial development of Colostrinin™ so that the Company would be able to fund itself as quickly as possible.

The commercialisation of Colostrinin™, further described below, means that the Company will achieve earlier profitability than was formerly the case. We also achieved a number of significant scientific milestones, which we also detail later in this statement.

## Financials

Colostrinin™ sales rose 44% in 2008 to £91,982. Whilst these sales were over a full year for Metagenics in the USA, Canada and Australia the 2007 figures had been boosted by inventory building.

Research and Development costs fell during the year by £472,029 (59%) to £330,274. This reflected a number of items:

1. The largest fall was in the development cost of zolpidem, which finished its programme in 2008. Having reached a cost peak, including a successful clinical trial in 2007, zolpidem costs fell by £210,831 (45% of the total reduction). Whilst this project is now available for licensing to third parties we are pursuing external sources of funding which should give a chance of securing an enhanced licensing deal at no further cost to shareholders.
2. The veterinary work on Colostrinin™ came to an end at the start of 2008 and costs in this area fell by £79,900 (17% of the total). We are attempting to license out the project and no further development work is planned.
3. Nutraceutical Colostrinin™ is now in the roll out stage so costs here have dramatically reduced. Pharmacology and toxicology fell from £88,812 to £892. Licensing expenditure was reduced by £25,812 as we took the commercial development in-house.
4. Colostrinin™ peptide research was also reduced by £45,803 as part of the Company's attempt to conserve cash. We did, however, complete the next stage of the Company's research programme. The results are now being evaluated by two global companies. We may, therefore, enter into a co-development partnership or licensing deal, which would enhance shareholder value.

Other administration costs from continuing operations also showed a fall of 18% as we kept careful control of expenses. This figure, however, understates the fall in cash expenditure, as there was an increase in the amortisation of patents of £263,346, a non-cash item. Thus, taking this into account and changes in depreciation cash expenditure for continuing operations was just £994,542 of which staff costs were £458,705 (46% of total). These costs were down 32% on the previous period and in view of the actions taken during the year staff costs will approximately halve in 2009. Thus, the loss before taxation for continuing activities fell by 42% to £1.510m.

Turning now to the Balance Sheet the deterioration in cash and cash equivalents of £563,873 is the result of the freezing of the capital markets, which meant that ReGen raised only £677,138 of new capital in 2008, compared to £2,486,875 in 2007. The Company had to react by savagely cutting costs, utilising the cash balances available, and extending its terms of trade where possible. This meant that Directors' salaries were halved, cash balances fell by £562,680, trade and other payables rose 57% (£178,063). During 2009, the Company has raised £367,000 so we believe that this deterioration has ceased and to some extent reversed.

## Commercial development

### Colostrinin™ roll out accelerates:

The roll out of Colostrinin™ as a nutraceutical, which has been developed to support healthy brain ageing and cognition is continuing in line with the Company's expectations.

The product is being sold (under the brand name CogniSure™) via healthcare professionals in the US, Canada and Australia through Metagenics, ReGen's licensing partner for those territories. Retail opportunities in the US market are being actively pursued.

At the beginning of March 2008, the Company announced its first European Union distribution agreement for Colostrinin™ with Golgi Pharmaceuticals Ltd of Cyprus and the launch of the nutraceutical product, under the brand name Cognase™, took place in October 2008.

The agreement with Golgi was extended on 25 March 2009 to allow them to distribute Colostrinin™ in Greece and other Balkan countries. On the same day a further agreement was signed with Golgi for them to tablet and

package Colostrinin™ in the Republic of Cyprus. As part of this arrangement Golgi has directly invested £28,000 in cash into ReGen in exchange for 700,000 shares priced at 4p per share. This represented at the time 3.4% of the enlarged share capital of the Company and was a 33% premium to the previous placing on 2 March 2009.

On 26 November 2008 ReGen signed an agreement with Tagerr for the test marketing of Colostrinin™ in Poland. Tagerr is a professional services and trading company established in Cologne, Germany. In operation since 1995, Tagerr has enjoyed a number of successes in the marketing and distribution of consumer products including food supplements in Central Europe and Germany. In April 2009 it gained approval to import and market Colostrinin™ in Poland.

On 29 January 2009 ReGen signed an agreement with Eczacibasi Ilac Pazarlama A.S., a leading Turkish industrials group, as the exclusive distributor of its nutraceutical product Colostrinin™ in the Republic of Turkey.

