

Company Registration No. 07476879

REGEN THERAPEUTICS LIMITED

REPORT AND

UNAUDITED FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2011

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REGEN THERAPEUTICS LIMITED

REPORT AND UNAUDITED FINANCIAL STATEMENTS For the period ended 31 December 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T S Shilton (Chief Executive)
N A C Lott (Finance Director)

SECRETARY

N A C Lott

REGISTERED OFFICE

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London
EC4M 9BJ

BANKERS

HSBC
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Southampton
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ACCOUNTANTS

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London
EC4Y 8EH

LEGAL ADVISERS

Bird & Bird LLP
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REGEN THERAPEUTICS LIMITED

REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the period ended 31 December 2011

This is the first accounting period for RGTL since its de-merger from its former parent, Alexander David Investments Plc (“ADI”) and its first financial statements as a stand-alone entity. The financial information therefore contains no comparative figures. Revenues from sales of Colostrinin™ for the year to 31 December 2011 were £104,000 and for comparison purposes previously reported sales were £56,055 for 2009 and £187,741 for 2010.

Overheads have reduced significantly now that the Company is run from a virtual office without the burden of costs associated with a public company on AIM. As previously stated prior to the de-merger the running costs of the ReGen business were borne by ADI so the costs incurred in these financial statements are only those from the effective date of de-merger on 18 February 2011. Under UK GAAP the Company was also obliged to amortise goodwill, which it has done over 20 years and this has created an additional charge of £10,000. As a result of these factors the loss for the period after tax amounted to £144,000, of which £83,000 were non-cash items relating to amortisation and depreciation of long term assets.

On the 17th May 2012 the Company drew down the last £40,000 of the £240,000 loan facility currently available from Alexander David Investments PLC.

During 2011 we acquired a purpose built filtration rig for the production of Colostrinin™ at the Sterling plant in South Dakota for a cost of £133,000. This has since been used successfully to produce commercial material. Significant development work has also been carried out on the production process. This has involved assessing the feasibility of changing the extraction solvent used from methanol to ethanol. The reason for evaluating this is that residual levels of ethanol in our active ingredient are more acceptable than methanol in some major markets where the ingredient is considered a ‘food’. Of necessity this has involved several full scale production runs and costs that have not all yielded saleable material. This is not unusual in a development process. Other costs have been incurred developing and producing our own tablet formulation and maintaining key intellectual property.

The change to ethanol has now been shown to be viable and the availability of the new tablet gives RGTL a further source of revenue. As such we have now been able to restart negotiations with potential licensees in countries where methanol was a potential issue. Golgi – our licensee in Cyprus has already ordered a bulk supply of the new tablets with the intention of blistering and packaging them locally. Development work continues to be undertaken by several parties to produce formulations containing other proprietary ingredients in combination with Colostrinin™. One of them - our USA licensee Metagenics - is hoping to introduce a proprietary combination product during 2013. Patents covering our proprietary production process for Colostrinin™ have now been granted in several major markets – most notably Europe, the USA and Canada.

Sales in the second half of 2011 were disappointing. Sales have improved during 2012 but accurately predicting future sales and therefore the point of profitability remains difficult. Whilst there are a significant number of negotiations ongoing with new potential distributors and several existing licensees are moving closer to regulatory approval the experience of partners or potential partners in many territories is similar. Basically the regulatory process for nutraceuticals is less clear and more demanding than they had first thought. This means that the period between signing an agreement and first revenues can be significant. Alternatively, talks with potential partners, sometimes after lengthy discussion, can stall or be terminated when they finally appreciate the full nature of the regulatory requirements and the extent and costs of the work needed to achieve a worthwhile promotional claim.

Although remaining confident in being able to increase sales of Colostrinin™ the Directors continue to explore various ways of financing and developing the company with its advisers and contacts.

REGEN THERAPEUTICS LIMITED

DIRECTOR'S REPORT

For the period ended 31 December 2011 (continued)

The directors present their annual report and the unaudited financial statements for the period ended 31 December 2011.

PRINCIPAL ACTIVITY

The principal activity of the Group and the Company was the development of healthcare products both nutraceutical and ethical pharmaceuticals.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

See Business Review on page 2.

