ReNeuron

pioneering stem cell therapeutics

ANNUAL REPORT & ACCOUNTS 2012

ReNeuron
pioneering stem cell therapeutics

RENEURON IN SUMMARY

CONTENTS

We are a leading, clinical-stage stem cell business. Our primary objective is the development of novel stem cell therapies targeting areas of significant unmet or poorly met medical need.

OUR PRODUCTS AND TECHNOLOGIES

We have used our unique stem cell technologies to develop cell-based therapies for significant disease conditions where the cells can be readily administered "off-the-shelf" to any eligible patient without the need for additional drug treatments. Our lead therapeutic candidate is our ReN001 stem cell therapy for the treatment of patients left disabled by the effects of a stroke. This treatment is currently in clinical development. We are also developing stem cell therapies for other conditions such as critical limb ischaemia, a serious and common side effect of diabetes, and blindness-causing diseases of the retina. We have also developed a range of stem cell lines for non-therapeutic applications – our *ReNcell*® products for use in academic and commercial research. Our *ReNcell*®*CX* and *ReNcell*®*VM* neural cell lines are marketed worldwide under license by USA-based Merck Millipore.

OUR STRATEGY

Our aim is to develop best-in-class stem cell therapies in our particular areas of therapeutic focus. Our principal strategy is to gain early clinical validation for our cell therapy programmes via well-designed clinical trials in well-regulated territories. Ultimately, we expect to realise value for our technologies and therapeutic programmes via out-license or sale to commercial development partners at the appropriate points in their development.

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OPERATIONAL HIGHLIGHTS

- ReN001 stem cell therapy for stroke:
  - Six patients treated in PISCES Phase I clinical trial, with remaining patients expected to be recruited and dosed by early 2013
  - Interim data from first five patients in PISCES study presented at leading stem cell conference:
    - no cell-related adverse events
    - evidence of sustained reductions in neurological impairment and spasticity
  - Phase II clinical trial application planned for mid-2013
- ReN009 stem cell therapy for critical limb ischaemia:
  - Confirmatory pre-clinical efficacy and safety studies completed
  - Pre-clinical efficacy confirmed across a range of cell formulations
  - Phase I/II clinical trial application planned for H2, 2012
- ReN003 stem cell therapy for retinitis pigmentosa:
  - Pre-clinical efficacy data presented with confirmatory pre-clinical efficacy studies in progress
  - Retinal cell manufacturing process successfully transferred to US-based contract manufacturer
  - Phase I/II clinical trial application planned for late 2013
- Management and advisory functions strengthened by non-executive Board appointments and establishment of Scientific and Strategic Advisory Group
- Share Placing and Open Offer announced post year-end, raising £6.1 million, before expenses, providing pre-clinical and clinical development funding for core therapeutic programmes to Q3 2013
- Loss for the year of £6.2 million (2011: £6.1 million); cash used in operating activities of £5.8 million (2011: £5.1 million); cash and cash equivalents at 31 March 2012 of £4.0 million (2011: £9.7 million)

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CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT

Review of Operations

ReN001 stem cell therapy for stroke

During the financial year, and subsequently, dosing of the first two dose cohorts was completed in the Phase I clinical trial of our ReN001 stem cell therapy candidate for stroke disability. The PISCES study (Pilot Investigation of Stem Cells in Stroke) is the world's first fully regulated clinical trial of a neural stem cell therapeutic candidate for disabled stroke patients. The trial is being conducted in Scotland at the Institute of Neurological Sciences, Southern General Hospital, Greater Glasgow and Clyde NHS Board. In this safety study, the ReN001 stem cells are being administered in ascending doses to a total of 12 stroke patients who have been left disabled by an ischaemic stroke, the most common form of the condition. The primary aim of the study is to test the safety and tolerability of the treatment in ascending doses of the ReN001 cells, in patients with moderate to severe functional neurological impairments resulting from their stroke. The secondary aim of the study is to evaluate efficacy measures for the design of future clinical trials with ReN001, including imaging measures as well as a number of tests of sensory, motor and cognitive functions.

To date, one patient is through 18 month follow-up, two are through 12 month follow-up, one is through 9 month follow-up, one is through 6 month follow-up and one is through one month follow-up. No cell-related adverse events or adverse immune-related responses have been reported in any of the patients treated to date.

Earlier this month, interim data from the PISCES study from the first five patients treated, at 2 x 12 month, 1 x six month and 2 x three month follow-up points, was presented by the clinical team at Glasgow at the 10th Annual Meeting of the International Society for Stem Cell Research (ISSCR) in Yokohama, Japan. Reductions in neurological impairment and spasticity were observed in all five patients compared with their stable pre-treatment baseline performance and these improvements were sustained in longer term follow-up. Additionally, functional magnetic resonance imaging (fMRI) data, collected pre- and post-treatment to identify potential biomarkers of change in neurological function, showed some longitudinal changes in motor activation, consistent with the observed improvements in neurological measures.

During the period, the PISCES study was adopted by the National Institute for Health Research (NIHR) Stroke Research Network. The NIHR is the UK public body responsible for promoting and enabling clinical research through the UK's NHS infrastructure. Adopted studies benefit from a number of measures to streamline and coordinate the set-up and monitoring of clinical sites and patient recruitment.

We remain greatly encouraged by the progress of the PISCES study thus far as we continue to plan for a proposed Phase II efficacy study with ReN001. The Glasgow clinical site is scheduling surgery dates for the remaining dose cohorts and we intend to seek approval for at least one further UK clinical site to recruit patients into the PISCES study should this be necessary to meet the remaining recruitment timetable. We expect that, subject to a continuing lack of cell-related adverse events and affirmative Data Safety Monitoring Board advice, the remaining higher dose cohorts in the PISCES study will have been recruited and treated by early 2013, leaving the Company on track to submit an application for a Phase II clinical study with ReN001 in mid-2013.

Other therapeutic programmes

The Company's other therapeutic programmes continue to progress to plan. Our academic collaborators at the Bristol Heart Institute have now completed pre-clinical studies successfully confirming the positive results from earlier pre-clinical efficacy studies with the Company's ReN009 stem cell treatment candidate for critical limb ischaemia, the end stage of peripheral arterial disease. Long term pre-clinical safety studies with ReN009 have also now been successfully completed.

Earlier this month, we presented data at the ISSCR meeting from a pivotal pre-clinical study examining different formulations of the Company's lead *CTX* stem cell line (used in both the Company's ReN001 stroke and ReN009 critical limb ischaemia candidate therapies). The results of the study showed equivalent efficacy in a rodent model of critical limb ischemia, regardless of cell formulation. The cell formulations tested included freshly prepared *CTX* cells prior to treatment, formulations of cryopreserved *CTX* cells using differing freezing media (and thawed prior to treatment), and a formulation of *CTX* cells incorporating the luciferase gene which allows the cells to be tracked post-implantation. The apparent potency of the *CTX* cells in models of critical limb ischaemia across these differing cell formulations bodes well for future commercial scale-up and manufacturing of the *CTX* cells.

We remain on track, later this year, to file for approval to commence a European multi-centre Phase I/II combined safety and efficacy study with ReN009 in critical limb ischaemia patients.

Our ReN003 programme for diseases of the retina continues to make progress, the initial clinical target being the blindness-causing disease, retinitis pigmentosa. Confirmatory pre-clinical efficacy studies with our human retinal progenitor cells (hRPCs) are underway in conjunction with academic collaborators at the US Schepens Eye Research Institute, Massachusetts Eye and Ear and elsewhere. During the period, we transferred our highly efficient and proprietary hRPC cell expansion process to Wuxi AppTec, a leading contract manufacturer with operations in China and the US, ahead of GMP banking and long term pre-clinical safety studies scheduled to commence shortly.

Data from a number of pre-clinical studies with our hRPC cell technology were also presented at the ISSCR meeting earlier this month, demonstrating that the hRPCs differentiate into cells expressing the appropriate cell surface markers for photoreceptors, the cells lost in retinitis pigmentosa patients. The data presented also demonstrated that in rodent models of retinal

degeneration, transplanted hRPCs migrate into the outer nuclear layer of the host retina whilst preserving the characteristics of mature photoreceptors.

Based on the above progress, we are targeting a clinical trial filing for ReN003 in late 2013 in patients with retinitis pigmentosa.

Other activities

During the period, we announced the appointment of John Berriman and Simon Cartmell as non-executive directors of the Company. Also during the period, Professor Trevor Jones stepped down as Chairman in order to establish the Company's Scientific and Strategic Advisory Group. Bryan Morton, an existing non-executive director, became Chairman at this point. The remit of this new Advisory Group is to advise and assist the Company on strategic matters relating to its scientific and commercial agenda, including links to academic and industrial organisations and relationships with government bodies, the media and the public.

We are pleased to announce that the membership of the Scientific and Strategic Advisory Group has now been established and that, consequently, Professor Jones has, as planned, stepped down from the Board of the Company in order to chair the Advisory Group. On behalf of the Board of the Company, we would like to thank Professor Jones for the enormous contribution he has made as a director and Chairman of the Board since 1999 and we look forward to his continuing contribution to the business as Chairman of the Advisory Group.

We are also pleased to announce the appointment of Dr Tim Corn as a non-executive director of the Company.

With the above appointments, the business now benefits from senior management, Board members and other external advisers with the breadth and depth of technical, clinical, regulatory and commercial experience to guide the successful clinical and commercial development of the Company's programmes.

During the year, we were proud to both sponsor and present at the UK Stroke Association's 2011 Stroke Forum conference in Glasgow. The Stroke Association is the major stroke charity in the UK, working with stroke survivors and their families as well as researchers and medics in the field.

Funding

Subsequent to the financial year end, we announced in April 2012 that the Company had raised £6.1 million, before expenses, by means of a Placing and Open Offer to shareholders. This funding, together with existing cash resources, will be utilised to support current operations, including treatment of the remaining patients in the ReN001 Phase I stroke clinical trial, progressing regulatory submissions for a Phase II clinical trial with ReN001, securing regulatory approval for the ReN009 critical limb ischaemia Phase I/II clinical trial and pre-clinical development of the ReN003 retinal programme. Additional funding will be required for future clinical development of the ReN001 and ReN009 therapeutic candidates beyond that point. Programme spend will therefore be managed such that any significant costs on either programme, beyond obtaining the necessary regulatory approvals to commence the ReN001 Phase II and ReN009 Phase I/II clinical trials, will be incurred once such funding is secured.

We are actively pursuing a range of future funding sources, including potentially non-dilutive sources such as grants. We are also exploring the potential to reduce longer term funding requirements by the partnering of certain of our stem cell technologies and therapeutic programmes to commercial development partners in due course. Early discussions with interested parties have commenced in this regard.

Following completion of the above-mentioned Placing and Open Offer, we expect that our existing cash resources will be sufficient to support current operations until the end of the third quarter of 2013. Consequently, the going concern basis has been adopted in preparation of these financial statements.

Summary of results

In the year to 31 March 2012, revenues were £40,000 (2011: £29,000), representing royalty income from the Group's non-therapeutic licensing activities.

Net operating expenses in the year were £6.9 million (2011: £6.8 million). Research and development expenditure increased in the year to £4.9 million (2011: £3.8 million), reflecting the additional costs incurred in the treatment of patients in the ReN001 clinical trial, further investment in developing the manufacturing processes for the Company's cell product candidates, completion of the late pre-clinical work on the ReN009 critical limb ischaemia therapeutic candidate and the progression of pre-clinical work on the ReN003 retinal programme. General and administrative costs in the period reduced to £2.1 million from £3.1 million, primarily as a result of the Group ceasing to incur legal fees in connection with an intellectual property dispute with a competitor business, which settled in January 2011.

Other operating income of £135,000 received in the prior period represented income from grants. No grant income was received in the current period.

Interest received increased in the period to £40,000 (2011: £29,000) as a result of higher average levels of cash deposits held over the period.

The Group accrued a research and development tax credit of £0.6m during the year (2011: £0.5m), the higher claim reflecting the increase in pre-clinical and clinical activity across the Group's core therapeutic programmes.

As a result of the above income statement movements, the post-tax loss for the year increased to £6.2 million (2011: £6.1 million). The basic and diluted loss per share reduced to 1.0p per share (2011: 1.3p loss), reflecting a combination of an increased loss and the full year effect of the increase in ordinary shares in issue following the completion of the placing in December 2010.

Cash used in operating activities increased in the year to £5.8 million (2011: £5.1 million), primarily due to legal fee accruals at 31 March 2011 associated with the prior year intellectual property dispute, being paid in the current financial year.

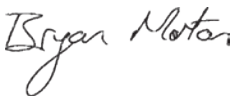
As a result of the above cash flow movements in the year, the Group had cash and cash equivalents totalling £4.0 million as at 31 March 2012 (2011: £9.7 million). Subsequent to the financial year end, and as mentioned above, the Company announced that it had raised £6.1 million, before expenses, by means of a Placing and Open Offer to shareholders.

Summary and outlook

During the period under review, our therapeutic programmes have continued to progress well. We are encouraged by the recently presented interim data from the PISCES clinical trial of our ReN001 therapeutic candidate for stroke and we remain on track to file an application, later this year, to commence clinical development of our ReN009 therapeutic candidate for critical limb ischaemia. The pre-clinical development of our ReN003 therapeutic candidate for retinitis pigmentosa also progresses to plan.

During the year, we and our academic collaborators have continued to generate and present a breadth of pre-clinical data demonstrating the potency, versatility and clinical and commercial potential of our lead *CTX* neural and hRPC retinal stem cell product candidates used in our therapeutic programmes. These are stem cell product candidates which demonstrate the characteristics that we believe are critical for the development of scalable and affordable off-the-shelf cell-based therapies addressing large unmet patient needs. We look forward to reporting further progress towards the realisation of that clinical and commercial potential in the year ahead.