This appointment is conditional upon Eczacibasi securing import and regulatory approval for the product. Should approval be forthcoming Eczacibasi will pay ReGen a $50,000 milestone payment on approval being granted and then a fee per unit for the active ingredient component of the formulated product. Net Revenues to ReGen from Eczacibasi pursuant to the minimum annual purchase commitments in the distribution agreement are estimated to be $52,000 in the first year after regulatory approval is obtained, and $104,000 in the second year.

Whilst the main Colostrinin™ "use" patent expires in October 2016, we are pleased to announce that the EU patent, which protects our manufacturing process, has been granted and this expires in March 2024. The manufacture of Colostrinin™ is proprietary and complex so that this patent grant is of considerable commercial significance.

## Scientific development

### Alzheimer's Conference on 17th September, 2008

Professor Marian Kruzel, the Company's Chief Scientific Advisor presented a poster reviewing how Colostrinin™ achieves its clinical effect at the first Clinical Trials in Alzheimer's Disease Conference, held in Montpellier, France, 17th September, 2008.

Summarising the contents of his poster, Professor Kruzel said:

"In this presentation I explained how such a low dose of Colostrinin™ can produce significant medical benefits in AD patients. I focussed on our findings from recent genomic microarray work, which shows that Colostrinin™ can favourably modulate the expression of several molecules involved in the pathology of Alzheimer's disease (upregulation of bleomycin hydrolase, downregulation of APP and effect on Tau phosphorylation). This enables the body's own multiple responses to reduce neuronal pathology and achieve homeostasis. The effect on Tau is said to be the reason for the response witnessed by the patients taking the drug Rember – product/trademark of TauRx. This data suggests that Colostrinin™, may be one of the first compounds with the potential to impact both Tau tangles and beta amyloid plaques, the two key pathologies of Alzheimer's disease."

## Peer-reviewed International Immunopharmacology Journal

On the 4th December 2008 the full results of the genomic microarray study were published on line ahead of availability in print by the peer-reviewed journal International Immunopharmacology.

We emphasise two key points of the article. Firstly, Colostrinin™ can favourably modulate the expression of several molecules involved in the pathology of Alzheimer's disease – upregulation of bleomycin hydrolase, downregulation of APP and effect on Tau phosphorylation. Given that Alzheimer's is a complex disease the multi-faceted action shown by Colostrinin™ is significant. Secondly, Colostrinin™ also modulates other molecules involved in biological pathways associated with other conditions such as obesity and allergy.

For a long time ReGen has had compelling experimental and clinical data that suggest Colostrinin™ can support healthy brain ageing and cognition. In discussions with potential licensing partners, investors and healthcare practitioners however, initially, there has always been a degree of scepticism that a small dose of peptides given orally could lead to significant clinical effects. ReGen's recent work, which suggests that Colostrinin™ absorbed in the lining of the mouth triggers the production of other molecules that lead to the final outcome, should go a considerable way to removing this as an issue and lead to greater use of the product.

## Expert Opinion on Pharmacotherapy

An article by Professor Mike Stewart of the Open University, Milton Keynes, UK, reviewing the benefits of Colostrinin™ has also recently been published on-line in the journal Expert Opinion on Pharmacotherapy, October 2008. Summarising his article, Professor Stewart, a former scientific consultant to ReGen, said:

'Neurodegenerative illnesses such as Alzheimer's disease and their debilitating effects pose a major problem as their incidence increases. Given that Colostrinin™ has efficacy in counteracting neural degradation, stimulating neural growth, reducing oxidative stress, preventing beta-amyloid aggregation and prolonging the lifespan of mice prone to premature ageing it would seem to have much to commend its use as a nutraceutical in the early stages of cognitive decline in ageing humans and companion animals'.

## Zolpidem

In June 2008, the Company announced that collaborators at Aston University, Birmingham UK had discovered new evidence of zolpidem's unique mode of action using pharmaco-magneto-encephalography (MEG) brain imaging. They found that non-functioning areas of the brain within the stroke damaged area of a patient were being kept in a dormant state by excessive slow wave activity that zolpidem reversed. This effect could not be reproduced with either a placebo or another sedative with a similar pharmacological action (zopiclone). ReGen has filed a new patent application around this important discovery.

Recent analysis of data from ReGen's first clinical study has established in patients with long-standing brain damage that the sublingual route of dosing is more consistent, faster in onset and more potent than existing tablets, characteristics that will greatly help patients to control the effect of dosing when they need to avoid sedation. More importantly, the trial also demonstrated that 2.5mg sublingually was non-sedative even when repeated, and since published reports have shown 2.5mg to be an effective dose in this new indication, it established a clear demarcation between ReGen's new indication and generic sedative formulations.

