ReNeuron

pioneering stem cell therapeutics

ANNUAL REPORT & ACCOUNTS 2014

ReNeuron Group plc

WHO WE ARE

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.

ReN001: Ischaemic Stroke

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 mid-stage clinical development.

Go to **page 12** to read more >

ReN009: Critical Limb Ischaemia

Our ReN009 stem cell candidate is for the treatment of critical limb ischaemia, a serious and common side effect of diabetes. This treatment is in early-stage clinical development.

Go to **page 12** to read more >

ReN003: Retinitis Pigmentosa

Our ReN003 stem cell candidate is for the treatment of retina pigmentosa, a blindness-causing disease of the retina. This treatment is in late pre-clinical development.

Go to **page 13** to read more >

Highlights

ReN001 stem cell therapy candidate for stroke:

- Phase II clinical trial open for recruitment
- Encouraging Phase I data presented at leading stroke conference

ReN009 stem cell therapy candidate for critical limb ischaemia:

- Phase I clinical trial open for recruitment

ReN003 stem cell therapy candidate for retinitis pigmentosa:

- Orphan Drug Designation granted in both Europe and the US
- Phase I/II clinical trial application planned for early 2015 in US

Cryopreserved variant of lead *CTX* stem cell line with extended shelf life approved for use in stroke and critical limb ischaemia clinical trials

CTX-derived exosome platform generating promising early pre-clinical data across a range of further indications in tissue repair, inflammation and cancer

Share Placing in July 2013 raised £25.35 million, before expenses, funding core therapeutic programmes through key Phase II clinical trials over next two years

Grant package totalling £7.80 million from Welsh Government to enable establishment of cell manufacturing and development facility in South Wales for late stage clinical and commercial product requirements

Additional non-dilutive £1.49 million grant awarded from UK Government, via Technology Strategy Board, to support Phase II clinical trial with ReN001 in stroke

Loss for the year of £7.07 million (2013: £6.35 million); cash outflow from operating activities of £6.00 million (2013: £6.02 million); cash, cash equivalents and bank deposits at 31 March 2014 of £20.92 million (2013: £3.55 million)

In this Report

STRATEGIC REPORT/

Chairman and Chief Executive Officer's Joint Statement

> The past year has been transformational for our business, both operationally and financially.

Bryan Morton
Chairman

Michael Hunt
Chief Executive Officer

Overview

The last financial year has seen ReNeuron make very substantial progress in its development as a world-class regenerative medicine business. In August a major fundraising was completed which has allowed us to plan and resource clinical programmes which will provide proof of concept data in multiple indications, and to invest in our exosome programme, a fast-developing field where we are at the forefront.

We signed an agreement for lease of a new manufacturing and R&D facility in South Wales – construction and fit out of the facility is being funded by the Welsh Government. When finished it will provide us with the means to refine our manufacturing processes and supply product for Phase III trials and early in-market sales.

Regulatory approval was obtained for two clinical trials - a Phase II trial in stroke and a Phase I trial in critical limb ischaemia. Both have since commenced and each will use the new *CTXcryo* variant of our lead *CTX* stem cell line – a cryopreserved variant which will transform the commercial opportunities open to us following market authorisations.

Review of programmes

ReN001 for ischaemic stroke

In May of this year 12 month follow up data on all 11 patients treated in the PISCES Phase I trial of ReN001 confirmed previous findings of an absence of cell-related or immunological adverse events and sustained reductions in neurological impairment and spasticity in most patients compared with their stable pre-treatment baseline performance.

The Phase I data were presented alongside the opening for recruitment of a Phase II clinical trial. This new efficacy study, which received final regulatory approval in March, will recruit up to 41 patients at up to 10 sites across the UK. We anticipate that 6 month follow up data from all patients treated will be available from the end of 2015. The primary endpoint is a meaningful improvement in upper limb function to a degree that would support reimbursement on a Quality Adjusted Life Year basis.