On page 55 of this report is the notice of the 2012 Annual General Meeting (the AGM) to be held at 10:00 am on 11 September 2012. A short explanation of the resolutions to be proposed at the AGM is set out on page 56. The directors recommend that you vote in favour of the resolutions to be proposed at the AGM, as they intend to do in respect of their own beneficial holdings of ordinary shares. At the end of this document is a form of proxy for use in connection with the AGM which, if you wish to vote by way of proxy at the meeting, should be completed and returned to the Company's registrars in accordance with the instructions set out therein so as to be received not less than 48 hours prior to the AGM.



Bryan Morton
Chairman

Michael Hunt
Chief Executive Officer

9 July 2012

Stem cell therapy is a rapidly growing field of medicine. Our stem cell therapies are focused on disease conditions which offer major clinical and commercial opportunities.

Indications

ReN001: Ischaemic stroke

Approximately 150,000 people suffer a stroke in the UK each year and approximately 800,000 in the US. The vast majority of these strokes are ischaemic in nature, caused by a blockage of blood flow in the brain (as opposed to a haemorrhagic or bleeding stroke). Approximately one half of all stroke survivors are left with permanent disabilities as a result of the damage caused to brain tissue arising from the stroke.

ReN009: Critical limb ischaemia

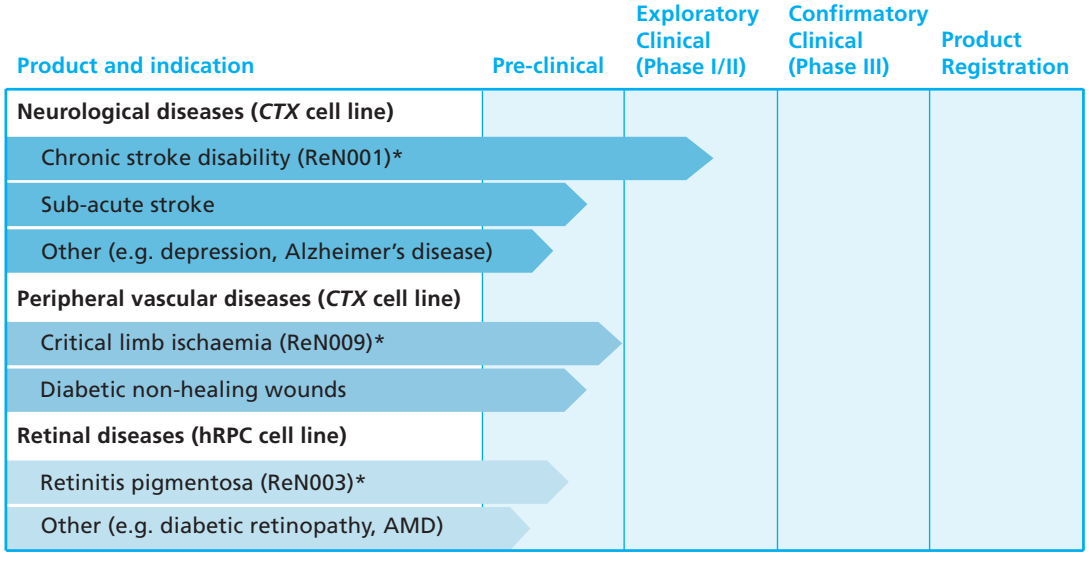
Critical limb ischaemia is the end stage of peripheral arterial disease (PAD), a disease in which diabetes is the most significant contributory factor. PAD is characterised by a progressive decrease in blood flow to the extremities of the body, ultimately resulting in the necrosis of ischaemic tissue (critical limb ischaemia) and the need for amputation. In the US, there are more than 100,000 amputations a year as a result of critical limb ischaemia, and a substantial patient population as around 1 in 20 people over the age of 50 suffer from PAD.

ReN003: Retinitis pigmentosa

Retinitis pigmentosa is a blindness-causing disease of the retina that affects around 100,000 people in the US and about 20,000 people in the UK. ReNeuron's treatment for retinitis pigmentosa is also likely to be a gateway to the development of treatments of larger retinal disease indications, such as retinal retinopathy and age-related macular degeneration (AMD), using the Company's human retinal progenitor cells (hRPCs).

OUR PRODUCT PIPELINE

Using our unique and scalable stem cell technologies, we have created a pipeline of commercially focused stem cell therapy candidates addressing significant areas of unmet medical need. These therapeutic candidates are based around two core stem cell assets, our *CTX* neural cell line and our human retinal progenitor cells (hRPCs).



** Core programmes*

THE POTENTIAL OF OUR THERAPEUTIC CANDIDATES

- Our product pipeline is targeting diseases that cannot be addressed by existing drugs
- Our cell therapy candidates are "off-the-shelf" and therefore potentially capable of treating all eligible patients
- Interim data recently presented from the clinical trial of our ReN001 stem cell therapy candidate for stroke show no safety concerns and evidence of sustained reductions in neurological and spasticity
- The scalability of our *CTX* and hRPC stem cell assets offers distinct technical and commercial advantages
- Our therapeutic candidates and technologies are protected by a comprehensive intellectual property portfolio

Stroke and its effects

A stroke is a brain attack
For the brain to function, it needs a constant blood supply, which provides vital nutrients and oxygen to the brain cells. A stroke happens when the blood supply to part of the brain is cut off and brain cells are damaged or die.

Strokes are sudden and have an immediate effect
A person may become numb, weak or paralysed on one side of the body. They may slur their speech and find it difficult to find words or understand speech. Some people lose their sight or have blurred vision, and others become confused or unsteady.

A stroke can be fatal or cause severe long-term disability
Strokes affect people in different ways, depending on the part of the brain that is affected, how widespread the damage is and how healthy the person was before the stroke. About a third of people who have a stroke make a significant recovery within a month. But most stroke survivors will have long-term problems. In the most severe cases, strokes can be fatal or cause long-term disability.

The most common long-term effects of stroke are physical ones such as weakness, numbness and stiffness but can also include cognitive, communication and visual problems.

Source: UK Stroke Association

The PISCES study (Pilot Investigation of Stem Cells in Stroke)

The PISCES study is the world's first fully regulated clinical trial of a neural stem cell therapy for disabled stroke patients.

In this Phase I safety study, ReNeuron's ReN001 stem cell therapy is being administered in ascending doses to a total of 12 stroke patients who have been left disabled by an ischaemic stroke, the most common form of the condition.

Although the primary endpoints of the clinical trial relate to the safety and tolerability of the ReN001 treatment, a number of clinical assessments of the patients in the trial will be made to evaluate changes in both motor and cognitive function over time. Interim data recently presented by the clinical trial team show no safety concerns and evidence of sustained reductions in neurological impairment and spasticity.

We expect that the remaining higher dose cohorts in the PISCES study will have been treated by early 2013, leaving the Company on track to submit an application for a Phase II clinical study with ReN001 in mid-2013.

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DIRECTORS AND ADVISORS

Directors

Bryan Morton, Non-executive Chairman
Michael Hunt, Chief Executive Officer
Dr John Sinden, Chief Scientific Officer
John Berriman, Non-executive Director (appointed 19 July 2011)
Simon Cartmell, Non-executive Director (appointed 19 July 2011)
Dr Tim Corn (appointed 26 June 2012)
Mark Docherty, Non-executive Director
Dr Paul Harper, Non-executive Director
Professor Trevor Jones CBE, Non-executive Director
(resigned 26 June 2012)

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Registrars

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Independent Auditors

PricewaterhouseCoopers LLP
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BOARD OF DIRECTORS

Bryan Morton BSc, MBA, Non-executive Chairman

Bryan Morton was appointed Chairman of the ReNeuron Group in August 2011 having been a non-executive director since 2008. He is Chief Executive Officer of EUSA Pharma International, a division of Jazz Pharmaceuticals, and was formally Chief Executive Officer at EUSA Pharma Inc, a Company he founded in 2006, until its acquisition by Jazz in 2012. He is a non-executive director of Dechra Pharmaceuticals plc, Aircraft Medical Ltd, and is a member of the Pilgrim Software global advisory board. He began his pharmaceutical career in sales and has held positions in medical information, marketing, sales management, business development and general management during a 30 year career in the healthcare industry, largely with Merck and Co. Inc. and Bristol Myers Squibb. In 2003, he founded Zeneus Pharma, which was sold to Cephalon Inc. in late 2005 for US$360 million. He has a BSc in Pharmacology from Aberdeen University and a MBA from Durham University. Aged 56.

Michael Hunt BSc ACA, Chief Executive Officer

Michael Hunt joined ReNeuron as Chief Financial Officer and was appointed Chief Operating Officer in September 2003 and Chief Executive Officer in July 2005. Prior to ReNeuron, he spent six years at Biocompatibles International plc where he held a number of senior financial and general management positions. His early industrial career was spent at Bunzl plc. He is a founding member and co-chair of the European Alliance for Advanced Therapies and sits on the BioIndustry Association's Cell Therapy and Regenerative Medicine Advisory Committee and its Finance and Tax Advisory Committee. He is a past Senior Industry Group member of the UK Government's Office for Life Sciences, a member of the UK Technology Strategy Board's RegenMed Advisory Group and a member of the TSB's Cell Therapy Catapult Advisory Group. He read economics at University College London and qualified as a chartered accountant with Ernst & Young in London. Aged 49.

Dr John Sinden BA MA Ph.D., Chief Scientific Officer

Dr. Sinden is a scientific co-founder of ReNeuron. Prior to joining ReNeuron as Chief Scientific Officer in October 1998, he was Reader in Neurobiology of Behaviour at the Institute of Psychiatry at Kings College London. He graduated in Psychology from the University of Sydney and completed a Ph.D. in Neuroscience from the University of Paris at the College de France. He subsequently held post-doctoral appointments at Oxford University and the Institute of Psychiatry prior to joining the permanent staff of the Institute in 1987. Dr. Sinden is a member of the Royal Society of Medicine, the Society for Neuroscience and the International Society for Cellular Therapies. He sits on the Industry Committee of the International Society for Stem Cell Research, the Scientific Advisory Board of the Minda de Gunzburg Center for Ocular Regeneration, Schepens Eye Research Institute at Harvard Medical School, and the Expert Working Group on Cell and Gene Therapies for the Bioindustry Organization BioSafe Committee. Aged 61.

John Berriman BEng MBA, Non-executive Director

John Berriman was appointed to the Board in July 2011. He is the Chairman of Heptares Therapeutics Ltd, Autifony Ltd and past Chairman (now deputy Chairman) of Algeta ASA (listed on the Oslo stock exchange). He is also a non-executive director of Cytos AG (listed on the SIX Swiss exchange). Until its sale to Amgen in the spring of 2012 he was a director of Micromet Inc. (listed on NASDAQ). Previously he was a director of Abingworth Management, an international healthcare venture capital firm, where he was involved in founding, financing and serving as a director of several biotechnology companies in Europe and the USA – many of which obtained listings on public stock exchanges. Prior to that, he spent 14 years with Celltech Group plc and was a member of its Board when it listed on the London Stock Exchange in 1994. He has a degree in Chemical Engineering from the University of Cambridge and an MBA from the London Business School. In addition to the positions mentioned above, he has in the last five years been a non-executive director of Pronota BV and Ablynx NV, and an executive director of Oxxon Therapeutics Holdings, Inc. Aged 64.

Simon Cartmell BSc Msc, Non-executive Director

Simon Cartmell was appointed to the Board in July 2011. He was, until June 2010, Chief Executive Officer of ApaTech Ltd, which he built into a world leader in orthobiologics. Its sale to Baxter International Inc for $330m was completed in March 2010. Prior to ApaTech he was CEO of Celltech Pharmaceuticals and a director of Celltech Group plc. Before that, he was Chief Operating Officer of Vanguard Medica plc. His early career was spent at Glaxo plc in multiple senior UK and global commercial strategy, product development, supply chain, marketing, sales and business development roles. He is a Medical Microbiology graduate from Manchester University and an alumnus of the London Business School Sloan Fellowship Programme. He is currently Chief Executive Officer of Calon Cardio-Technologies Ltd and has non-executive or advisory roles as a Venture Partner with Imperial Innovations plc, as Chairman of OSspray Ltd , as a non-executive director of Phase4 Ventures, as an adviser to the MTI/University of Manchester Premier Fund and as an advisor to several emerging life science and medical technology companies in the UK and internationally. Aged 52.

Dr Tim Corn, MSc FFPM FRCPsych, Non-executive Director

Dr Tim Corn was appointed to the Board in June 2012. He is Chief Medical Officer at EUSA Pharma International, a division of Jazz Pharmaceuticals, and was formally CMO at EUSA Pharma Inc, until its acquisition by Jazz in 2012, and CMO at Zeneus Pharma, which was acquired by Cephalon Inc in 2006. In addition, he serves as Non-executive Director on the Board of Circassia Limited, a clinical-stage development company working in the field of immunology. Dr. Corn qualified in medicine at King's College Hospital, London after gaining a Master's degree in biochemistry from Imperial College. He became consultant and senior lecturer in neuropsychiatry at the Institute of Psychiatry, London, and is the author of more than forty scientific publications. Dr Corn has held senior clinical and regulatory positions at GlaxoWellcome, MSD Research Laboratories, Athena Neuroscience and Elan as well as in the UK regulatory agency. He has played a key role in twenty regulatory approvals in USA and Europe for products in the fields of neurology and oncology, the most recent being the approval by FDA of the BLA for Erwinaze™. He was elected Fellow of the Faculty of Pharmaceutical Medicine in 1996 and of the Royal College of Psychiatrists in 1998. Aged 61.