RESULTS AND DIVIDENDS

The consolidated accounts for the period ended 31 December 2011 are set out on pages 5 to 18. The loss for the year after taxation was £144,000.

The directors do not recommend the payment of an ordinary dividend.

DIRECTOR AND HIS INTERESTS

The following directors held office from 22 December 2010, the date of incorporation:

T S Shilton
N A C Lott

The directors' interests in the shares of the Company at the year end were:

	Ordinary shares of 0.1p each 31 December 2011
T S Shilton	193,632
N A C Lott	1,820

CHARITABLE DONATIONS

The Company made charitable donations amounting to £nil

FINANCIAL INSTRUMENTS

The Group is exposed through its operations to liquidity risk and credit risk. The directors do not believe the Group has any significant currency risk. The directors are of the opinion that there is no difference between the fair value and book value of financial instruments. The group has in place a risk management programme that seeks to limit the possible adverse effects on the financial performance of the group by monitoring levels of cash and performing regular reviews of expected future sales.

Liquidity and cash flow risk

The principal risk to the Group is liquidity, which arises from the Group's management of working capital. It is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This aspect is kept under review by the directors and in this respect management carries out rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. It is the Group's policy as regards liquidity to ensure sufficient cash resources are maintained to meet short-term liabilities. All financial liabilities at the year end are due within 180 days.

REGEN THERAPEUTICS LIMITED

DIRECTOR'S REPORT

For the period ended 31 December 2011 (continued)

The subsidiary company GCPUL has a bank overdraft outstanding and the Company have agreed to make regular repayments over a period of time. The bank overdraft is secured by way of a fixed and floating charge over the GCPUL's assets.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, which is represented by a small number of well-known and reputable customers. To help mitigate the exposure, credit worthiness checks are undertaken before entering into contracts with new customers in cases where it is deemed necessary. Amounts presented in the statement of financial position are stated net of allowances for doubtful recovery. There is no concentration of credit risk within trade receivables. The credit risk on liquid funds is limited as the funds are predominantly held at a reputable bank.

DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate.

Approved by the board on 26 September 2012

N Lott
Secretary

REGEN THERAPEUTICS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
For the period ended 31 December 2011

	Note	2011 £'000
CONTINUING OPERATIONS		
REVENUE	4	104
Cost of sales		(29)
Gross profit		<u>75</u>
Research and development costs		(32)
Amortisation of goodwill		(10)
Administrative expenses		(170)
Administrative costs		<u>(212)</u>
OPERATING LOSS	5	<u>(137)</u>
Net interest payable	7	(13)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(150)</u>
Taxation	8	6
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(144)</u></u>
BASIC AND DILUTED LOSS PER SHARE	9	(0.16)p

There were no recognised gains and losses for 2011 other than those included in the profit and loss account.

The notes on pages 8 to 18 form part of these financial statements.

REGEN THERAPEUTICS LIMITED
Company registration no. 07476879
CONSOLIDATED AND COMPANY BALANCE SHEETS
As at 31 December 2011

		Group 2011 £'000	Company 2011 £'000
	Note		
FIXED ASSETS			
Goodwill	12	178	178
Intangible assets	10/11	415	288
Tangible fixed assets	13	113	113
Investments in subsidiaries	14	-	128
		<u>706</u>	<u>707</u>
CURRENT ASSETS			
Inventories		27	27
Debtors	15	32	32
Cash at bank and in hand		39	39
		<u>98</u>	<u>98</u>
CREDITORS: amounts falling due within one year	16	(113)	(84)
		<u></u>	<u></u>
Total current (liabilities)/assets		<u>(15)</u>	<u>14</u>
CREDITORS: amounts falling due after more than one year	17	(162)	(162)
		<u></u>	<u></u>
Total net assets		<u>529</u>	<u>559</u>
CAPITAL AND RESERVES			
Called up share capital	18	92	92
Share premium		581	581
Profit and loss account	19	(144)	(114)
		<u>529</u>	<u>559</u>

The notes on pages 8 to 16 form part of these financial statements.

The company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the period ended 31 December 2011.