ReN009 for critical limb ischaemia

Positive data from pre-clinical efficacy studies conducted with the Company's ReN009 candidate for critical limb ischaemia were published in the prestigious American Heart Association Journal; *Arteriosclerosis, Thrombosis and Vascular Biology*.
These pre-clinical studies show the dose-dependent positive effects of *CTX* cells in restoring microvasculature and blood flow to the limb extremities in animal models of lower limb ischaemia. The results of these studies have therefore provided the rationale, through our ReN009 programme, to target critical limb ischaemia as a major clinical indication for our *CTX* cell product.

Recruitment is now open for a Phase I trial of ReN009 in patients with lower limb ischaemia following UK approval in March. The trial will take place at Ninewells Hospital, Dundee and is a dose escalation safety study in 9 patients. Assuming a clean safety profile for ReN009 in this study, a Phase II efficacy study is planned to commence in mid-2015.

ReN003 for retinal diseases

Our ReN003 programme, based on the Company's human retinal progenitor cells (hRPCs) is undergoing a final set of pre-clinical studies which will support an IND filing in the US for an initial Phase I/II clinical trial targeted for early 2015.

Data published in January showed that use of ReNeuron's hRPCs protected visual function when transplanted into a well-established rat model of retinal degeneration. The hRPC-grafted eyes had significantly superior visual acuity compared with vehicle controls.

The ReN003 therapy was granted Orphan Drug Designation in both Europe and the US during the year which will provide market exclusivity for 10 years from approval.

Technology development

In collaboration with one of our outsourced contract manufacturers we generated positive cell manufacturing data with a proprietary, cryopreserved variant of the *CTX* stem cell line, demonstrating its equivalence to the existing non-cryopreserved variant. As a result, we have accelerated the development of this extended shelf-life cryopreserved *CTX* drug product ('*CTXcryo*'), enabling it to be deployed in all current and future *CTX*-based clinical trials and for eventual in-market use.

10yrs

The ReN003 therapy was granted Orphan Drug Designation in both Europe and the US during the year which will provide market exclusivity for 10 years from approval.

We believe that the *CTXcryo* product will provide the business with major commercial and competitive advantages in terms of the availability of a genuine off-the-shelf, low cost-of-goods cell-based treatment with a shelf life enabling shipping to, and storage at, clinical sites on a global basis.

As the year progressed we became increasingly excited by the potential of our *CTX* cell-derived exosome platform. Exosomes are nanoparticles containing proteins and micro-RNAs. They play a key role in cell-to-cell communication, modulate cellular immunity and promote the activation of regenerative or repair programs in diseased or injured cells. Our *CTX* cells release large numbers of exosomes when cultured and we have purified and characterised these, testing them at differing concentrations in a range of early in vitro pre-clinical disease models with positive results. We are now conducting in vivo work to assess what disease areas should be considered for clinical development and have generated data supporting the therapeutic potential of our exosomes for indications ranging from gliomas to wound healing, thus broadening our therapeutic pipeline beyond cell-based programmes.

Chairman and Chief Executive Officer's Joint Statement
continued

> These developments represent significant steps to building real future value in the business.

Our Strategy

Our aim is to develop best-in-class stem cell therapies in our 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.

Funding and relocation to South Wales

In July 2013, we announced a £33.2 million financing package for the Company, comprising a Placing to raise £25.4 million, before expenses, and a £7.8 million grant package from the Welsh Government to establish a state-of-the-art cell manufacturing and development facility in South Wales. This financing allows us to progress Phase II clinical trials in both stroke and CLI as well as a Phase I/II clinical trial in retinitis pigmentosa. We believe that positive data from these clinical studies and the potential such data provide for future commercial development deals, or a broader strategic transaction, will lead to a value inflection for our business.