Mark Docherty BEng FCA, Non-executive Director

Mark Docherty was appointed to the Board in March 2003. He is Finance and Corporate Director of FKD Therapies Oy, a Finnish based gene therapy company whose lead product for bladder cancer is in clinical development. He is also Chief Financial Officer of Woelbern Private Equity GmbH, a specialist private equity house. He was a founding director of Merlin Biosciences Limited (now Excalibur Fund Managers Limited) and was actively involved in the structuring and financing of many of the Merlin portfolio companies including ReNeuron. Previously, he was a Manager in the Corporate Finance Group of Arthur Andersen. He is a chartered accountant and holds a BEng in Mechanical Engineering from Sheffield University. He is also a non-executive director of CBT Development Limited and Pantherix Limited. Aged 48.

Dr Paul Harper BSc Ph.D., Non-executive Director

Dr Harper is a graduate of Leeds University (Microbiology/Virology). He initially pursued a career in drug discovery and development with Glaxo Group Research as Head of Antimicrobial Chemotherapy, Johnson & Johnson Limited as Director of R&D and with Unipath plc. This was followed by work in a number of start-up companies and SMEs as Chief Executive Officer or adviser. These included, as CEO, preparing Cambridge Antibody Technology PLC for flotation on the London Stock Exchange and founding Provensis Limited to develop a drug device product. Currently Chairman of Angel Biotechnology plc, Physiomics plc, Sareum Holdings plc and three other private biotechnology/devices businesses. Aged 66.

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SCIENTIFIC AND STRATEGIC ADVISORY GROUP

We have established a Scientific and Strategic Advisory Group to advise the Company on strategic matters relating to its scientific and commercial agenda: in particular, the future direction of stem cell and cell replacement therapy, links to academic, regulatory and industrial organisations and relationships with government bodies, the media and the public, both in the UK and internationally. The Scientific and Strategic Advisory Group is chaired by Professor Trevor Jones CBE, a past Chairman of the Company. Its membership also includes Dr John Sinden, a founder of the Company and its Chief Scientific Officer.

Professor Trevor Jones CBE Ph.D. DSc FKC FPS FRSC Hon FRCP FBPharmcolS
Professor Trevor Jones was Chairman of the ReNeuron Group from February 1999 until August 2011. He was formerly Director General of the Association of the British Pharmaceutical Industry (ABPI), and was, until 1994, Research & Development Director at Wellcome plc. He has been awarded honorary doctorates and Gold Medals from six universities; he has fellowships from Kings College London, the Royal Society of Chemistry, the Royal Pharmaceutical Society of Great Britain, the British Pharmacological Society, the Royal College of Physicians and its Faculty of Pharmaceutical Medicine. He is a founder member of the Geneva-based public/private partnership, the Medicines for Malaria Venture and in 2004 he was appointed to the World Health Organisation Commission on Innovation and Public Health Organisation on Intellectual Property Rights Health. He was Chair of the UK Government Department of Health Advisory Group on Genetics Research and for 12 years a member of the UK Government regulatory agency, The Medicines Commission.

Professor Colin Blakemore FMedSci, FRCP (Hon), FSB (Hon), FR
Professor Blakemore is currently Professor of Neuroscience at the Department of Physiology, Anatomy and Genetics, University of Oxford. He is a past Chief Executive of the Medical Research Council and a past chair of the International Stem Cell Forum. He is one of the UK's most influential science commentators, having been actively involved in the public communication of science for more than thirty years. He is a frequent broadcaster on radio and television, has published a number of books about science for a general readership and writes for the national and international media.

Dr Scott Gottlieb MD
Dr Gottlieb is a practicing physician in the US and a past Deputy Commissioner at the Food and Drug Administration (FDA). He was also Director of Medical Policy Development and Senior Adviser for Medical Technology at the FDA. Subsequently, he was a Senior Adviser to the Administrator of Medicare and Medicaid Services where he supported the agency's policy work particularly in relation to new medical technologies. He has held editorial positions on the British Medical Journal and the Journal of the American Medical Association, writes a regular feature on healthcare policy for the Wall Street Journal editorial page and is a regular commentator on medical and regulatory matters in the US.

Professor Jack Price BA PhD
Professor Price is Professor of Developmental Neurobiology and Director, Centre for the Cellular Basis of Behaviour at the Institute for Psychiatry, King's College London. Following post-doctoral training at MIT, he ran a research group at the National Institute for Medical Research, Mill Hill. Prior to his current position, he was Director of Molecular Neuroscience at SmithKline Beecham Pharmaceuticals. He has over twenty years' experience in neural stem cell research and has been a senior scientific consultant to ReNeuron for over ten years.

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CLINICAL ADVISORY BOARD

We have established a Clinical Advisory Board whose principal objectives are to advise the Company on the clinical development of our stem cell therapies, to review and monitor progress with our therapeutic programmes and to provide a rigorous critique of our programme strategies going forward.

ReN001 – Stroke

Dr Sid Gilman MD, FRCP
Dr Gilman is the William J Herdman Distinguished University Professor, Dept of Neurology, University of Michigan. He has held academic positions at Harvard University, Columbia University and the University of Michigan since 1965, and is editor-in-chief of two neuroscience journals. Amongst his advisory committee roles, he was a member of the FDA Peripheral and Central Nervous System Advisory Committee for 17 years, chaired the committee for 4 years, and remains appointed as an FDA consultant.

Dr Louis Caplan MD
Dr Caplan is Chief, Cerebrovascular and Stroke Division, Beth Israel Deaconess Medical Center and Professor of Neurology, Harvard Medical School, Boston. Dr Caplan is a renowned expert in cerebrovascular disease including stroke and has authored numerous articles and books on stroke and stroke care. He was involved in an early cell therapy clinical trial for stroke patients using Diacrin Inc.'s porcine tissue.

Dr Douglas Kondziolka MD, MSc, FRCS, FACS
Dr Kondziolka is the Peter J. Jannetta Professor and Vice Chairman of Neurological Surgery and Professor of Radiation Oncology, University of Pittsburgh. He is President of the Congress of Neurological Surgeons and past President of the International Stereotactic Radiosurgery Society and American Society for Stereotactic and Functional Neurosurgery. Dr. Kondziolka has pioneered a number of neurological techniques and conducted the groundbreaking initial clinical trials of a cryopreserved cell therapy product, Layton Bioscience Inc.'s LBS Neurons, in stroke patients.

Dr Paul Sanberg Ph.D. DSc
Dr Sanberg is Distinguished University Professor and Director, Center for Aging and Brain Repair, University of South Florida. Dr Sanberg has extensive experience in bringing neural transplantation therapies from the laboratory to the clinic. He served as the first Scientific Director for Cellular Transplant Inc., which became publicly traded as CytoTherapeutics Inc. (now StemCells, Inc.). He has also served as the Chief Scientific Officer for Layton BioScience Inc. He is founder and President of Saneron CCEL Therapeutics Inc., a spin-out company from the University of South Florida.

Professor Philip Bath BSc, MB, BS, MD, FRCPath, FRCP, FESC
Professor Bath is the Stroke Association Professor of Stroke Medicine at the University of Nottingham. He is an expert in pharmaceutical studies in stroke at both pre-clinical and clinical level.

ReN009 – Critical Limb Ischaemia

Dr John Cooke MD, PhD
Dr Cooke is a Professor in the Division of Cardiovascular Medicine at Stanford University School of Medicine, and Associate Director (Education and Training) of the Stanford Cardiovascular Institute. At Stanford, he spearheads the programme in Vascular Biology and Medicine and directs a translational research programme in vascular biology from molecule to man, focused on endothelial biology, angiogenesis and vascular regeneration. Dr Cooke has published over 350 manuscripts, book chapters, and patents in the arena of vascular medicine and biology. He serves on US national and international committees that deal with cardiovascular diseases, including those of the American Heart Association, American College of Cardiology, and the US National Heart, Lung and Blood Institute.

Dr William Hiatt MD
Dr Hiatt is the Novartis Foundation endowed Professor for Cardiovascular Research in the Department of Medicine, University of Colorado Denver School of Medicine. He is chief of the Section of Vascular Medicine, with appointments in cardiology and geriatrics. He is also the President of the Colorado Prevention Center, a university-affiliated, non-profit cardiovascular and clinical trials research organisation that directs study design and provides academic oversight of trials of drugs and angiogenic therapies for peripheral arterial disease. He is a fellow in the American Heart Association and the American College of Physicians and is currently the Chair of the American Heart Association Peripheral Vascular Disease Council. Dr Hiatt also serves on the editorial board as an Associate Editor for the journal Vascular Medicine, the Cochrane Review Group on "Peripheral Vascular Diseases," and he is guest editor for Circulation and the Journal of the American College of Cardiology. Dr Hiatt is the immediate past Chairman of the United States Food and Drug Administration Cardiovascular and Renal Advisory Committee.

CLINICAL ADVISORY BOARD continued

Dr Douglas Losordo MD
Dr Losordo is the Director of the US Feinberg Cardiovascular Research Institute, the Eileen M. Foell Professor of Heart Research at Northwestern University's School of Medicine and Director of the Program in Cardiovascular Regenerative Medicine at Northwestern Memorial Hospital. He is a Fellow of the American College of Cardiology, the American Heart Association, the American Association for the Advancement of Science, the American College of Physicians, the American College of Chest Physicians, and the US Society for Cardiac Angiography and Interventions. Dr Losordo's major research interests encompass angiogenesis/vasculogenesis, progenitor/adult stem cells, tissue repair/regeneration, and vascular biology.

Professor Paolo Madeddu MD
Professor Madeddu is Chair of Experimental Cardiovascular Medicine, Bristol Heart Institute, University of Bristol. Prior to this, he was a Consultant in Internal Medicine and Assistant Professor in Internal Medicine, Department of Internal Medicine, Medical University of Sassari, Italy, and Chief of Gene Therapy and Experimental Medicine Division INBB, Inter-University Consortium, Italy. He was also a Senior Research Fellow, Hypertension Unit, Henry Ford Hospital, Detroit, US. Professor Madeddu's research activities are directed towards the development of more effective strategies to treat chronic limb and myocardial ischaemia as well as diabetes-related microvascular complications, in particular impaired angiogenesis and wound healing. More recently, his research has explored the potential of stem cell transplantation to achieve therapeutic angiogenesis. This research, including work done in collaboration with ReNeuron, has involved studies examining the therapeutic potential of human stem cells for the regeneration of wounded tissues in murine models of myocardial infarction and ischaemic diabetic wounds.

The directors present their report and the audited consolidated financial statements of the company for the year ended 31 March 2012.

Principal activities, risks, business review and future prospects

A review of the business and its prospects is contained within the Chairman's and Chief Executive Officer's joint statement and the business review that follows it. The principal activities of the Group are the research, development and commercial exploitation of stem cell technologies for therapeutic and non-therapeutic applications. These activities are carried out by the company and its subsidiaries.

In common with other small biotechnology companies, the Group is subject to a number of risks and uncertainties, which include:

- the early stage of development of the business;
- the safety and effectiveness of its technologies;
- its history of operating losses;
- availability and terms of capital needed for the business;
- its ability to receive regulatory approvals;
- the uncertainty that clinical trials will succeed or lead to commercially viable products;
- competition from other companies and market acceptance of its products;
- its reliance on consultants, contractors and personnel at third-party research institutions;
- intellectual property infringement claims by others and the ability to protect its intellectual property;
- the ability to attract and retain qualified personnel; and
- pricing pressures and actions by governmental health administration authorities.

A number of specific committees exist in the Group which meet regularly to review progress and agree actions encompassing research activities, development programmes, and wider business and commercial issues. Through these committees, and through formal Board meetings, the directors are able to continuously monitor, evaluate and mitigate the potential impact of the principal risks facing the Group as it develops.

Clinical and regulatory risk

There are significant inherent risks in developing stem cell therapies for commercialisation due to the long and complex development process. Any therapy which we wish to offer commercially to the public must be put through extensive research, pre-clinical and clinical development all of which takes several years and is extremely costly. We may fail to successfully develop a therapeutic candidate because of:

- the failure of the candidate in pre-clinical studies;
- the inability of clinical trials to demonstrate the candidate is safe and effective in humans;
- the failure to find a collaborator to take the therapeutic candidate into expensive later stage studies;
- the failure to manufacture the drug substance in sufficient quantities and at commercially acceptable prices.

In addition, the complexity and multijurisdictional nature of the regulatory processes could result in either delays in achieving regulatory approval or non-approval. If a product is approved, the regulators may impose additional requirements, for example, restrictions on the therapy's indicated uses or the levels of reimbursement receivable, that could impact on its commercial viability. Once approved, the product and its manufacture will continue to be reviewed by the regulators and may be withdrawn or restricted in the future.

Competition and intellectual property

Intellectual property protection remains fundamental to our strategy of developing novel therapeutic candidates. Our ability to stop others making a therapeutic candidate, using it or selling the invention or proprietary rights by obtaining and maintaining protection is critical to our success. We own a portfolio of patents and patent applications which underpin our research and development programmes. We invest significantly in maintaining and protecting this intellectual property to reduce the risks over the validity and enforceability of our patents. However, the patent position is always uncertain and often involves complex legal issues. Therefore, there is a risk that intellectual property may become invalid and/or expire before, or soon after, commercialisation of a drug product and we may be blocked by other companies' patents and intellectual property.

Manufacturing risk

Our ability to successfully scale-up production processes to viable clinical trial or commercial levels is vital to the commercial viability of any product. Availability of raw materials is extremely important to ensure that manufacturing campaigns are performed on schedule and therefore dual sourcing is used where possible. Product manufacture is subject to continual regulatory control and products must be manufactured in accordance with good manufacturing practice. Any changes to the approved process may require further regulatory approval which may incur substantial cost and delays. These potential issues could adversely impact on the results from operations and our cash liquidity.