Currently, and with advice from internationally respected experts in stroke rehabilitation, ReGen has planned a further, double-blind clinical trial in the UK designed to demonstrate the efficacy of repeated doses of zolpidem after stroke. This trial will only proceed if an application for outside funding is successful. This trial, if positive, will prove unequivocally that zolpidem works in this new indication.

In the meantime, a study is ongoing at the University of Pretoria, examining the use of zolpidem to reverse neurodormancy after brain damage. Preliminary findings from this study were presented at the Asia Oceania Congress of Nuclear Medicine and Biology, Delhi, India, November 2008.

In this prospective study, 40 patients with clinical and neurologically-confirmed brain damage due to various causes (mainly stroke and traumatic brain injury) were investigated by brain SPECT imaging before and after zolpidem. All patients underwent non-attenuation corrected Ceretec rest/zolpidem imaging. All testing was completed within a maximum period of a week. Three neuroimaging experts not directly involved in the study reviewed all of the images for each subject blinded to the treatment received. Concordance / discordance of brain SPECT and neurological assessment was determined. The results show that 72.5% of patients demonstrated an improvement in cerebral perfusion after zolpidem, which is significantly higher than the response rate based on clinical measurements only.

The findings of the MEG studies regarding the mechanism of the neurodormancy reversal and the preliminary findings of the Pretoria study were presented by Dr Ralf Clauss, a Scientific Advisor to ReGen, at the Ehrlich II Congress on 'Magic Bullets' in Nuremberg, Germany, at the beginning of October 2008.

There have been so many individual reports of a beneficial effect from zolpidem in a wide range of brain damage, from birth injury to trauma, stroke and others, that it is clear that zolpidem can help a considerable proportion of patients. The new Pretoria study suggests that the proportion of cases that might benefit from zolpidem could be much higher than expected from simple clinical responses. In some patients the benefit has been profound with recoveries of speech, continence, cognitive function and limb paralysis. Moreover, there has been no report of undue adverse effects other than the expected daytime sedation, all of which suggests that zolpidem should be tried in every case of brain injury.

## OTCQX International

On 14 July 2008 ReGen announced the listing of its American Depositary Receipts (ADRs) on the OTC market's prestigious tier, International PrimeQX. Pink OTC Markets Inc., is the leading electronic inter-dealer quotation system, trading technology and financial information provider for over-the-counter (OTC) securities. International Prime QX changed its name to OTCQX International in 2009.

## People

**Keith Corbin** left the Board on 9 July 2008. He was the only person apart from myself who had been a Director of the Company since inception. During this period of time I found him to be a valuable source of advice and support and his comments were always perceptive at the Board meetings. We will miss him and wish him well with his demanding job running an International Trustee business.

**Nick Mills** died unexpectedly in 2008. Nick was our veterinary consultant whose idea it was to develop a veterinary use for Colostrinin™. He completed a successful veterinary trial for the Company, upon which we hope to be able to capitalise.

**Karl Kirwan** died at the young age of 44 in Dublin in 2008. He was the prime mover behind us going to the OTCQX, to which we were finally admitted in July 2008.

Both Nick and Karl will be sadly missed and we wish their families well.

## Summary

In the Report and Accounts for 2007 I commented that ReGen was getting to a stage where the nutraceutical product could take the Company into sustainable profitability. Indeed, up until quite recently it was our expectation that we would reach profitability in 2009. The credit crunch has had a severe impact on the business of our appointed and potential distributors and therefore on our development in the key markets of the USA and India. Consequently we now believe that we will not achieve sustainable profitability until 2010. Our losses until then, however, are expected to be significantly less than in 2008. In 2008 we lost £1.510m before tax for continuing operations compared with £2.586m in 2007, a reduction of £1.076m. We expect losses to decrease by an even larger amount in 2009 with sustainable profitability being achieved during 2010.

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**Report of the independent Auditors**

**To the shareholders of ReGen Therapeutics Plc**

We have audited the group and parent company financial statements (the "financial statements") of ReGen Therapeutics Plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and parent Company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Respective responsibilities of Directors and Auditors*

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only, the Chairman's Statement and the Operational Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

*Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosure in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

*Opinion*

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Emphasis of matter – going concern*

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the ability of the group to continue as a going concern.