In March of this year, we signed an Agreement for Lease with the Welsh Government for the manufacturing and development facility, to be located at Pencoed Technology Park, near Cardiff, South Wales. Work has commenced on the facility and we expect handover, and relocation of ReNeuron's operations, to occur in the Spring of 2015. We anticipate gaining full licensure for *CTX* therapeutic product manufacture around a year later. This will enable us to supply our stroke and CLI Phase III trials from in-house production, with substantial advantages in terms of security of supply, flexibility and cost.

The facility will also supply early in-market product, providing cost of goods advantages and enabling us to retain full manufacturing margin. We believe the South Wales site will represent a key value driver in ReNeuron's commercial development strategy.

We also continue to work closely with the UK Government-funded Cell Therapy Catapult on a programme to develop the processes required to scale up manufacture of our *CTX* stem cell line, and to improve potency release assays for the *CTX* cells. We are especially pleased to see, and to directly benefit from, the Government's ongoing commitment to supporting the cell therapy field exemplified in this valuable collaboration.

In April this year, we announced that in order to manage the increasing breadth of the Company's clinical, operational and commercial activities, the Board of the Company was to be reconfigured with the appointment of a new Chief Executive Officer. The current CEO, Michael Hunt, will remain in that role until such time as a suitable candidate has been recruited, following which he will remain on the Board of Directors in the new role of Chief Financial Officer, with responsibilities covering finance, public & investor relations and overall commercial and financial strategy. The search for a new CEO is ongoing and further announcements will be made in due course.

Financial summary

Cash outflow from operating activities was £6.00 million (2013: £6.02 million). Capital expenditure was £0.12 million (2013: £0.03 million). The net proceeds from the fundraising in August 2013 amounted to £23.44 million and as a consequence cash, cash equivalents and bank deposits totalled £20.92 million at the year-end (2013: £3.55 million), an increase of £17.37 million.

Revenues in the year amounted to £22k (2013: £17k), being royalties from non-therapeutic licensing activities. Grant income of £0.66 million (2013: nil) was also recognised.

Mainly as a consequence of increases in R&D and G&A costs, the loss before income tax increased to £7.82 million (2013: £7.06 million) resulting in a net loss, after allowing for the tax credit, of £7.07 million (2013: £6.35 million), in line with consensus analyst forecasts.

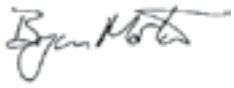
Summary and outlook

The past year has been transformational for our business, both operationally and financially. Our cell therapy candidate for stroke has entered Phase II clinical development and we have commenced clinical development of our cell therapy candidate for critical limb ischaemia. In both cases, and earlier-than-planned, we have gained regulatory approval to use a second-generation cryopreserved variant of our lead *CTX* stem cell line, providing the potential for significant commercial and competitive advantages for our business. We remain on track to move into our world-class cell manufacturing facility in South Wales in the Spring of next year, which we believe will become a major element of ReNeuron's overall value proposition. We are also on track to file an IND application in the US early next year seeking FDA approval to start a Phase I/II clinical trial of our retinitis pigmentosa cell therapy, and we are greatly encouraged by the progress and potential of our emerging *CTX* cell-derived exosome therapeutic platform.

£0.66m

Grant income of £0.66 million (2013: nil).

These developments represent significant steps to building real future value in the business and the £34.6 million equity and grant financing completed in the year provides us with a robust balance sheet to reach further key clinical milestones in the business. We look forward to the future with great confidence.



Bryan Morton
Chairman

Michael Hunt
Chief Executive Officer

17 June 2014

STRATEGIC REPORT/

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.

ReNeuron's stem cell products are allogeneic, enabling the treatment of many patients from the same cell bank in an off-the-shelf manner. Our programmes have been built around our unique and highly efficient stem cell expansion technologies enabling, from a single tissue sample, the growth of selected human stem cells into banks of quality-assured stem cell lines. More recently ReNeuron has developed a product variant which can be shipped to clinical sites and stored there in a cryopreserved form. This will provide us with major commercial and competitive advantages in terms of the availability of a genuine off-the-shelf, low cost-of-goods cell-based treatment with a shelf life enabling shipping to, and storage at, clinical sites on a global basis.