Financial risks

The financial risks faced by the Group include interest rate risk, foreign currency risk, liquidity risk and risk associated with cash held on deposit with financial institutions. The Board reviews and agrees policies for managing each of these risks. The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit, balanced with the need to safeguard the assets of the business. The Group does not enter into forward currency contracts. Due to the nature of the Group's activities, the directors do not currently consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates as these exposures are not considered significant. However, the Group does hold currency in US dollars to cover US dollar expenses. A summary of the Group's financial instruments is set out in note 22 to the financial statements.

Key Performance Indicators

The ongoing performance of the Group is managed and monitored using a number of key performance indicators, both financial and qualitative. In terms of financial performance, the Group does not currently generate profits and utilises cash for its operational activities. The forecasting and monitoring of the Group's cash resources is therefore critical in terms of the efficient allocation of those resources and in predicting future cash requirements. A key feature of the Group's internal management reporting systems is therefore the emphasis placed on operational cash spend by category and against forecast, which is monitored at both Management Committee and Board level on a monthly basis. The Group's net cash outflow from operating activities for the year ended 31 March 2012 was £5,786,000 (2011: £5,148,000). Cash flow forecasts are adjusted on a regular basis to take account of changing circumstances in the business. In this way, the Group's forward cash requirements can be predicted with a high degree of accuracy.

In terms of the Group's wider performance, each research or development programme is managed by a project manager who reports progress against key qualitative milestones on a monthly basis to the Management Committee. The more detailed aspects of these programmes are also discussed and monitored through separate Project Review or Development Committees. Research and development programmes are planned and executed against identified milestones, and together these programmes constitute the Group's product pipeline.

Presentation of financial statements

The consolidated accounts include the financial statements of the Company and its subsidiary undertakings, made up to 31 March 2012.

Results and dividends

The results for the year are given in the Consolidated Statement of Comprehensive Income set out on page 33. The directors do not recommend the payment of a dividend (2011: £nil).

Research and development

During the year the Group charged research and development costs of £4,865,000 (2011: £3,763,000) to the Statement of Comprehensive Income.

Directors and directors' interests

The directors who held office during the year, and up to the signing of the financial statements, are listed below:

Bryan Morton, Non-executive Chairman
Michael Hunt, Chief Executive Officer
Dr John Sinden, Chief Scientific Officer
John Berriman, Non-executive Director (appointed 19 July 2011)
Simon Cartmell, Non-executive Director (appointed 19 July 2011)
Dr Tim Corn (appointed 26 June 2012)
Mark Docherty, Non-executive Director
Dr Paul Harper, Non-executive Director
Professor Trevor Jones, Non-executive Director (resigned 26 June 2012)

Directors' emoluments

	Salaries and fees £'000	Bonuses £'000	Benefits in kind £'000	Pension contributions £'000	**2012 Total £'000**	2011 Total £'000
Michael Hunt	185	33	3	17	**238**	250
Dr John Sinden	172	32	2	16	**222**	221
Bryan Morton	29	–	–	–	**29**	23
John Berriman	19	–	–	–	**19**	–
Simon Cartmell	19	–	–	–	**19**	–
Dr Tim Corn	–	–	–	–	**–**	–
Mark Docherty	16	–	–	–	**16**	20
Dr Paul Harper	21	–	–	–	**21**	15
Professor Trevor Jones	23	–	–	–	**23**	25
Total	484	65	5	33	**587**	554

At 31 March the directors held the following interests in the shares of the Company:

		2012 Number	2011 Number
Michael Hunt	Ordinary shares of 1p each	**328,023**	328,023
Dr John Sinden	Ordinary shares of 1p each	**1,486,902**	1,486,902
Bryan Morton	Ordinary shares of 1p each	**90,909**	90,909
John Berriman	Ordinary shares of 1p each	**–**	–
Simon Cartmell	Ordinary shares of 1p each	**–**	–
Dr Tim Corn	Ordinary shares of 1p each	**–**	–
Mark Docherty	Ordinary shares of 1p each	**219,854**	219,854
Dr Paul Harper	Ordinary shares of 1p each	**201,709**	201,709
Professor Trevor Jones	Ordinary shares of 1p each	**202,109**	202,109

On the 3 April 2012, the Company announced that it had raised gross proceeds of approximately £5.4 million by means of a Placing through the issue of 134,037,500 ordinary shares of 1p each at 4p per share.

In addition, investors in the Placing were issued Warrants to subscribe for Ordinary Shares, with each Warrant entitling the holder to subscribe for Ordinary Shares at a price of 6 pence per Ordinary Share. Warrants are exercisable within 2 years of the date of issue.

Following completion of the placing the directors held the following interests in the shares of the Company:

		Number
Michael Hunt	Ordinary shares of 1p each	**453,023**
Dr John Sinden	Ordinary shares of 1p each	**1,611,902**
Bryan Morton	Ordinary shares of 1p each	**215,909**
John Berriman	Ordinary shares of 1p each	**125,000**
Simon Cartmell	Ordinary shares of 1p each	**187,500**
Dr Tim Corn	Ordinary shares of 1p each	**–**
Mark Docherty	Ordinary shares of 1p each	**344,854**
Dr Paul Harper	Ordinary shares of 1p each	**251,709**
Professor Trevor Jones	Ordinary shares of 1p each	**227,109**

Following completion of the placing the directors held the following interests in warrants of the Company:

		Number
Michael Hunt	Ordinary shares of 1p each	**125,000**
Dr John Sinden	Ordinary shares of 1p each	**125,000**
Bryan Morton	Ordinary shares of 1p each	**125,000**
John Berriman	Ordinary shares of 1p each	**125,000**
Simon Cartmell	Ordinary shares of 1p each	**187,500**
Dr Tim Corn	Ordinary shares of 1p each	**–**
Dr Paul Harper	Ordinary shares of 1p each	**50,000**
Mark Docherty	Ordinary shares of 1p each	**125,000**
Professor Trevor Jones	Ordinary shares of 1p each	**25,000**

The directors held the following interests in options over shares of the Company:

Michael Hunt

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – approved	1	725,684	47,305	–	**772,989**	5.28p	August 2005 – July 2014
Options – unapproved	1	874,462	57,003	–	**931,465**	5.28p	August 2006 – July 2014
Options – unapproved	2	1,777,939	115,898	–	**1,893,837**	13.2p	August 2008 – August 2015
Options – unapproved	2	443,975	28,941	–	**472,916**	5.29p	August 2009 – August 2016
Options – unapproved	2	443,975	28,941	–	**472,916**	7.93p	August 2010 – August 2016
Options – unapproved	3	774,243	50,470	–	**824,713**	12.73p	August 2010 – August 2017
Options – unapproved	3	774,243	50,470	–	**824,713**	22.74p	August 2010 – August 2017
Options – Deferred Bonus Plan approved	5	1,442,887	–	–	**1,442,887**	1.0p	August 2011 – August 2020
Options – Long Term Incentive Plan unapproved	6	1,772,728	–	–	**1,772,728**	1.0p	August 2012 – August 2019
Options – Long Term Incentive Plan unapproved	7	2,071,066	–	–	**2,071,066**	1.0p	August 2013 – August 2020
Options – Long Term Incentive Plan unapproved	8	–	–	2,916,667	**2,916,667**	1.0p	August 2014 – August 2021
		11,101,202	379,028	2,916,667	**14,396,897**		

John Sinden

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – approved	1	725,684	47,305	–	**772,989**	5.28p	August 2005 – July 2014
Options – unapproved	1	868,559	56,619	–	**925,178**	5.28p	August 2006 – July 2014
Options – unapproved	2	1,777,939	115,898	–	**1,893,837**	13.2p	August 2008 – August 2015
Options – unapproved	2	443,975	28,941	–	**472,916**	5.29p	August 2009 – August 2016
Options – unapproved	2	443,975	28,941	–	**472,916**	7.93p	August 2010 – August 2016
Options – unapproved	3	774,243	50,470	–	**824,713**	12.73p	August 2010 – August 2017
Options – unapproved	3	774,243	50,470	–	**824,713**	22.74p	August 2010 – August 2017
Options – Deferred Bonus Plan approved	5	1,564,642	–	–	**1,564,642**	1.0p	August 2011 – August 2020
Options – Long Term Incentive Plan unapproved	6	1,713,637	–	–	**1,713,637**	1.0p	August 2012 – August 2019
Options – Long Term Incentive Plan unapproved	7	1,918,782	–	–	**1,918,782**	1.0p	August 2013 – August 2020
Options – Long Term Incentive Plan unapproved	8	–	–	2,336,389	**2,336,389**	1.0p	August 2014 – August 2021
		11,005,679	378,644	2,336,389	**13,720,712**		

Bryan Morton

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – unapproved	4	204,000	13,298	–	**217,298**	5.06p	August 2012 – August 2019
Options – unapproved	4	250,000	16,297	–	**266,297**	4.62p	August 2013 – August 2020
Options – unapproved	9	–	–	400,000	**400,000**	4.50p	August 2014 – August 2021
		454,000	29,595	400,000	**883,595**		

John Berriman

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – unapproved	9	–	–	400,000	**400,000**	4.50p	August 2014 – August 2021
		–	–	400,000	**400,000**		

Simon Cartmell

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – unapproved	9	–	–	400,000	**400,000**	4.50p	August 2014 – August 2021
		–	–	400,000	**400,000**		

Mark Docherty

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – unapproved	3	232,273	15,141	–	**247,414**	12.73p	August 2010 – August 2017
Options – unapproved	4	204,000	13,298	–	**217,298**	5.06p	August 2012 – August 2019
Options – unapproved	4	250,000	16,297	–	**266,297**	4.62p	August 2013 – August 2020
Options – unapproved	9	–	–	400,000	**400,000**	4.50p	August 2014 – August 2021
		686,273	44,736	400,000	**1,131,009**		

Dr Paul Harper

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – unapproved	2	88,897	5,795	–	**94,692**	13.20p	August 2008 – August 2015
Options – unapproved	2	88,795	5,788	–	**94,583**	5.29p	August 2009 – August 2016
Options – unapproved	3	232,273	15,141	–	**247,414**	12.73p	August 2010 – August 2017
Options – unapproved	4	204,000	13,298	–	**217,298**	5.06p	August 2012 – August 2019
Options – unapproved	4	250,000	16,297	–	**266,297**	4.62p	August 2013 – August 2020
Options – unapproved	9	–	–	400,000	**400,000**	4.50p	August 2014 – August 2021
		863,965	56,319	400,000	**1,320,284**		

Professor Trevor Jones

	Note	At 1 April 2011 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2012 Number**	*Exercise Price	** Exercise Period
Options – Unapproved	1	177,794	11,590	–	**189,384**	5.28p	August 2005 – July 2014
Options – Unapproved	2	88,897	5,795	–	**94,692**	13.20p	August 2008 – August 2015
Options – Unapproved	2	88,795	5,788	–	**94,583**	5.29p	August 2009 – August 2016
Options – Unapproved	3	232,273	15,141	–	**247,414**	12.73p	August 2010 – August 2017
Options – Unapproved	4	204,000	13,298	–	**217,298**	5.06p	August 2012 – August 2019
Options – Unapproved	4	250,000	16,297	–	**266,297**	4.62p	August 2013 – August 2020
Options – Unapproved	9	–	–	400,000	**400,000**	4.50p	August 2014 – August 2021
		1,041,759	67,909	400,000	**1,509,668**		

* The number of share options and exercise price for share options issued under notes 1, 2, 3 and 4 below were adjusted during the year in accordance with the Rules of the Scheme to adjust for the variation in share capital since their issue.

** The exercise periods indicate the earliest dates by which options are exercisable subject to meeting the performance conditions disclosed below. As at 31 March 2012 the performance conditions in notes 3, 4, 6, 7, 8 and 9 had not been met. Performance conditions in relation to Note 2 were met in the prior year.

Note 1:
These options were issued in August 2005 following the Group's Admission to the AIM market. The new share options replaced those previously held under an earlier share option scheme, which have now lapsed. These options were issued through a combination of an Inland Revenue approved EMI scheme and an unapproved scheme and are exercisable from the date of grant, as the relevant performance condition had been satisfied, being the Admission of the Ordinary Shares in the Company.

Note 2:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 3:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the successful completion of an initial clinical trial of a ReNeuron cell therapy, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 4:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in a second clinical trial, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 5:
These options have been issued under the Group's Share Option Scheme. The options were awarded in accordance with the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ended 31 March 2009 and as such all performance conditions have been met. The options are exercisable in whole or in part at any time between the second anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 6:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

i) The first patient is administered with a ReNeuron cell therapy in a second clinical trial,

ii) The Total Shareholder Return (TSR) of the Company must exceed that of the FTSE All-Share Pharmaceutical and Biotechnology Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

iii) The business must have operated within its internal financial budgets throughout the period to vesting.

iv) The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Note 7:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

i) The first patient is administered with a ReNeuron cell therapy in a second clinical trial,

ii) The Total Shareholder Return (TSR) of the Company must exceed that of the AIM Healthcare Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

iii) The business must have operated within its internal financial budgets throughout the period to vesting.

iv) The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Note 8:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to

the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

i) The first patient is administered with a ReNeuron cell therapy in a third clinical trial,

ii) The Total Shareholder Return (TSR) of the Company must exceed that of the AIM Healthcare Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

iii) The business must have operated within its internal financial budgets throughout the period to vesting.

iv The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Note 9:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in a third clinical trial, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Qualifying third party indemnity

Certain directors benefited from qualifying third party indemnity provisions in place during the year and at the date of this report.

