

REGEN THERAPEUTICS PLC

Chairman's statement and preliminary results to December 2002

2002 was a significant year for the development for ReGen. The most important events were the two reports on the clinical trials. On 22 March we released the results of the interim study. The data showed that in the 106 patient double blind placebo controlled trial Colostrinin™ had achieved statistical significance at its clinical end point, cognitive function. On the 8th July we announced a positive outcome of the 30 week trial. Although the placebo was dropped at the 15 week stage the 30 week trial demonstrated that:

1. Approximately 40% of patients on Colostrinin™ were stabilised or improved after 15 weeks of therapy based on an analysis of overall responses.
2. 33% of patients continued to show stabilisation or improvement after 30 weeks of treatment, although levels of benefit were slightly higher at the 15 week stage of the trial.
3. Efficacy demonstrated in both mild and moderate symptom groups, with greatest effects seen in earlier stages of the disease.
4. No drug-related Serious Adverse Events or safety concerns were observed during the trial.

ReGen considers the data from the trial to be very positive confirming the finding of earlier pilot studies in Poland and supporting its view that Colostrinin™ is a potentially effective treatment of Alzheimer's disease. The company will therefore continue its development programme, in preparation for the next stage of clinical testing. The programme will now also include an investigation into whether the effects of the product can be further enhanced by varying the dosing regimen. ReGen is currently in discussions with a number of parties in relation to securing sufficient funding for this next stage of development.

The development work is proceeding satisfactorily. In particular we would point to the announcement of the 9 January 2003 that a patent on the use of Colostrinin™ as an oxidative stress regulator has been granted by the United States Patent & Trademark Office. It is generally acknowledged that oxidative stress is the pathogenesis of severe neurodegenerative diseases, including Alzheimer's disease.

Our first Public announcement of work in this area came on the 24 October 2002 at the 18th International Conference on Alzheimer's disease in Barcelona, Spain. We said that the work conducted in collaboration with University of Texas Medical Branch has begun to add solid scientific evidence to support earlier preliminary findings that Colostrinin™ could modulate oxidative stress. The findings showed that Colostrinin™ could prevent/reduce the oxidative damage of important molecules such as proteins and lipids that lead to pathological changes at the cellular and organ level. This activity appears to be mediated via an intermediate called 4-HNE. These results may help to explain the clinical benefits of Colostrinin™, as seen in the recently completed clinical study in Alzheimer's disease patients, and suggest that Colostrinin™ might be helpful in other diseases which involve oxidative stress.

We also had a widening of our patent portfolio. On the 17th October we announced the granting of a dietary supplement patent by the United Kingdom Patent Office. The company is actively examining the potential for a nutraceutical version of Colostrinin™. In particular ReGen is evaluating whether Colostrinin™ can be developed as a nutraceutical in parallel with the continued development of the product as a pharmaceutical formulation for the treatment of Alzheimer' disease.

We have also been active on the financial front. On the 10 June 2002 we raised £429,000 of additional working capital, primarily from existing shareholders. We have also issued shares to two investment trusts. On the 24 September we acquired 1,060,606 shares at £1 each in New Opportunities Investment Trust (NOIT) and on the 22 January 2003 we acquired 750,000 shares at

£1 each in Jubilee Investment Trust. Both share transactions were made in return for ReGen shares at 5p each.

These two actions have placed current assets on our balance sheet. They provide us with short term backing for borrowing and at the same time provide a potential source of cash. I should also add that management time spent on these issues is much less and the cost to the company is far lower than would be the case with more conventional placings. We will continue to be innovative in our funding.

On the human resources front I must remind you that three directors have left the company since the last Chairman's statement. Dr Jerzy Georgiades, the Chief Scientific officer and a founder of the business, and Michael Harvey, the Chief Executive Officer, left the company at the end of August. David Gratton, a non-executive director, left the Board at the end of November. We thank all three people for what they have done for the company.

The departures of Dr Jerzy Georgiades and Mike Harvey formed part of our overall restructuring and cost cutting exercise towards the end of 2002, which also involved the closing of the ReGen operation in Poland and a significant reduction in the size of the London Office. We have cut out almost £700,000 off of our overheads going forward in 2003 compared with 2002.

Finally I should like to congratulate Tim Shilton and Martin Small on their promotion to the Board of Directors. Tim Shilton takes over primary responsibility for running the Colostrinin project, while Martin Small, another founder of the company, will now focus on new projects.

May I also take this opportunity of thanking our shareholders who have continued to support us in what are very difficult times in the equity markets. Please be reassured that we have every intention of taking the company forward continuing with our objective of improving the life of Alzheimer's Disease sufferers and, in the meantime, evaluating and, hopefully, pursuing many new and exciting opportunities.

I wish you all a prosperous and peaceful 2003.