The financial statements have been prepared on the going concern basis, which depends on the outcome of future fund raising and the generation of revenues from licensing deals. These conditions indicate the existence of a material uncertainty, which may cast significant doubt on the ability of the group to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

**Mazars LLP**
Chartered Accountants
Registered Auditors
Tower Bridge House
St Katharine's Way
London, E1W 1DD

**REGEN THERAPEUTICS PLC**

**Consolidated income statement for the year ended 31 December 2008**

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| Continuing operations | | |
| **Revenue** | **91,716** | 63,810 |
| **Cost of sales** | **20,447** | 24,042 |
| **Gross Profit** | **71,269** | 39,768 |
| Research and development costs | **330,274** | 802,303 |
| Other administrative costs | **1,257,888** | 1,525,728 |
| Impairment of intangible assets | | 348,562 |
| **Administrative expenses** | **1,588,162** | 2,676,593 |
| **Operating loss** | **(1,516,893)** | (2,636,825) |
| Finance income | **10,308** | 56,534 |
| Finance costs | **(3,436)** | (5,434) |
| **Loss before taxation** | **(1,510,021)** | (2,585,725) |
| Taxation | **80,590** | 168,517 |
| **Loss after taxation for continuing activities** | **(1,429,431)** | (2,417,208) |
| Discontinued operations | | |
| **(Loss)/profit after taxation from discontinued operations** | **(33,936)** | 32,134 |
| **Loss after taxation for the year** | **(1,463,367)** | (2,385,074) |
| Basic and diluted loss per share **– Note 3** | **(12.27)p** | (25.71)p |
| Basic and diluted loss per share on continuing operations | **(11.98p)** | (26.07p) |
| Basic and diluted (loss)/profit per share on discontinued operations | **(0.28p)** | 0.36p |

# ReGen Therapeutics Plc

**Consolidated Statement Of Changes In Equity**
**for the year ended 31 December 2008**

| **Audited** | **Share capital £** | **Share premium £** | **Other reserves £** | **Retained earnings £** | **Total £** |
|---|---|---|---|---|---|
| At 1 January 2007 | 5,992,251 | 11,991,836 | 265,745 | (15,821,988) | 2,427,844 |
| Loss for the year | - | - | - | (2,385,074) | (2,385,074) |
| Total recognised income and expense for the year | - | - | - | (2,385,074) | (2,385,074) |
| Net issue of share capital | 331,584 | 1,977,558 | - | - | 2,309,142 |
| Recognition of share based payments | - | - | - | 88,184 | 88,184 |
| Balance at 31 December 2007 | 6,323,835 | 13,969,394 | 265,745 | (18,118,878) | 2,440,096 |
| Loss for the year | - | - | - | (1,463,367) | (1,463,367) |
| Total recognised income and expense for the year | - | - | - | (1,463,367) | (1,463,367) |
| Issue of share capital | 281,168 | 395,970 | - | - | 677,138 |
| Share issue costs | - | (218,151) | - | - | (218,151) |
| Recognition of share based payments | - | - | - | (95,532) | (95,532) |
| Balance at 31 December 2008 | **6,605,003** | **14,147,213** | **265,745** | **(19,677,777)** | **1,340,184** |

# ReGen Therapeutics Plc

## Consolidated balance sheet at 31 December 2008

| | 2008 £ | 2008 £ | 2007 £ | 2007 £ |
|---|---|---|---|---|
| **Non current assets** | | | | |
| Property, plant and equipment | | **1,017** | | 2,674 |
| Intangible assets | | **1,759,250** | | 1,946,559 |
| | | **1,760,267** | | 1,949,233 |
| ***Current assets*** | | | | |
| Inventories | **28,571** | | 6,649 | |
| Trade and other receivables | **87,090** | | 212,779 | |
| Tax receivable | **80,590** | | 145,833 | |
| Cash and cash equivalents | **25,157** | | 587,837 | |
| **Total current assets** | | **221,408** | | 953,098 |
| **Total assets** | | **1,981,675** | | 2,902,331 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | **489,699** | | 311,636 | |
| Loans and borrowings | **51,792** | | 50,599 | |
| **Total current liabilities** | | **541,491** | | 362,235 |
| **Non current liabilities** | | | | |
| Provisions | | **100,000** | | 100,000 |
| **Total liabilities** | | **641,491** | | 462,235 |
| **Total net assets** | | **1,340,184** | | 2,440,096 |
| **Equity** | | | | |
| Share capital | | **6,605,003** | | 6,323,835 |
| Share premium | | **14,147,213** | | 13,969,394 |
| Other reserves | | **265,745** | | 265,745 |
| Retained earnings | | **(19,677,777)** | | (18,118,878) |