Policy and practice on payment of creditors

It is the Group's policy, in respect of all suppliers, to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade payables of the Group at the year end as a proportion of amounts invoiced by suppliers during the year represent 65 days (2011: 71 days).

Trade payables of the Company at the year end as a proportion of amounts invoiced by suppliers during the year represent nil days (2011: 2 days).

Corporate Governance

As an AIM-listed Company, ReNeuron is not required to comply with the UK Corporate Governance Code (2010), a set of recommended corporate governance principles for UK public companies issued by the Financial Reporting Council. However, the directors support high standards of Corporate Governance and have established a set of corporate governance principles which they regard as appropriate for the stage of development of the Group. For example, the Company has adopted a share dealing code for directors and senior employees on substantially the same terms as AIM's model code on directors' dealings in company shares.

The Board has established an Audit Committee, Remuneration Committee and Nominations and Corporate Governance Committee with formally delegated duties and responsibilities. John Berriman chairs the Audit Committee, Simon Cartmell chairs the Remuneration Committee and Bryan Morton chairs the Nominations Committee.

The Audit Committee normally meets twice a year and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements and involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards.

It is also responsible for ensuring that an effective system of internal controls is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

The Remuneration Committee, which meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the executive directors. It also operates the Share Option Scheme and sets performance conditions which must be satisfied before options granted under the Share Option Scheme can be exercised.

The Nominations and Corporate Governance Committee has responsibility for reviewing the size and composition of the Board and appointment of replacement and/or additional directors and making appropriate recommendations to the Board. It also has a duty to ensure the Company complies with relevant mandatory corporate governance regulations and to consider and advise the Board regarding wider corporate governance developments and guidelines.

Communications

The Group places a high priority on regular communications with its various stakeholder groups, and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The Group maintains a regularly updated website, where users can register to be alerted when announcements or details of presentations and events are posted onto the website.

Beyond the Annual General Meeting, the Chief Executive Officer and Chief Scientific Officer meet regularly with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

Health and safety and the environment

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group operates a Health and Safety Committee which meets monthly to monitor, review and make decisions concerning health and safety matters. The Group's health and safety policies and procedures are enshrined in the Group's documented quality systems, which encompass all aspects of the Group's day-to-day operations.

The Group is aware of its corporate responsibilities concerning the impact of its activities on the environment, and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.

BIA Code

The Group is a member of the Bioindustry Association (BIA), the trade association for biotechnology companies in the UK. The Group adheres to the BIA's Best Practice Guideline on Financial & Corporate Communications.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the Group website www.reneuron.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement on disclosure of information to auditors

In accordance with Section 418 of the Companies Act, in the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Covington & Burling LLP, 265 Strand, London, WC2R 1BH on 11 September 2012 at 10:00am. The notice of the 2012 Annual General Meeting is enclosed on page 55 of this document.

By order of the Board

Michael Hunt
Director

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEURON GROUP PLC

We have audited the group and parent company financial statements (the ''financial statements'') of ReNeuron Group plc for the year ended 31 March 2012 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2012 and of the group's loss and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Miles Saunders

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

9 July 2012

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GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

	Note	**2012 £'000**	2011 £'000
Revenue	5	**40**	29
Research and development costs	6	**(4,865)**	(3,763)
General and administrative costs	6	**(2,059)**	(3,067)
Other operating income	7	**–**	135
Operating loss		**(6,884)**	(6,666)
Finance income	8	**40**	29
Finance costs	8	**(1)**	(2)
Loss before income tax		**(6,845)**	(6,639)
Taxation	11	**616**	491
Loss and total comprehensive loss for the year		**(6,229)**	(6,148)
Total loss and total comprehensive loss attributable to:			
– Equity owners of the Company		**(6,229)**	(6,148)
Basic and diluted loss per ordinary share	13	**(1.0p)**	(1.3p)

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GROUP AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH

	Note	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Assets					
Non-current assets					
Property, plant and equipment	14	**299**	419	**–**	–
Intangible assets	15	**1,272**	1,272	**–**	–
Investment in subsidiaries	16	**–**	–	**41,837**	7,710
Trade and other receivables	17	**135**	135	**–**	–
		1,706	1,826	**41,837**	7,710
Current assets					
Trade and other receivables	17	**457**	358	**2**	28,538
Corporation tax receivable		**616**	491	**–**	–
Cash and cash equivalents	18	**3,983**	9,668	**3,748**	9,531
		5,056	10,517	**3,750**	38,069
Total assets		**6,762**	12,343	**45,587**	45,779
Equity					
Equity attributable to owners of the company					
Share capital	25	**6,234**	6,199	**6,234**	6,199
Share premium account		**28,885**	28,811	**28,885**	28,811
Capital redemption reserve		**8,964**	8,964	**8,964**	8,964
Merger reserve		**2,223**	2,223	**1,858**	1,858
Warrant reserve		**108**	108	**108**	108
Share-based credit reserve		**1,623**	1,271	**1,623**	1,271
Retained deficit		**(42,803)**	(36,574)	**(7,573)**	(6,924)
Total equity		**5,234**	11,002	**40,099**	40,287
Liabilities					
Non-current liabilities					
Provisions	20	**125**	100	**–**	–
Financial liabilities: finance leases	21	**–**	10	**–**	–
		125	110	**–**	–
Current liabilities					
Trade and other payables	19	**1,394**	1,222	**5,488**	5,492
Financial liabilities: finance leases	21	**9**	9	**–**	–
		1,403	1,231	**5,488**	5,492
Total liabilities		**1,528**	1,341	**5,488**	5,492
Total equity and liabilities		**6,762**	12,343	**45,587**	45,779

The financial statements, comprising the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity and the Group and Parent Company Statements of Cash Flows, and related notes, were approved by the Board of Directors on 9 July 2012 and were signed on their behalf by:

Michael Hunt
Director

Company Registered Number 05474163

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GROUP AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Warrant reserve £'000	Share-based credit reserve £'000	Retained deficit £'000	Total Equity £'000
As at 1 April 2010	**4,377**	**21,310**	**8,964**	**2,223**	**108**	**876**	**(30,426)**	**7,432**
Issue of new ordinary shares	1,822	8,197	–	–	–	–	–	10,019
Costs of share issue	–	(696)	–	–	–	–	–	(696)
Share-based credit	–	–	–	–	–	395	–	395
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(6,148)	(6,148)
As at 31 March 2011	**6,199**	**28,811**	**8,964**	**2,223**	**108**	**1,271**	**(36,574)**	**11,002**
Issue of new ordinary shares	35	74	–	–	–	–	–	109
Share-based credit	–	–	–	–	–	352	–	352
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(6,229)	(6,229)
As at 31 March 2012	**6,234**	**28,885**	**8,964**	**2,223**	**108**	**1,623**	**(42,803)**	**5,234**

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Warrant reserve £'000	Share-based credit reserve £'000	Retained deficit £'000	Total Equity £'000
As at 1 April 2010	**4,377**	**21,310**	**8,964**	**1,858**	**108**	**876**	**(6,272)**	**31,221**
Issue of new ordinary shares	1,822	8,197	–	–	–	–	–	10,019
Costs of share issue	–	(696)	–	–	–	–	–	(696)
Share-based credit	–	–	–	–	–	286	–	286
Equity granted to employees of subsidiary	–	–	–	–	–	109	–	109
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(652)	(652)
As at 31 March 2011	**6,199**	**28,811**	**8,964**	**1,858**	**108**	**1,271**	**(6,924)**	**40,287**
Issue of new ordinary shares	35	74	–	–	–	–	–	109
Share-based credit	–	–	–	–	–	230	–	230
Equity granted to employees of subsidiary	–	–	–	–	–	122	–	122
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(649)	(649)
As at 31 March 2012	**6,234**	**28,885**	**8,964**	**1,858**	**108**	**1,623**	**(7,573)**	**40,099**

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GROUP AND PARENT COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

	Note	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash used in operations	28	**(6,276)**	(5,515)	**(450)**	(379)
Interest paid		**(1)**	(2)	**–**	–
Income tax credit received		**491**	369	**–**	–
Cash used in operating activities		**(5,786)**	(5,148)	**(450)**	(379)
Cash flows from investing activities					
Capital expenditure		**(30)**	(32)	**–**	–
Loans provided to subsidiaries		**–**	–	**(5,472)**	(3,904)
Interest received		**40**	29	**39**	28
Net cash (used in)/generated from investing activities		**10**	(3)	**(5,433)**	(3,876)
Cash flows from financing activities					
Finance lease principal payments		**(9)**	(10)	**–**	–
Proceeds from issuance of ordinary shares		**100**	10,000	**100**	10,000
Costs of share issue		**–**	(696)	**–**	(696)
Net cash generated from financing activities		**91**	9,294	**100**	9,304
Net (decrease)/increase in cash and cash equivalents		**(5,685)**	4,143	**(5,783)**	5,049
Cash and cash equivalents at the start of year		**9,668**	5,525	**9,531**	4,482
Cash and cash equivalents at the end of year		**3,983**	9,668	**3,748**	9,531

1. General information

ReNeuron Group plc ("the Company") and its subsidiaries (together "the Group") research and develop therapies using stem cells. The Company is a public limited company incorporated and domiciled in England with registered number 05474163 and its shares are listed on the AIM market of the London Stock Exchange.

2. Accounting policies and basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the financial years presented to the consolidated results and those for the Company. The accounting policies relate to the Group unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the interpretations of International Financial Reporting Interpretations Committee (IFRIC) and the Companies Act 2006 applicable to companies reporting under IFRS.

These financial statements have been prepared on a historical cost basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, made up to 31 March 2012.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group elected not to apply IFRS 3 'Business combinations' retrospectively to business combinations which took place prior to 1 April 2006 that have been accounted for by the merger accounting method.

Significant accounting judgements, estimates and assumptions

The key areas that require management to make difficult, subjective or complex judgements about matters that are inherently uncertain are:

a) Going concern

The financial statements have been prepared on a going concern basis, which assumes that sufficient funds will be available for the Company and Group to continue in operational existence for the foreseeable future. More details are set out in note 3.

b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. These indicators include the progress towards and outcome of clinical trials and the Group's funding position. More details are set out in note 15.

2. Accounting policies and basis of preparation (continued)

Foreign currency translation

The consolidated financial statements are presented in Pounds Sterling ('£'), which is the Company's functional and presentational currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Assets and liabilities of the Company's US subsidiary are translated to Sterling at the year-end exchange rate. Redundant assets at the US subsidiary's former laboratories have been written down to a book value of zero and have no impact on present or future exchange differences. Following the closure of the Company's US subsidiary, ReNeuron Inc, its functional currency has changed to sterling.

Revenue

Revenue is measured at the fair value of the consideration received from the provision of products and services net of Value Added Tax. Revenue represents income received from royalties and licensing income arising from collaborations with third parties. Differences between cash received and amounts recognised are included as deferred revenue where cash received exceeds revenue recognised and as accrued revenue where revenue has yet to be billed to the customer.

Research and development expenditure

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful life of the product concerned. Capitalisation commences from the point at which technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product once completed. No such costs have been capitalised to date, given the early stage of the Company's intellectual property.

Expenditure on research and development activities that do not meet the above criteria, including ongoing costs associated with acquired intellectual property rights and intellectual property rights generated internally by the Group, is charged to the Statement of Comprehensive Income as incurred.

Exceptional items

Exceptional items are those material items, which by virtue of their size or incidence, are presented separately in the Statement of Comprehensive Income to enable a full understanding of the Group's financial performance.

Pension benefits

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the Statement of Comprehensive Income. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Leases

Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of assets are treated as finance leases, as if the asset had been purchased outright. The assets are included within the relevant category of property, plant and equipment and the capital elements of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated over the lower of their useful live and the terms of the lease. The interest element of the lease rental is included in the Group Statement of Comprehensive Income.

2. Accounting policies and basis of preparation (continued)

Leases (continued)

All other leases are considered operating leases, the costs of which are charged to the Group Statement of Comprehensive Income on a straight-line basis over the lease term. Benefits such as rent-free periods, and amounts received or receivable as incentives to take on operating leases, are spread on a straight-line basis over the lease term.

Government and other grants

Revenue grants are credited to other operating income within the Group's Statement of Comprehensive Income on a case-by-case basis, assessed by the level of expenditure incurred on the specific grant project, when it is reasonably certain that amounts will not need to be repaid.

Share-based payments

The Group has applied the requirements of IFRS 2 "Share-based payment". In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity-settled awards after 7 November 2002 that were unvested at 1 April 2006.

The Group operates a number of equity-settled, share-based compensation plans. The fair value of share-based payments under such schemes is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of market-based vesting conditions. Vesting periods are estimated to be two years for options issued under the deferred bonus and four years for other schemes.

The fair value calculation of share-based payments requires several assumptions and estimates. The details are disclosed in Note 28 and are calculated using the Black-Scholes model. Such assumptions could change and could affect the amount recorded. At each balance sheet date, the Group reviews its estimate of the number of options that are expected to vest and recognises any revision to original estimates in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

For equity-settled share based payments where employees of subsidiary undertakings are rewarded with shares issued by the Parent Company, a capital contribution is recorded in the subsidiary, with a corresponding increase in the investment in the Parent Company.

Warrants

Where warrants have been issued together with ordinary shares, the proportion of the proceeds received that relates to the warrants is determined by reference to the relative market values of the warrants. The proportion of the proceeds that relates to the warrants is credited to a warrant reserve within shareholders' funds.