The members have not required the company to obtain an audit of its financial statements for the period ended 31 December 2011 in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006; and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit and loss for each financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2012

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N Lott

REGEN THERAPEUTICS LIMITED
Company registration no. 07476879
CONSOLIDATED AND COMPANY BALANCE SHEETS
As at 31 December 2011

Director

REGEN THERAPEUTICS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
For the period ended 31 December 2011

		2011 £'000
	Note	
Net cash flow from operating activities	21	3
Capital expenditure and financial investment		
Purchase of tangible assets		(105)
Purchase of intangible assets		(47)
Net cash outflow from capital expenditure		<u>(152)</u>
Taxation		6
		<u> </u>
Cash outflow before financing		(143)
Cash flows from financing activities		
Net proceeds from issue of share capital		14
Proceeds from convertible loan		150
Interest paid		<u>(1)</u>
Net cash inflow from financing activities		<u>163</u>
Net increase in cash and cash equivalents		20
Opening cash and cash equivalents		<u>19</u>
Closing cash and cash equivalents		<u>39</u>

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS

For the period ended 31 December 2011

1. GENERAL INFORMATION

These accounts are unaudited.

On 30 December 2010 ReGen Therapeutics Limited (under its previous name ReGen Newco Limited) acquired the business assets of (excluding liabilities) of the old ReGen business from ReGen Therapeutics Plc (now renamed Alexander David Investments Plc).

Until 18 February 2011 ReGen Therapeutics Plc carried on the development of nutraceutical healthcare products and ethical pharmaceuticals. On 18 February ReGen Therapeutics Plc changed its name to Alexander David Investments Plc and demerged the ReGen business carried on by ReGen Therapeutics Limited by way of transfer of the issued shares of ReGen Therapeutics Limited to the shareholders of ReGen Therapeutics Plc who were on the Plc share register as at 15 February 2011. The running costs of the ReGen business were borne by its former parent up to the effective date of the de-merger on 18 February 2011.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

The consolidated financial information, which includes the results of the Company and its subsidiary undertakings, has been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

Basis of consolidation

The Group financial statements incorporate the results of ReGen Therapeutics Plc and all of its subsidiary undertakings. Intra group sales and profits are eliminated on consolidation.

Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. However, the Company's ability to continue as a going concern is reliant upon successfully obtaining funds as it moves towards self sustainability. They believe that the funds drawn down recently 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 the date of approval of the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. They are, however, not bound to this assurance.

Thus the director continues to adopt the going concern basis of accounting in preparing the annual financial statements of the group.

If the Company 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.

Loss for the financial period

The Company has taken advantage of Section 408(3) of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The Company loss after tax for the period ended 31 December 2011 under UK GAAP was £114,000.

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 2011

2. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and written off in equal annual instalments over its estimated useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

Fixed asset investments are shown at cost less any provision for diminution in value.

Externally generated intangible fixed assets

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:

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 on a straight line basis over the expected useful life of the patent from the date the patent is granted.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Production equipment	5 years
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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. In determining the cost of inventories sold, the batches are identified and the actual cost of the inventories is used.

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.

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 2011

2. ACCOUNTING POLICIES (continued)

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.

Operating cost

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

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 statement of financial position 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 statement of financial position translated into Sterling at the rate of exchange ruling on the statement of financial position date. Exchange differences, which arise from translation of the opening net assets and results of foreign subsidiary undertakings, are taken to reserves.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group tests, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows discounted at a rate in order to calculate the present value of cash flows. Actual outcomes could vary from those projected, in particular the value in use is dependant on future revenue streams which are not certain.

(b) Useful lives and carrying values of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. The useful life of patents are determined by the length of the patents, which are 20 years from the application date, and they are amortised from the date the patent is granted. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated profit and loss account in specific periods.

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 2011

4. REVENUE

The total turnover of the group for the period has been derived from its principal activity, the sale of Colostrinin™. Information on the Group's revenue by geographical area is set out below:

	2011 £'000
United States	61
Europe	16
Rest of the World	27
	<u>104</u>

5. OPERATING LOSS

	2011 £'000
Inventory expense	29
Depreciation	20
Amortisation of patents	53
Amortisation of goodwill	9
Facility fee re convertible loan	14

6. INFORMATION REGARDING THE DIRECTORS

	2011 £'000
Director's emoluments	
Emoluments	34
Social security costs	2
	<u>36</u>
Average number of persons employed	No.
Administration and scientific	<u>1</u>
Directors' emoluments by individual are as follows:	£'000
T S Shilton	19
N A C Lott	15
	<u>34</u>

The above emoluments relate to the period from when the demerger took place, 18 February 2011.