| | | |
|---|---|---|
| **Total equity** | **1,340,184** | 2,440,096 |

# ReGen Therapeutics Plc

## Consolidated cash flow statement
## for the year ended 31 December 2008

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| **Loss after tax from continuing activities** | **(1,429,431)** | (2,418,208) |
| **(Loss)/profit after tax on discontinued activities** | **(33,936)** | 33,134 |
| **Loss after tax for the financial year** | **(1,463,367)** | (2,385,074) |
| Impairment of goodwill | **-** | 348,562 |
| Amortisation of intangible assets | **298,256** | 34,910 |
| Depreciation of property, plant and equipment | **1,656** | 24,353 |
| Share option (credit)/charge | **(95,532)** | 88,184 |
| Interest charged | **7,830** | 8,581 |
| Interest credited | **(10,311)** | (56,537) |
| Taxation credit | **(80,590)** | (168,517) |
| Taxation received | **145,833** | 138,148 |
| **Operating cash flows before movements in working capital and provisions** | **(1,196,225)** | (1,967,390) |
| (Increase)/decrease in inventories | **(21,922)** | 13,482 |
| Decrease in receivables | **125,689** | 16,739 |
| Increase/(decrease) in payables | **178,064** | (247,956) |
| **Net cash outflow from operating activities** | **(914,394)** | (2,185,125) |
| ***Cash flows from investing activities*** | | |
| Purchase of property, plant and equipment | | (710) |
| Purchase of intangible assets | **(110,947)** | (69,630) |
| **Net cash used in investing activities** | **(100,636)** | (13,803) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of share capital | **677,138** | 2,486,875 |
| Expenses paid on share issue | **(218,151)** | (177,733) |
| Interest paid | **(7,830)** | (8,581) |
| **Net cash from financing activities** | **451,157** | 2,300,561 |
| **Net (decrease)/increase in cash and cash equivalents** | **(563,873)** | 101,633 |

| | | |
|---|---|---|
| **Opening cash and cash equivalents** | **537,238** | 435,605 |
| **Closing cash and cash equivalents** | **(26,635)** | 537,238 |

## 1 General information

The principal activity of ReGen is the development of healthcare products both nutraceutical and ethical pharmaceuticals and, conducting pharmacokinetic and pharmacodynamic research. The Company is registered in the UK and was incorporated on 11 February 1998. The address of its registered office is Suite 306, 73 Watling Street, London, EC4M 9BJ. The registered number of the company is 03508592.

## 2 Accounting policies

*Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs") and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

*Going concern*

The financial statements have been prepared on a going concern basis. However, the Group's ability to continue as a going concern is reliant upon successfully obtaining funds to finance ongoing development. In considering the appropriateness of this basis of preparation the directors have reviewed the Company's working capital forecasts. They believe that the funds raised recently, including new equity funds of £367,185 in aggregate raised between the balance sheet date and the date of approval of these financial statements, together with further options being considered and taken in conjunction with revenues from licensing, will be sufficient for the Group's purposes for a minimum of 12 months from 30 June 2009. If the Group was unable to secure sufficient funding to enable it to continue on a going concern basis then adjustments would be necessary to write down assets to their recoverable amounts, reclassify fixed assets and long term liabilities as current and provide for additional liabilities.

**2 Accounting policies** *(Continued)*

*Standards, interpretations and amendments to published standards effective in 2008 but which are not relevant to the Group*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has decided not to adopt early. These are:

– *IFRS 8, Operating Segments* (effective for accounting periods beginning on or after 1 January 2009). This standard sets the requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The Group expects to apply this standard in the accounting period beginning on 1 January 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

– *IAS 23, Borrowing Costs (revised)* (effective for accounting period beginning on or after 1 January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. The Group is currently assessing its impact on the financial statements.

– *IFRIC 13, Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is still to be endorsed by the EU. IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is not relevant to the Group's operations due to absence of such arrangements.

– *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 is still to be endorsed by the EU. IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. Management is currently assessing the impact of IFRIC 14 on the accounts.

**2 Accounting policies** *(Continued)*

**Standards, amendments and interpretations to published standards not yet effective**

– *Revised IFRS 3, Business Combination and complementary Amendments to IAS 27, 'Consolidated and separate financial statements* (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and results in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.

– *Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations* (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The Amendment to IFRS 2 is of particular relevance to companies that operate employee shares save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. Management is currently assessing the impact of the Amendment on the accounts.