Where warrants have been issued as recompense for services supplied these are considered equity settled share-based payments and are accounted for in accordance with IFRS 2. The fair value of warrants, calculated using the Black-Scholes model, is charged to the Statement of Comprehensive Income over the period the services are received and a corresponding credit is made to the warrant reserve.

Intangible assets

Intangible assets, relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historic cost less accumulated amortisation and any provision for impairment, where the useful life of the asset is finite and the asset is likely to generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested annually for impairment. There is no identifiable useful life of the asset at this time. No amortisation other than historical impairment has been charged to date, as the products underpinned by the intellectual property rights are not yet available for commercial use.

2. Accounting policies and basis of preparation (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principle annual periods used for this purpose are:

Leasehold improvements	Term of the lease
Plant and equipment	3-8 years
Computer equipment	3-5 years

Investments

Investments are shown at cost less any provision for impairment.

Current income tax

The charge/credit for current income tax is based on the results for the year, adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantially enacted at the financial year end.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position include cash in hand and deposits held on call with banks with original maturities of three months or less. Bank deposits with original maturities between three months and twelve months are included in current assets.

Capital redemption reserve

S733 Companies Act 2006 provides that where shares of a company are redeemed or purchased wholly out of the Company's profits, or by a fresh issue, the amount by which the Company's issued share capital is diminished on cancellation of the shares shall be transferred to a reserve called the 'capital redemption reserve'. It also provides that the reduction of the Company's share capital shall be treated as if the capital redemption reserve were paid-up capital of the Company.

2. Accounting policies and basis of preparation (continued)

Provisions

Provisions are recognised when the Group has an obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Contractual milestone payments

The Group is expected to incur future contractual milestone payments linked to the future development of its therapeutic programmes. These costs will be recognised as and when a contractual milestone has been achieved.

Accounting developments

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2011 and are considered to have an impact on the Group.
Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2011, but are not currently relevant for the Group.
'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009 is effective for annual periods beginning 1 January 2011. The standard is not applicable to the Group as there is no defined benefit pension scheme.

'Extinguishing financial liabilities with equity instruments' (Amendment to IFRIC 19). The standard is not applicable to the Group as no renegotiation of terms with creditors has taken place.

'First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters (Amendment to IFRS 1). This is not applicable to the Group as it is not a first-time adopter of IFRS.

Improvements to International Financial Reporting Standards 2010, effective 1 January 2011.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2011 and have not been adopted early:
IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets. The Group is assessing whether there will be any impact on the accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

IAS 19, 'Employee benefits' was amended in June 2011. The standard is not applicable to the Group as there is no defined benefit pension scheme.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group has assessed that this will not impact the entities which are consolidated. The standard is not applicable until 1 January 2013 but is available for early adoption.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable to the Group.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard is not applicable to the Group.

3. Going concern

ReNeuron's lead therapeutic candidate for stroke is in clinical development and it has other therapeutic candidates in pre-clinical development. The Group is expected to incur significant further costs as it continues to develop its therapies and technologies through clinical development.

Subsequent to the financial year end, in April 2012, the Company announced that it had raised £6.1 million, before expenses, by means of a Placing and Open Offer to shareholders. This funding, together with existing cash resources, will be utilised to support current operations, including treatment of the remaining patients in the ReN001 Phase I stroke trial, progressing regulatory submissions for a Phase II trial of ReN001, securing regulatory approval for the ReN009 critical limb ischaemia Phase I/II trial and pre-clinical development of the ReN003 retinal programme.

Following the completion of the Placing and Open Offer, the Directors estimate that the cash held by the Group will be sufficient to support the current clinical programme and pre-clinical development described above to the end of the third quarter of 2013. Additional funding will be required for future clinical development of the ReN001 and ReN009 therapeutic candidates beyond this point and the Group will only incur significant costs on either programme, beyond obtaining the necessary regulatory approvals to commence the ReN001 Phase II and ReN009 Phase I/II clinical trials, once such funding is secured.

Based on anticipated progress in the business in 2012, the Directors do expect to secure additional financing from a range of funding sources, including potentially non-dilutive sources such as grants, sufficient for the future needs of the business beyond the third quarter of next year. The Group has an established track record of successfully raising funding from a number of sources but there is no certainty that adequate resources will be available on a timely basis. In the event that further funding is not achieved, then the Group would have to curtail or defer its planned programme development.

After making enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operations for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

4. Segment analysis

The Group has identified the Chief Executive Officer as the Chief Operating Decision Maker (CODM). The CODM manages the business as one segment, the development of cell-based therapies. Since this is the only reporting segment, no further information is included. The information used internally by the CODM is the same as that disclosed in the financial statements. The Group's revenue derives wholly from assets located in the United Kingdom. Analysed by location of customer all revenue is derived from the United States of America.

5. Revenue

Revenue in the year has been generated from royalty and licensing agreements.

6. Expenses by nature

	2012 £'000	2011 £'000
Loss before tax is stated after charging:		
Research and development costs:		
Employee benefits (note 10)	**1,091**	924
Depreciation of property, plant and equipment (note 14)	**133**	141
Other expenses	**3,641**	2,698
Total research and development costs	**4,865**	3,763
General and administrative costs:		
Employee benefits (note 10)	**812**	881
Legal and professional fees	**305**	1,277
Depreciation of property, plant and equipment (note 14)	**17**	13
Operating lease charges:		
– land and buildings	**243**	243
Dilapidations provision	**25**	25
Other expenses	**657**	628
Total general and administrative costs	**2,059**	3,067
Total research and development costs and general and administrative costs	**6,924**	6,830

During the year the Group obtained services from the Group's auditor and its associates as detailed below:

	Group		Company	
Services provided by the Group's auditor	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**15**	15	**15**	15
Fees payable to the Company's auditor and its associates for other services:				
– The audit of the Company's subsidiaries pursuant to legislation	**20**	20	**–**	–
– Tax compliance and advisory services	**–**	–	**–**	4
Total	**35**	35	**15**	19

7. Other operating income

	2012 £'000	2011 £'000
Grant income	**–**	135

8. Net interest received/(paid)

	2012 £'000	2011 £'000
Interest receivable on short-term bank deposits	**40**	29
Finance lease interest	**(1)**	(2)
Net interest receivable	**39**	27

9. Directors' emoluments

The directors are the key management personnel for the Group. Only the directors have authority and responsibility for planning, directing and controlling the activities of the Group, and are thus the only people considered to be key management per IAS 24.

	2012 £'000	2011 £'000
Aggregate emoluments:		
Emoluments in respect of qualifying services	**554**	521
Pension contributions	**33**	33
	587	554

	2012 £'000	2011 £'000
Highest paid director:		
Emoluments in respect of qualifying services	**221**	233
Pension contributions	**17**	17
	238	250

Two directors (2011: two) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

None of the directors exercised share options during the year (2011: none).

Directors' emoluments include the following amounts payable to third parties:

£16,248 (2011: £15,000) payable to XKE Capital in respect of directors' fees for Mark Docherty, and £21,048 (2011: £20,000) payable to Dr Paul Harper, trading as BioMedicon, in respect of directors' fees.

Directors' emoluments including share-based payments

	2012 £'000	2011 £'000
Salaries and other short-term employee benefits	**556**	521
Pension contributions	**33**	33
Share-based payments	**230**	286
	819	840

10. Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year was:

	2012 Number	2011 Number
By activity:		
Research and development	**15**	14
Administration	**4**	4
	19	18

Group	**2012 £'000**	2011 £'000
Staff costs:		
Wages and salaries	**1,295**	1,211
Social security costs	**160**	127
Share-based payment charge	**352**	395
Pension costs (see note 24)	**96**	72
	1,903	1,805

The Company had no employees during the year.

11. Tax credit on loss on ordinary activities

	2012 £'000	2011 £'000
United Kingdom research and development tax credit at 14% (2010: 14%)		
Current year	**616**	488
Adjustment in respect of prior year	**–**	3
	616	491

No corporation tax liability arises on the results for the year due to the loss incurred. No deferred tax asset has been identified, as there are currently no foreseeable profits.

11. Tax credit on loss on ordinary activities (continued)

A number of changes to the UK corporation tax system were announced in the March 2012 UK Budget Statements. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax from 26% to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

At 31 March 2012 the company had tax losses of approximately £41 million (2011: £33 million) available to carry forward against profits in future periods. The deferred tax asset in relation to these losses has not been recognised and therefore the effect of the proposed changes is not material (see note 23).

	2012	2011
	£'000	£'000
Loss before income tax	**6,845**	6,639
Loss before income tax multiplied by the UK small profits rate of tax for small companies of 21% (2011: 21%)	**1,437**	1,394
Effects of:		
– difference between depreciation and capital allowances	**56**	(26)
– expenses not deductible for tax purposes	**170**	337
– losses not recognised	**(1,035)**	(891)
– tax rate difference	**–**	(245)
– other short term timing differences	**(12)**	(81)
– adjustment in respect of prior year	**–**	3
	616	491

12. Loss for the financial year

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Statement of Comprehensive Income for the current year has not been presented in these financial statements. The Parent Company's loss and total comprehensive loss for the financial year was £649,000 (2011: £652,000).

13. Basic and diluted loss per ordinary share

The basic and diluted loss per share is calculated by dividing the loss for the financial year of £6,229,000 (2011: £6,148,000) by 619,946,923 shares (2011: 486,506,803 shares), being the weighted average number of ordinary 1p shares in issue during the year.

Potential ordinary shares are not treated as dilutive as the entity is loss making.

14. Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 April 2010	1,635	831	83	2,549
Additions	–	11	21	32
At 31 March 2011	**1,635**	**842**	**104**	**2,581**
Accumulated depreciation				
At 1 April 2010	1,186	751	71	2,008
Charge for the year	120	25	9	154
At 31 March 2011	**1,306**	**776**	**80**	**2,162**
Net book amount:				
At 31 March 2011	**329**	**66**	**24**	**419**
Cost:				
At 1 April 2011	1,635	842	104	2,581
Additions	–	5	25	30
At 31 March 2012	**1,635**	**847**	**129**	**2,611**
Accumulated depreciation				
At 1 April 2011	1,306	776	80	2,162
Charge for the year	120	15	15	150
At 31 March 2012	**1,426**	**791**	**95**	**2,312**
Net book amount:				
At 31 March 2012	**209**	**56**	**34**	**299**

14. Property, plant and equipment (continued)

The figures stated above include assets held under finance leases as follows:

	Plant and equipment £'000
Cost	
At 31 March 2010	59
Additions	5
At 31 March 2011	**64**
Accumulated depreciation	
At 31 March 2010	23
Charge for the year	8
At 31 March 2011	**31**
Cost	
At 31 March 2011	64
Additions	–
At 31 March 2012	**64**
Accumulated depreciation	
At 31 March 2011	31
Charge for the year	8
At 31 March 2012	**39**
Net book amount	
At 31 March 2012	**25**

The Company had no property, plant or equipment at 31 March 2012 (2011: £nil).

15. Intangible assets

	Licence fees £'000	Intellectual property rights restated £'000	Total £'000
Cost			
At 1 April 2010 and at 31 March 2011	1,884	5,824	7,708
Accumulated amortisation and impairment			
At 1 April 2010 and at 31 March 2011	1,884	4,552	6,436
Net book amount			
At 31 March 2011	–	1,272	1,272
Cost			
At 1 April 2011 and at 31 March 2012	1,884	5,824	7,708
Accumulated amortisation and impairment			
At 1 April 2011 and at 31 March 2012	1,884	4,552	6,436
Net book amount			
At 31 March 2012	**–**	**1,272**	**1,272**

Based on the nature of the intangible assets held by the Group it is not appropriate to perform a discounted cash flow calculation to consider its carrying value. The directors have instead used fair value less costs to sell.

Intangible assets relate to intellectual property rights acquired through licensing or assigning patents and know-how and are carried at historic cost less accumulated amortisation, where the useful life of the asset is finite and the asset is likely to generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested annually for impairment.

Based on the nature of the intangible assets held by the Group being early in their development, the directors have reviewed the intangible assets for impairment individually, as set out below by considering the fair value less costs to sell. The key assumption used when concluding that an impairment is not required is the market capitalisation value of the business.

As at 31 March 2012, the Group balance sheet intangible assets of £1.27m relate to in-licensed intellectual property including key patents concerning the use of neural stem cells in certain therapeutic areas targeted by the Group. These cells are currently in use in both the clinical and pre-clinical programmes undertaken by the Group. In the event that any one of the Group's therapies proved to be commercially successful, the value of the Group's intangible assets would be significantly higher than the current carrying value. As such, the directors see no reason to reduce the carrying value of this intellectual property.

The Company holds no intangible assets.

16. Investments in subsidiaries

Investments in subsidiary companies:

Company

Net Book amount	2012 £'000	2011 £'000
At start of the year	**7,710**	7,601
Capitalisation of intercompany balances	**28,532**	–
Investment in subsidiary	**5,472**	–
Capital contribution arising from IFRS 2 charge	**123**	109
Net book amount at 31 March	**41,837**	7,710

In the current year the intercompany balance with ReNeuron Limited of £28,532,000 has been capitalised as an investment.

16. Investments in subsidiaries (continued)

For equity-settled share based payments where employees of subsidiary undertakings are rewarded with shares issued by the Parent Company, a capital contribution is recorded in the subsidiary, with a corresponding increase in the investment in the Parent Company. There has been no impairment to investments in subsidiaries in the year.