7. NET INTEREST PAYABLE

	£'000
Interest payable on convertible loan	12
Interest payable on bank overdraft	1
	<u>13</u>

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 2011

8. TAXATION

	2011 £'000
UK corporation tax credit in respect of current period	6
	<hr/>
Total current tax credit	6
	<hr/> <hr/>

The Group has unrecognised tax trading losses of approximately £14.2 million for offset against future profits.

A deferred tax asset has not been recognised in relation to tax losses due to the uncertainty of future tax losses.

The tax for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2011 £'000
Loss before tax	150
	<hr/> <hr/>
Loss at the standard rate of corporation tax in the UK of 26.5%	40
	<hr/>
Effects of:	
Expenses not deductible for tax purposes	(4)
R&D tax credit	6
Depreciation in excess of capital allowances	16
Unutilised current taxable losses carried forward	(52)
	<hr/>
Total tax credit for the year	6
	<hr/> <hr/>

9. EARNINGS PER SHARE

	£
<i>Numerator</i>	
Loss for the period	144,089
	<hr/> <hr/>
<i>Denominator</i>	
Weighted average number of shares of 0.1p	92,236,547
	<hr/> <hr/>

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) **For the period ended 31 December 2011**

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £'000	Patent rights £'000	Trade marks £'000	Total £'000
Cost				
On acquisition of assets from ReGen Therapeutics Plc		415	6	421
Goodwill arising from acquisition of assets from ReGen Therapeutics Plc	188	-	-	188
Additions	-	45	2	47
At 31 December 2011	188	460	8	656
Amortisation				
At 22 December 2010	-	-	-	-
Charge for the period	10	53	-	63
At 31 December 2011	10	53	-	63
Net book value				
At 31 December 2011	178	407	8	593

11. INTANGIBLE FIXED ASSETS

Company

	Goodwill £'000	Patent rights £'000	Trade marks £'000	Total £'000
Cost				
On acquisition of assets from ReGen Therapeutics Plc		282	6	288
Goodwill arising from acquisition of assets from ReGen Therapeutics Plc	188	-	-	188
Additions	-	29	2	31
At 31 December 2011	188	311	8	507
Amortisation				
At 22 December 2010	-	-	-	-
Charge for the period	10	31	-	41
At 31 December 2011	10	31	-	41
Net book value				
At 31 December 2011	178	280	8	466

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 2011

12. GOODWILL ARISING ON PURCHASE OF BUSINESS ASSETS

On 30 December 2010 the Company purchased the business assets (excluding liabilities) of the ReGen business from ReGen Therapeutics Plc (now Alexander David Plc), its parent company for consideration of £604,038 satisfied by the issue of 78,446,547 of the Company's ordinary shares credited as fully paid at £0.0077 per share.

	£'000
Issue of shares on acquisition of assets from ReGen Therapeutics Plc	604
Less net assets acquired	(416)
	<hr/>
At 31 December 2011	<hr/> 188

13. TANGIBLE FIXED ASSETS

Group and Company	Production equipment £'000
Cost	
On acquisition of assets from ReGen Therapeutics Plc	67
Additions	66
	<hr/>
At 31 December 2011	<hr/> 133
Amortisation	
At 22 December 2010	-
Charge for the period	20
	<hr/>
At 31 December 2011	<hr/> 20
Net book value	
At 31 December 2011	<hr/> 113
	<hr/>

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) **For the period ended 31 December 2011**

14. INVESTMENTS IN SUBSIDIARIES

Company	Investments in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Acquired from ReGen Therapeutics Plc	-	109	109
Additions	-	19	19
At 31 December 2011	-	128	128

The investments at 31 December 2011 represent a 100% interest in Guildford Clinical Pharmacology Unit Limited, a 100% interest in Sciencom Limited and a 100% interest in the ordinary 'A' shares of The Georgiades Foundation Limited and its wholly owned subsidiaries, ReGen Biotech Limited and Georgiades Biotech Limited. All of the above are unlisted companies.