Percy W Lomax
Executive Chairman

5th March 2003

REGEN THERAPEUTICS PLC

Consolidated profit and loss account for the year ended 31 December 2002 (Unaudited)

	2002 £	2001 £
Administrative expenses	1,286,021	1,573,387
Development costs	580,246	916,114
Operating loss	(1,866,267)	(2,489,501)
Amounts written off current asset investment	(525,000)	-
Interest receivable	22,157	78,817
Interest payable	(2,257)	(3,668)
Loss on ordinary activities before taxation	(2,371,367)	(2,414,352)
Taxation on loss from ordinary activities	64,754	88,741
Loss on ordinary activities after taxation	(2,306,613)	(2,325,611)
Basic and diluted loss per share	(3.05)p	(4.64)p

REGEN THERAPEUTICS PLC

Consolidated balance sheet at 31 December 2002 (Unaudited)

	2002		2001	
	£	£	£	£
Fixed assets				
Intangible assets		1,861,786		1,863,315
Tangible assets		24,087		38,459
		<u>1,885,873</u>		<u>1,901,774</u>
Current assets				
Investments	535,606		-	
Debtors	135,211		324,948	
Cash at bank and in hand	6,570		1,098,911	
		<u>677,387</u>		<u>1,423,859</u>
Creditors: amounts falling due within one year		<u>358,515</u>		<u>363,431</u>
Net current assets		<u>318,872</u>		<u>1,060,428</u>
Total assets less current liabilities		<u>2,204,745</u>		<u>2,962,202</u>
Capital and reserves				
Called up share capital		4,656,070		3,349,229
Share premium		5,711,478		5,469,163
Profit and loss account		(8,162,979)		(5,856,366)
		<u>2,204,569</u>		<u>2,962,026</u>
Equity shareholders' funds		2,204,569		2,962,026
Non-equity minority interests		176		176
		<u>2,204,745</u>		<u>2,962,202</u>

REGEN THERAPEUTICS PLC

Consolidated cash flow statement for the year ended 31 December 2002 (Unaudited)

	2002		2001	
	£	£	£	£
Net cash outflow from operating activities		(1,785,178)		(2,531,149)
Returns on investments and servicing of finance				
Interest received	22,157		78,817	
Interest paid	(2,257)		(3,668)	
		19,900		75,149
Taxation		195,199		(34)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(4,749)		(11,711)	
Payments to acquire intangible fixed assets	(75,068)		(119,914)	
Proceeds from sales of fixed assets	-		28,080	
		(79,817)		(103,545)
Net cash outflow before management of liquid resources and financing		(1,649,896)		(2,559,579)
Management of liquid resources				
Decrease in short term deposits	950,000		900,000	
Sales of short-term investments	-		200,000	
		950,000		1,100,000
Financing				
Proceeds of shares issued for cash	492,470		1,444,614	
Expenses paid on share issue	(3,921)		(163,786)	
		488,549		1,280,828
Decrease in cash		(211,347)		(178,751)

Notes

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 2001 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 but contained an explanatory paragraph dealing with a fundamental uncertainty relating to going concern. The financial information for the year ended 31 December 2002 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

Following the results of the Clinical trials, 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 anticipate that this will be addressed by a further placing of shares, in addition to the realisation of the current asset investments.

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 2001. All accounting policies are in accordance with applicable accounting standards.

4 Intangible fixed assets

Costs amounting to £75,068 relating to patent rights have been capitalised in the year in accordance with the Group's stated accounting policy.

5 Share capital

During the year the company issued 4,924,702 ordinary shares of 5p each at a premium of 5p per share.

A further 21,212,121 ordinary shares of 5p each were issued in exchange for 1,060,606 redeemable ordinary shares at 100p each in New Opportunity Investment Trust plc (NOIT), together with 212,121 warrants exercisable at 100p. These warrants may not be exercised after 24 September 2007.

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 75,500,242 and the loss is £2,306,613 (2001 - 50,141,506 shares and the loss £2,325,611).

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

7 Reconciliation of movements in equity shareholders' funds

	2002	2001
	£	£
Loss for the financial year	(2,306,613)	(2,325,611)
New share issue	1,306,841	722,307
Premium on new share issue net of issue costs	242,315	558,521
	_____	_____
Decrease to equity shareholders' funds	(757,457)	(1,044,783)
Opening equity shareholders' funds	2,962,026	4,006,809
	_____	_____
Closing equity shareholders' funds	2,204,569	2,962,026
	_____	_____

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

	2002	2001
	£	£
Operating loss	(1,866,267)	(2,489,501)
Amortisation	76,597	76,006
Depreciation	19,121	18,227
Decrease/(Increase) in debtors	59,293	(5,680)
Decrease in creditors	(73,922)	(130,201)
	_____	_____
Net cash outflow from operating activities	(1,785,178)	(2,531,149)
	_____	_____

9 Reconciliation of net cash flow to movement in net funds

2002	2001
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	£	£
Decrease in cash in the year	(211,347)	(178,751)
Decrease in liquid resources	(414,394)	(1,100,000)
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Movement in net funds in the year	(625,741)	(1,278,751)
Net funds at start of year	1,098,911	2,377,662
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Net funds at end of year	473,170	1,098,911
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10 The annual report and financial statements for the year ended 31 December 2002 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.

Further information:
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