The Company's investments comprise interests in Group undertakings, details of which are shown below:

Name of undertaking	ReNeuron Holdings Limited	ReNeuron Limited		ReNeuron (UK) Limited	ReNeuron. Inc
Country of incorporation	England and Wales	England and Wales		England and Wales	Delaware USA
Description of shares held	£0.10 Ordinary Shares	£0.001 ordinary shares	£0.10 A ordinary shares	£0.10 ordinary shares	$0.001 Common Stock
Proportion of nominal value of shares held by the Company	100%	100%	100%	100%	100%
Nature of business	Holding	Pharma		Holding	Dormant
Loss for the year £'000	(32)	(5,549)	–	(32)	(nil)
Net assets/(liabilities) £'000	939	(50,227)	–	17,554	(3,729)

ReNeuron Limited, ReNeuron Holdings Limited and ReNeuron, Inc., are held directly by ReNeuron Group plc. ReNeuron (UK) Limited is held directly by ReNeuron Holdings Limited.

The principal activity of Reneuron Holdings Limited was to act as holding company for ReNeuron Limited prior to the reconstruction of the Group in 2007. Following the Group reconstruction that company no longer trades. ReNeuron Limited is the only trading company in the Group. ReNeuron (UK) Limited is a non-trading company. ReNeuron, Inc. ceased trading on 30 September 2008.

17. Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Current:				
Amounts due from Group undertakings	**–**	–	**–**	28,532
Other receivables	**120**	173	**2**	6
Prepayments and accrued income	**337**	185	**–**	–
	457	358	**2**	28,538
Non-current:				
Lease deposit – repayable in 2015, at current value	**135**	135	**–**	–
Total trade and other receivables	**592**	493	**2**	28,538

In the current year amounts due from Group undertakings have been capitalised as an investment. Refer to Note 16 for details.

18. Cash and cash equivalents

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Cash at bank and in hand	**3,983**	9,668	**3,748**	9,531

19. Trade and other payables: current

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade payables	**956**	863	**4**	8
Other taxation and social security	**44**	39	**–**	–
Other payables	**–**	1	**–**	–
Accruals and deferred income	**394**	319	**–**	–
Amounts owed to Group undertakings	**–**	–	**5,484**	5,484
Total payables falling due within one year	**1,394**	1,222	**5,488**	5,492

Amounts owed to Group undertakings are not interest bearing and have no fixed repayment date. There are no fixed repayment terms in respect of the amounts owed to Group undertakings, which represent the funding of ongoing research and development requirements.

20. Provisions

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Balance as at 1 April	**100**	75	**–**	–
Charged to the Statement of Comprehensive income	**25**	25	**–**	–
Balance as at 31 March	**125**	100	**–**	–

Provisions are in respect of building dilapidations. The provision is expected to be utilised on expiry of the lease in 2015.

21. Financial liabilities

Future minimum payments under finance leases are as follows:

	Group	
	2012 £'000	2011 £'000
Within one year	**11**	11
In more than one year but not more than five years	**–**	10
Total gross payments	**11**	21
Less finance charges included above	**(2)**	(2)
Present value of payments	**9**	19

The Company had no financial liabilities at 31 March 2011 (2010: £nil).

22. Financial instruments

The financial risks faced by the Group include interest rate risk, foreign currency risk, liquidity risk and risk associated with cash held on deposit with financial institutions.

The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit balanced with the need to safeguard the assets of the business. The Group does not enter into forward currency contracts.

Due to the nature of the Group's activities, the directors do not currently consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates as these exposures are not considered significant.

Cash and short-term investments fluctuate considerably depending on the timing of fund-raising activities. All cash balances and short-term investments are held at leading banking institutions (Barclays Bank in the UK and Barclays Global Investors in Ireland). Cash balances held at 31 March 2012 include £0.02m (2011: £0.1m) held in US dollars to mitigate against potential adverse currency movements in respect of the Group's forthcoming US Dollar denominated liabilities.

At 31 March 2012 and 31 March 2011, none of the receivables were aged over three months. No receivables were impaired. Non-current receivables are not discounted as the impact of discounting would not be material.

All of the Group's receivables are denominated in Pounds Sterling. The fair values of the receivables are equivalent to the current book values.

The Group's payables are denominated in Pounds Sterling. The fair values of the payables are equivalent to the current book values.

Ageing risk profile of the Group's financial liabilities

The Group's financial liabilities consist only of finance leases, shown below.

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Finance leases – gross payments				
Due in one year or less	**9**	11	**–**	–
Due in over one year but less than two years	**–**	10	**–**	–
	9	21	**–**	–

Currency risk profile of the Group's financial assets

	2012		2011	
Currency	**Cash at bank and in hand £'000**	**Total £'000**	Cash at bank and in hand £'000	Total £'000
Sterling	**3,959**	**3,959**	9,559	9,559
United States Dollar	**21**	**21**	109	109
Euro	**3**	**3**	–	–

The Group maintains cash and bank balances in Pounds Sterling for UK based operating currencies. Following the closure of ReNeuron, Inc., US Dollar balances previously held in the US were transferred to the UK. None of the US Dollar balances are interest earning. In the current and prior years, cash balances are held in current and deposit accounts at floating interest rates based on LIBOR.

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair value of the Group's financial assets and liabilities at 31 March 2012. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

22. Financial instruments (continued)

Fair values of financial assets and financial liabilities (continued)

Primary financial instruments held or issued to finance the Group's operations:

	2012		2011	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Cash at bank and in hand	**3,983**	**3,983**	9,668	9,668
Receivables: non-current	**135**	**135**	135	135
Receivables: current	**120**	**120**	173	173
Prepayments and accrued income	**337**	**337**	185	185
Payables	**1,274**	**1,274**	1,183	1,183

Book values and fair values are the same because there is immediate access to the asset.

Currency risk profile

The Group's functional currency is Pounds Sterling, and the majority of its expenditure is denominated in that currency.

The only assets and liabilities denominated in currencies other than Pounds Sterling relate to currency accounts held in the UK for bill payment, and the short term assets and liabilities denominated in Euros and US Dollars held by the Group.

Capital management

The Group's key objective in managing its capital is to safeguard its abililty to continue as a going concern. The Group strives to optimise the balance of cash spend between research and development and general and administrative expenses and, in so doing, maximise progress achieved for all pipeline products.

23. Deferred taxation

The analysis of the potential deferred tax assets of the Group is as follows:

	Amount not recognised 2012 £'000	Amount not recognised 2011 £'000
Tax effect of timing differences because of:		
Excess of depreciation over capital allowances	**263**	191
Short term timing differences not recognised	**105**	–
Losses carried forward	**9,505**	9,905
	9,873	10,096

No corporation tax liability arises on the results for the year due to the loss incurred. No deferred tax asset has been identified, as there are currently no foreseeable profits.

23. Deferred taxation (continued)

The analysis of the deferred tax assets of the Company is as follows:

	Amount not recognised 2012 £'000	Amount Not Recognised 2011 £'000
Tax effect of timing differences because of:		
Losses carried forward	**346**	320
	346	320

24. Pension scheme obligations

The Group operates defined contribution pension schemes for UK employees and directors. The assets of the schemes are held in separate funds and are administered independently of the Group. The total pension cost during the year, before recharges to other Group companies was £96,000 (2011: £72,000). There were no prepaid or accrued contributions to the scheme at the year-end (2011: nil).

25. Share Capital

	2012 £'000	2011 £'000
Authorised		
Unlimited (2011: Unlimited)	**Unlimited**	Unlimited
Issued and fully paid		
623,403,084 ordinary shares of 1p each (2011: 619,881,967 of 1p each)	**6,234**	6,199

From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital. The Company's articles were amended to effect this by special resolution on 12 March 2010.

During the year the Company issued 187,784 new ordinary shares of 1 pence each at an average price of 5.5 pence per new Ordinary Share in settlement of fees payable in shares.

In conjunction with the Group's share placing completed in May 2009, warrants to subscribe for 3,333,333 ordinary 1p shares exercisable at a price of 3p were issued to Matrix Corporate Capital LLP, the Company's Joint Broker. There warrants were exercised in full on 27 March 2012.

On 27 April 2012 the Company announced that it had raised gross proceeds of approximately £5.4 million by means of a Placing through the issue of 134,037,500 Placing Shares at 4p per share and a further £0.7m through the issue of 17,387,116 Open Offer Shares at 4p per share. Following completion of the Placing and Open Offer the total number of ordinary shares of 1p each in ReNeuron is issue was 774,827,700.

26. Warrants

In conjunction with the April 2012 Placing, investors were issued Warrants to subscribe for Ordinary Shares, with each Warrant entitling the holder to subscriber for Ordinary Shares at a price of 6 pence per Ordinary Share. A total of 134,037,500 Warrants were issued, one for each Placing share subscribed for. Warrants are exercisable within 2 years of the date of issue.

Warrant instrument with Novavest Growth Fund Limited

Novavest Growth Fund Limited has the right to subscribe for 58,239 ReNeuron Limited ordinary shares at a price of £17.16 per ordinary share. Pursuant to a put/call agreement dated 6 November 2000, on exercise of such warrant, shares acquired by Novavest in ReNeuron Limited will be exchanged for 582,390 ordinary shares of ReNeuron (UK) Limited. The Company intends in due course to enter into an agreement with Novavest whereby if the warrant is exercised, the ReNeuron Limited shares acquired by Novavest are exchanged directly for 582,390 ordinary shares of the Company.

27. Share options

The Group operates Share Option Schemes for directors and employees of group companies and specific consultants. Options have been issued through a combination of an Inland Revenue approved EMI scheme and unapproved schemes. During the year, the number of options and associated exercise prices for those options issued in August 2005, August 2006, August 2007, August 2009 and August 2010 were adjusted in accordance with the Rules of the Scheme for the dilution of option values as a result of the variation in share capital since their issue.

The award of share options to executive directors and selected senior management of the Group are made in accordance with the Group's Deferred Share-based Bonus Plan and Long Term Incentive Plan, constituting the total share-based remuneration for these individuals.

27. Share options (continued)

Total options existing over ordinary 1p shares in companies in the Group as at 31 March 2012 are summarised below:

Date of Grant	Number of shares at 1 April 2011	*Adjusted during the year	Granted during the year	Lapsed during the year	**As at 31st March 2012**	Note	Exercise Price	**Date from which exercisable	Date of expiry
August 2005	438,582	28,590	–	–	**467,172**	1	5.28p	August 2005	July 2014
August 2005	3,822,569	249,181	–	–	**4,071,750**	1	5.28p	August 2005	July 2014
August 2005	4,622,641	301,335	–	–	**4,923,976**	2	13.2p	August 2008	August 2015
August 2006	1,838,056	119,816	–	–	**1,957,872**	2	5.29p	August 2009	August 2016
August 2006	887,949	57,883	–	–	**945,832**	2	7.93p	August 2009	August 2016
August 2007	3,360,213	219,041	–	–	**3,579,254**	3	12.73p	August 2010	August 2017
August 2007	1,548,486	100,940	–	–	**1,649,426**	3	22.74p	August 2010	August 2017
August 2009	2,264,396	147,609	–	–	**2,412,005**	4	5.06p	August 2012	August 2019
August 2009	2,236,933	–	–	–	**2,236,933**	5	1.0p	August 2011	August 2019
August 2009	3,486,365	–	–	–	**3,486,365**	6	1.0p	August 2012	August 2019
August 2010	2,420,000	157,752	–	–	**2,577,752**	3	4.62p	August 2013	August 2020
August 2010	1,723,185	–	–	–	**1,723,185**	5	1.0p	August 2012	August 2020
August 2010	5,777,665	–	–	–	**5,777,665**	7	1.0p	August 2013	August 2020
August 2011	–	–	4,300,000	–	**4,300,000**	8	4.5p	August 2014	August 2021
August 2011	–	–	8,468,611	–	**8,468,611**	9	1.0p	August 2014	August 2021
Total	**34,427,040**	**1,382,147**	**12,768,611**	**–**	**48,577,798**				

* The number of share options and exercise price for share options issued under notes 1, 2 3 and 4 below were adjusted during the year in accordance with the Rules of the Scheme to reflect the dilution of option values as a result of the variation in share capital since their issue.

** The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed below. As at 31 March 2012 the performance conditions in notes 3, 4, 6, 7, 8 and 9 had not been met. Performance conditions in relation to Note 2 were met in the prior year.

Note 1:
These options were issued in August 2005 following the Group's Admission to the AIM market. The new share options replaced those previously held under an earlier share option scheme, which have now lapsed. These options were issued through a combination of an Inland Revenue approved EMI scheme and an unapproved scheme and are exercisable from the date of grant, as the relevant performance condition had been satisfied, being the Admission of the Ordinary Shares in the Company.

Note 2:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 3:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the successful completion of an initial clinical trial of a ReNeuron cell therapy, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 4:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in a second clinical trial, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

27. Share options (continued)

Note 5:
These options have been issued under the Group's Share Option Scheme. The options were awarded in accordance with the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ending 31 March 2009 and as such carry no further performance conditions. The options are exercisable in whole or in part at any time between the second anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 6:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

(i) The first patient is administered with a ReNeuron cell therapy in a second clinical trial,

(ii) The Total Shareholder Return (TSR) of the Company must exceed that of the FTSE All-Share Pharmaceutical and Biotechnology Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

(iii) The business must have operated within its internal financial budgets throughout the period to vesting.

(iv) The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Note 7:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

(i) The first patient is administered with a ReNeuron cell therapy in a second clinical trial,

(ii) The Total Shareholder Return (TSR) of the Company must exceed that of the AIM Healthcare Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

(iii) The business must have operated within its internal financial budgets throughout the period to vesting.

(iv) The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Note 8:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in a third clinical trial, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

27. Share options (continued)

Note 9:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

(i) The first patient is administered with a ReNeuron cell therapy in a third clinical trial,

(ii) The Total Shareholder Return (TSR) of the Company must exceed that of the AIM Healthcare Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

(iii) The business must have operated within its internal financial budgets throughout the period to vesting.