– *Amendment to IFRS 5, Non-current assets held for sale and discontinued operations: amendments resulting from April 2009 annual improvements to IFRSs* (effective for accounting periods beginning on or after 1 January 2010). Management is currently assessing the impact of the Amendment on the accounts.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements:

*Research and development*

Research expenditure is recognised in the income statement in the year in which it is incurred. Development expenditure is recognised in the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 "Intangible Assets". Regulatory and other uncertainties generally mean that such criteria are not met. Where, however the recognition criteria are met, intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives from product launch. This policy is in line with industry practise.

*Revenue*

Revenue represents amounts invoiced during the year for goods and services provided in the normal course of business, exclusive of Value Added Tax.

Sales of Colostrinin™ are recognised when goods are delivered and title has passed.

Revenue arising from the sale of clinical trial services is recognised by reference to the stage of completion of the trial activity at the balance sheet date. The stage of completion is determined by reference to the milestones achieved and pertinent criteria such as the number of patients that have taken part at certain stages of the trial.

**2 Accounting policies** *(Continued)*

*Operating loss*

Operating loss is stated after crediting all operating income and charging all operating expenses but before crediting/charging financial income/expense.

*Basis of consolidation*

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

*Business combinations*

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated income statement from the date on which control is obtained.

*Goodwill*

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

*Impairment of non-financial assets*

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 31 December. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill (see note 16).

*Segment reporting*

A reportable segment, as defined by IAS 14 ''Segment Reporting'', is a distinguishable business or geographical component of the Group, that provides products or services, that are subject to risks and rewards that are different from those of other segments. The Group considers its primary reporting format to be business segments. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service and is subject to separate risks and rewards.

**2 Accounting policies** *(Continued)*

*Property, plant and equipment*

Items of property, plant and equipment are initially recognised at cost.
All items of property, plant and equipment are carried at depreciated cost.

Depreciation is provided to write off the carrying value of items over their expected useful lives. It is applied at the following rate:

Office equipment - 25% per annum on cost.

*Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

*Foreign currency*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the rate when the transaction took place and the balance sheet translated into Sterling at the rate of exchange ruling on the balance sheet date. Exchange differences, which arise from translation of the opening net assets and results of foreign subsidiary undertakings, are taken to reserves.

*Financial instruments*

In relation to the disclosures made in note 4:

Financial assets and financial liabilities are recognised on the Group's balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

*Trade Receivables*

Trade receivables represent amounts due from customers in the normal course of business. These are recognised at fair value and subsequently at amortised cost unless the effect of discounting is immaterial. Appropriate allowance is made for impairment.

*Cash and cash equivalents*

Cash and cash equivalents include cash at hand and deposits held at call with banks with original maturities of three months or less.

*Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**2 Accounting policies** *(Continued)*

*Internally generated intangible assets (research and development costs)*

Research expenditure is recognised in the income statement in the year in which it is incurred. Development expenditure is recognised in the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 ”Intangible Assets”, namely:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Regulatory and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives from product launch.

*Externally generated intangible assets (Patents and trademarks)*

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement.

The significant intangibles recognised by the Group and their useful economic lives are as follows:

| **Intangible asset** | **Useful economic life** |
|---|---|
| Trademarks | Indefinite |
| Patents | Length of patent – up to 20 years |

Costs to obtain patent rights for the use of Colostrinin™ have been capitalised and will be amortised over the expected useful life of the patent from the date the patent is filed.

*Deferred taxation*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

**2 Accounting policies** *(Continued)*

*Leased assets*

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

The land and buildings elements of property leases are considered separately for the purposes of lease classification and are classified as operating leases.

*Retirement benefits: Defined contribution schemes*

Contributions to defined contribution pension schemes are charged to the consolidated income statement in the year to which they relate.

*Share based payment*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity investments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

*Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents are defined as cash available on demand and short-term deposits.

*Provisions*

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions.

**3 Earnings per share**

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| *Numerator* | | |
| Loss for the year | 1,463,367 | 2,385,074 |
| Denominator | | |
| Weighted average number of share of 0.01p/10p | 11,926,992 | 9,276,893 |

The Company has instruments that could potentially dilute basic earnings per share in the future, but that

have not been included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

**General Information**

**The financial information set out above for the years to 31 December 2008 and 31 December 2007 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985, but is derived from those accounts. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. A copy of the statutory accounts for 2007 has been delivered to the Registrar of Companies and those for 2008 have been posted to Shareholders.**