Name	Country of registration	Nature of business
Guildford Clinical Pharmacology Unit Limited	Great Britain	Clinical Research
Sciencom Limited	Great Britain	Developer of zolpidem
ReGen Biotech Limited *	Great Britain	Dormant company
The Georgiades Foundation Limited	British Virgin Islands	Developer of Colostrinin™
Georgiades Biotech Limited *	British Virgin Islands	Developer of Colostrinin™

* Interest held indirectly via The Georgiades Foundation Limited.

The investment in The Georgiades Foundation Limited is as follows:

Class of share	Number of shares in issue	Percentage held
10c ordinary 'A' shares	9,338,856	100
10c deferred shares	6,852	58
	28,952	

The share capital of The Georgiades Foundation Limited is denominated in US Dollars.

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 2011

15. DEBTORS

	Group 2011 £'000	Company 2011 £'000
Trade debtors	9	9
Other debtors	9	9
Prepayments	14	14
	<u>32</u>	<u>32</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2011 £'000	Company 2011 £'000
Bank overdraft	29	-
Trade creditors	54	38
Amounts due to subsidiary undertakings	-	43
Other taxation and social security	1	1
Other creditors	27	-
Accruals	2	2
	<u>113</u>	<u>84</u>

The bank overdraft is secured by a fixed and floating charge over the assets of Guildford Clinical Pharmacology Unit Limited. The Company have agreed to make regular repayments over a period of time.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2011 £'000	Company 2011 £'000
Repayable within 5 years		
Convertible loan	<u>162</u>	<u>162</u>
	<u>162</u>	<u>162</u>

The convertible loan is from Alexander David Investment Plc ("ADI") and includes an accrued interest element of £12,000. The loan is secured by a debenture over the Company's assets and interest is charged at the rate of 10 per cent. per annum. Capital and interest shall only be repayable in cash after a period of 36 months, unless the Company elects to repay earlier, although such amounts may at any time, at the election of either the ADI or the Company, be converted into the Regen Therapeutics Limited Shares at a price per share to be determined by ADI and the Company with regard to the then financial and trading performance of Regen Therapeutics Limited and the trading activity of its shares

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) **For the period ended 31 December 2011**

18. CALLED UP SHARE CAPITAL

Group and Company	2011 £'000
<i>Called up share capital issued and fully paid</i>	
92,326,547 ordinary shares of 0.1p each	92

Group and Company	Share Capital 2011 £'000	Share Premium 2011 £'000
Issue of 78,446,547 shares on acquisition of assets from ReGen Therapeutics Plc at a premium of 0.67p	78	526
Issue of 11,000,000 ordinary shares on 18 January 2011 on 18 February 2011 at a premium of 0.4p	11	44
On 18 February 2011, the Company issued 2,880,000 ordinary shares of 0.1p each at a premium of 0.4p per share to Alexander David Investments Plc as a facility fee for granting a convertible loan of up to £240,000 for an equivalent consideration of £14,400.	3	11
.		
At 31 December 2011	92	581

19. RESERVES

Group	Profit and loss account £'000
Loss for the financial period	(144)
At 31 December 2011	(144)
Company	Profit and loss account £'000
Loss for the financial period	(114)
At 31 December 2011	(114)

REGEN THERAPEUTICS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 2011

20. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Group	2011 £'000
Loss for the financial period	(144)
New shares issued	14
	<hr/>
Net decrease in shareholders' funds	(130)
Shares issued to acquire the assets of Regen Therapeutics Plc	659
	<hr/>
Closing equity shareholders' funds	<u>529</u>
Company	2011 £'000
Loss for the financial period	(114)
New shares issued	14
	<hr/>
Net increase in shareholder's deficit	(100)
Shares issued to acquire the assets of Regen Therapeutics Plc	659
	<hr/>
Closing equity shareholder's deficit	<u>559</u>

21. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	2011 £'000
Operating loss	(150)
Amortisation of goodwill	10
Depreciation	20
Amortisation	53
Increase in inventories	(17)
Decrease in debtors	6
Increase in creditors	68
Interest charged	13
	<hr/>
Net cash inflow from operating activities	<u>3</u>