(iv) The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Fair value charge

As stated previously, the Group has prepared fair value charges for options covered by notes 2 to 9 above. The calculations have been estimated based on the Black-Scholes model. Key data and assumptions used are:

Date of Grant	Exercise price Pence	Share price at date of grant Pence	Risk free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option Pence
August 2009	5.390	5.750	4.29	5	125.3	4.930
August 2009	1.000	5.750	4.29	5	125.3	5.450
August 2010	4.925	4.925	3.08	5	112.9	3.980
August 2010	1.000	4.925	3.08	5	112.9	4.560
August 2011	4.500	4.500	2.41	5	104.6	3.470
August 2011	1.000	4.500	2.41	5	104.6	4.080

The risk free rate is taken from the average yields on government gilt edged stock. Volatility for August 2005 options was taken from analysis of peer groups, whereas volatilities for later options were taken from actual data following flotation. No assumption of dividend yield has been included. An attrition rate of 10% pa has been used in applying these values over an assumed vesting period of 4 years.

27. Share options (continued)

A reconciliation of option movements over the year to 31 March 2012 is shown below:

	2012		2011	
	Number of options '000	**Weighted Average exercise price Pence**	Number of options '000	Weighted average exercise price Pence
Outstanding at 1 April	**34,427**	**6.7**	25,263	8.6
Adjusted	**1,382**	**9.5**	387	10.7
Granted	**12,769**	**2.2**	9,921	2.0
Lapsed	**–**	**–**	(1,144)	7.4
Outstanding at 31 March	**48,578**	**5.3**	34,427	6.7
Exercisable at 31 March	**14,604**	**7.5**	11,610	10.0

The share price on 31 March 2012 was 5.0 pence (2011: 5.8p).

The pattern of exercise price and life is shown below:

	2012				2011			
Range of Exercise Prices	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life (years) Expected**	**Contractual**	Weighted Average Exercise Price	Number of options	Weighted average remaining life (years) Expected	Contractual
1p	**1p**	**21,692,759**	**3.60**	**8.90**	1p	13,224,148	3.60	8.90
Up to 10p	**5.1p**	**16,732,383**	**1.62**	**6.38**	5.6p	11,671,552	1.62	6.38
10p to 20p	**13.0p**	**8,503,230**	**1.47**	**4.47**	13.8p	7,982,854	0.47	5.47
20p to 30p	**22.7p**	**1,649,426**	**2.35**	**5.35**	24.2p	1,548,486	1.35	6.35
Total		**48,577,798**				34,427,040		

28. Cash used in operations

	Group Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Company Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Loss before income tax	**(6,845)**	(6,639)	**(649)**	(652)
Adjustment for:				
Interest received	**(40)**	(29)	**(39)**	(28)
Interest payable	**1**	2	**–**	–
Depreciation of property, plant and equipment	**150**	154	**–**	–
Provisions movement	**25**	25	**–**	–
Share-based payment charges	**352**	395	**230**	286
Fees payable in ordinary shares	**9**	19	**9**	19
Changes in working capital				
Receivables	**(100)**	(77)	**3**	(4)
Payables	**172**	635	**(4)**	–
Cash used in operations	**(6,276)**	(5,515)	**(450)**	(379)

29. Operating lease commitments – minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 Land and buildings £'000	2011 Land and buildings £'000
Not later than one year	**243**	243
Later than one year and not later than five years	**484**	727
Total lease commitments	**727**	970

The operating lease commitment is in respect of the lease of the Group's offices and laboratories. The Company had no financial commitments at 31 March 2012 (2011: £nil).

Contractual milestone payments

The Group is expected to incur future contractual milestone payments linked to the future development of its therapeutic programmes. These costs will be recognised as and when a contractual milestone has been achieved.

30. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2012.

31. Related party disclosures

Transactions with Merlin Biosciences Limited

Merlin Biosciences Limited, as investment advisor to Merlin General Partner Limited and Merlin General Partner II Limited, both substantial shareholders in the Company, recharged directors' fees of £nil (2011: £15,000) in the year, in respect of services provided by Mark Docherty.

Transactions with Biomedicon

Dr Paul Harper, trading as Biomedicon, recharged directors' fees of £21,042 (2011: £20,000) in respect of services provided by him.

Transactions with Angel Biotechnology plc

During the year the Company contracted cell manufacturing services of £747,000 (2011: £382,000) from Angel Biotechnology plc, of whom Dr Paul Harper is a director.

Transactions with XKE Capital Limited

XKE Capital Limited recharged £16,042 (2011 : £nil) in respect of directors' fees provided by Mark Docherty.

Parent Company and subsidiaries

The Parent Company is responsible for financing and setting Group strategy. ReNeuron Limited carries out the Group strategy, employs all the UK staff including the directors, and owns and manages all of the Group's intellectual property. The proceeds of the issue of shares by the Parent Company are passed when required to ReNeuron Limited as a loan, and ReNeuron Limited makes payments, including the expenses of the Parent Company.

Company: transactions with subsidiaries:	**2012 £'000**	2011 £'000
Purchases and Staff:		
Parent company expenses paid by subsidiary:	**456**	394
Transactions involving Parent Company shares:		
Share options	**122**	109
Cash management:		
Loans to subsidiary	**5,472**	3,904

Company: Year end balance of loan	**2012 £'000**	2011 £'000
Loan to subsidiary	**34,004**	28,532

32. Post Balance Sheet event

On 27 April 2012 the Company announced that it had raised gross proceeds of approximately £5.4 million by means of a Placing through the issue of 134,037,500 ordinary 1p shares at a price of 4p per share and a further £0.7m by means of an Open Offer to shareholders through the issue of 17,387,116 ordinary 1p shares at a price of 4p per share.

ReNeuron
pioneering stem cell therapeutics

GLOSSARY OF SCIENTIFIC TERMS

Age related macular degeneration
A medical condition which usually affects older adults that results in a loss of vision in the centre of the visual field because of damage to the retina.

Alzheimer's disease
A progressive degenerative disease of the brain that leads to dementia.

Cell banking
A process for the controlled preparation of a cell therapy product, resulting in a large number of vials of frozen cells.

Cell line
Cells that can be sustained or grown in a laboratory culture medium. Cell lines may comprise a family of cells isolated from a single tissue or organ or may be clonally derived from a single ancestor cell.

Cell therapy
A process by which healthy cells are introduced into a tissue or organ to reconstruct or promote regeneration in order to treat disease.

Critical Limb Ischaemia
Critical limb ischaemia is the end-stage of peripheral arterial disease, where a progressive decrease in blood flow to limbs can lead to gangrene and amputation.

Cortex
The outer surface of the brain referred to as the "grey matter".

Diabetes
A disease characterised by absolute or relative insulin insufficiency and high blood sugar.

Diabetic Foot Ulcer
Diabetic Foot Ulcer is an open sore on the foot that occurs in people with diabetes who have damage to nerves and/or poor blood flow to the feet.

Diabetic retinopathy
Damage to the retina caused by complications of diabetes, which can eventually lead to blindness.

Differentiation
The maturation of a stem cell into a functional cell.

Indication
The use for which a drug or therapy is intended.

Ischaemic stroke
The most common type of stroke (over 80% of cases) which happens when a clot blocks an artery that carries blood to the brain.

Neural stem cells
Cells within the brain which can both make more of themselves and also mature into neurons, oligodenrocytes and glia (supporting cells).

Neurodegenerative
A varied assortment of CNS disorders characterised by gradual and progressive loss of neural tissue.

Neurons
A nervous system cell able to conduct electrical impulses.

Peripheral arterial disease
A condition in which reduced blood supply to the limbs causes cramping, chronic pain, and in extreme cases loss of limb.

Phase I clinical trial
The assessment of the safety of a biologically active substance in patients or healthy volunteers.

Phase II clinical trial
A clinical trial designed to evaluate the efficacy of a treatment or drug for the condition it is intended to treat.

Phase III clinical trial
A large scale clinical trial of a treatment or drug that in Phase I and Phase II hs been shown to be both efficacious and safe.

Regenerative medicine
A newer approach in medicine aimed at restoring function to damaged body organs and tissues.

Retinal disease
A general term which describes any damages to the light sensing membrane in the eye that can affect vision.

Retinitis pigmentosa
The name given to a group of inherited diseases of the retina that all lead to a gradual progressive reduction in vision.

Stem cell
A cell that is both able to reproduce itself and, depending on its stage of development, to generate all or certain other cell types within the body or within the organ from which it is derived.

Stroke
Damage to a group of nerve cells in the brain due to interrupted blood flow, caused by a blood clot or blood vessel bursting. Depending on the area of the brain that is damaged, a stroke can cause coma, paralysis, speech problems and dementia.

RENEURON GROUP PLC

(incorporated and registered in England and Wales with registered no. 5474163)

(the "Company")

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that, the Annual General Meeting of the Company will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH on 11 September 2012 at 10.00 a.m. to consider, and if thought fit, pass the following resolutions, of which Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolution 7 will be proposed as a special resolution.

ORDINARY BUSINESS

1. To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 March 2012 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. To reappoint as a Director, Michael Hunt, who is retiring by rotation in accordance with Article 122 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
3. To reappoint as a Director, Dr. John Sinden who is retiring by rotation in accordance with Article 122 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
4. To reappoint as a Director, Dr. Tim Corn who having been appointed since the previous annual general meeting is retiring in accordance with Article 114 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the Directors to determine the remuneration of the auditors.

SPECIAL BUSINESS

6. That in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked, but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors of the Company be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to:

   (a) allot ordinary shares, and to grant rights to subscribe for or to convert any security into ordinary shares, in the Company (all of which shares and rights are hereafter referred to as "Relevant Securities") representing up to £2,582,759.00 in nominal value in aggregate of shares; and

   (b) allot Relevant Securities (other than pursuant to paragraph (a) above) representing up to £2,582,759.00 in nominal value in aggregate of shares in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer to holders of ordinary shares where such issue, offer, dividend, scheme or other allotment is proportionate (as nearly as may be) to the respective number of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or any stock exchange in any territory, in relation to fractional entitlements, or any other matter which the Directors consider merits any such exclusion or other arrangements),

   provided that in each case such authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs first, save that the Company may before such expiry, variation or revocation make an offer or agreement which would or might require such relevant securities to be allotted after such expiry, variation or revocation and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired or been varied or revoked.

7. That the Directors are hereby empowered pursuant to section 570 of the 2006 Act:
   (a) subject to and conditionally upon the passing of Resolution 6 to allot equity securities (as defined by section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 6 as if section 561 of the 2006 Act did not apply to such allotment; and

(b) to sell ordinary shares if, immediately before such sale, such shares are held as treasury shares (within the meaning of section 724 of the 2006 Act) as if section 561 of the 2006 Act did not apply to such sale,

provided that such powers:

(1) shall be limited to:

(i) the allotment of equity securities (or sale of ordinary shares) representing up to £2,582,759.00 in nominal value in aggregate of shares pursuant to the authority conferred by paragraph (b) of Resolution 6;

(ii) the allotment of equity securities (or sale of ordinary shares) representing up to £774,827.70 in nominal value in aggregate of shares in connection with the grant of options (or other rights to acquire ordinary shares) in accordance with the rules of the Company's share options schemes (as varied from time to time) or otherwise to employees, consultants and/or Directors of the Company and/or any of its subsidiaries; and

(iii) the allotment of equity securities (or sale of ordinary shares), otherwise than pursuant to sub-paragraphs (i) and (ii) (inclusive) above, representing up to £774,827.70 in nominal value in aggregate of shares; and

(2) shall, subject to the continuance of the authority conferred by Resolution 6, expire 15 months after the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs first, but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted (or ordinary shares to be sold) after such expiry, revocation or variation and the Directors may allot equity securities (or sell ordinary shares) in pursuance of such offer or agreement as if such powers had not expired or been revoked or varied.

9 July 2012
By Order of the Board
Patrick Huggins
Company Secretary

Registered office
10 Nugent Road
Surrey Research Park
Guildford
Surrey GU2 7AF

NOTES

(1) In this Notice "ordinary shares" shall mean ordinary shares in the capital of the company, having a nominal value of 1 pence per share.

(2) A shareholder entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote on a show of hands and on a poll instead of him or her. A proxy need not be a member of the Company. Where a shareholder appoints more than one proxy, each proxy must be appointed in respect of different shares comprised in his or her shareholding which must be identified on the proxy form. Each such proxy will have the right to vote on a poll in respect of the number of votes attaching to the number of shares in respect of which the proxy has been appointed. Where more than one joint shareholder purports to appoint a proxy in respect of the same shares, only the appointment by the most senior shareholder will be accepted as determined by the order in which their names appear in the Company's register of members. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy.

(3) A corporation which is a shareholder may appoint one or more corporate representatives who have one vote each on a show of hands and otherwise may exercise on behalf of the shareholder all of its powers as a shareholder provided that they do not do so in different ways in respect of the same shares.

(4) To be effective, an instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of Computershare Investor Services PLC , The Pavilions, Bridgwater Road, Bristol BS99 6ZY, at not later than 10.00 a.m. on 9 September 2012 except that should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting. A Form of Proxy is enclosed with this notice. Shareholders who intend to appoint more than one proxy may photocopy the Form of Proxy prior to completion. The Forms of Proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made. Completion and return of the Form of Proxy will not preclude shareholders from attending and voting in person at the meeting.

(5) An abstention (or "vote withheld") option has been included on the Form of Proxy. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions will however be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

(6) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and article 76.4 of the Company's Articles of Association, the Company specifies that only those shareholders registered in the register of members of the Company as at 10.00 a.m. on 9 September 2012 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

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