CTX

CTX is an immortalised neural cell line which has been generated using our proprietary cell expansion and cell selection technology and then taken through a full manufacturing scale-up and quality-testing process. Because *CTX* is derived from a single donor, there should be complete consistency between cell banks and no risk of the variability which can arise when multiple donors are needed for cell supply. All cells used in *CTX*-based treatments can simply be expanded from the existing banked and tested product. There will therefore be no need to re-derive and test new *CTX* cell lines for subsequent clinical trials or for the market.

We have developed a proprietary, cryopreserved variant of our lead *CTX* stem cell line enabling an extended shelf-life, (designated *CTXcryo*), which will be deployed in all current and future *CTX*-based clinical trials and for eventual in-market use.

Human retinal progenitor cells (hRPCs)

hRPCs are cells that differentiate into components of the retina. These cells are used allogeneically and are grown using a patented low-oxygen cell expansion technology licensed from the Schepens Eye Research Institute at Harvard Medical School. Through our collaboration with Schepens we have developed the ability to scale hRPCs using this technology and we have established GMP-compliant hRPC cell banks to provide future drug product.

Exosome platform

Exosomes are nanoparticles containing key proteins and micro-RNAs. They play a key role in cell-to-cell communication, modulate cellular immunity and promote the activation of regenerative or repair programs in diseased or injured cells. Our *CTX* cells release large amounts of exosomes when cultured and we have purified and characterised these, testing them at differing concentrations in a range of early in vitro pre-clinical disease models with positive results.

"Our programmes have been built around our unique and highly efficient stem cell expansion technologies."

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). Our exosome platform is yielding encouraging early pre-clinical data across a range of potential indications which are being investigated further.

			Pre-clinical	Phase I	Phase II	Phase III
CTX	ReN001	Stroke Disability				2016
CTX	ReN009	Critical Limb Ischaemia			2015	
hRPC	ReN003	Retinitis Pigmentosa		2015		
CTX	Exosomes	In evaluation		2016		

Product overview

ReN001: Ischaemic Stroke

Indication:
Stroke disability

Stroke is the single largest cause of adult disability in the developed world. Over 150,000 people suffer a stroke each year in the UK, and circa 800,000 people in the US. Approximately 80% of these strokes are ischaemic in nature.

Our product:
ReN001

Our ReN001 cell therapy comprises cells derived from our *CTX* neural stem cell line. As such, it is a standardised, clinical and commercial-grade cell therapy product capable of treating all eligible patients presenting.

ReN001 has been shown to reverse the functional deficits associated with stroke disability when administered several weeks after the stroke event in relevant pre-clinical models. Long term data from our Phase I PISCES trial shows a good safety profile and evidence of sustained reductions in neurological impairment and spasticity.

ReN009: Critical Limb Ischaemia

Indication:
Critical limb ischaemia

Critical limb ischaemia is the severe 'end stage' manifestation of peripheral arterial disease and is caused by chronic lack of blood supply to the leg due to obstruction of blood flow in the peripheral arteries.

Our product:
ReN009

The ReN009 cell therapy also comprises cells derived from our *CTX* neural stem cell line. In a recently published paper independent researchers have demonstrated the pro-angiogenic effects of *CTX* in pre-clinical models.

We have commenced an initial 9-patient Phase I dose escalation study with ReN009 in patients with lower limb ischaemia at a clinical site in Dundee, ahead of a larger placebo-controlled Phase II efficacy study planned for 2015, the protocol for which is currently being finalised.

ReN003: Retinitis Pigmentosa

Indication:
Retina pigmentosa

Retina pigmentosa is a disease leading to progressive loss of vision due to loss of the photoreceptor cells found in the retina.

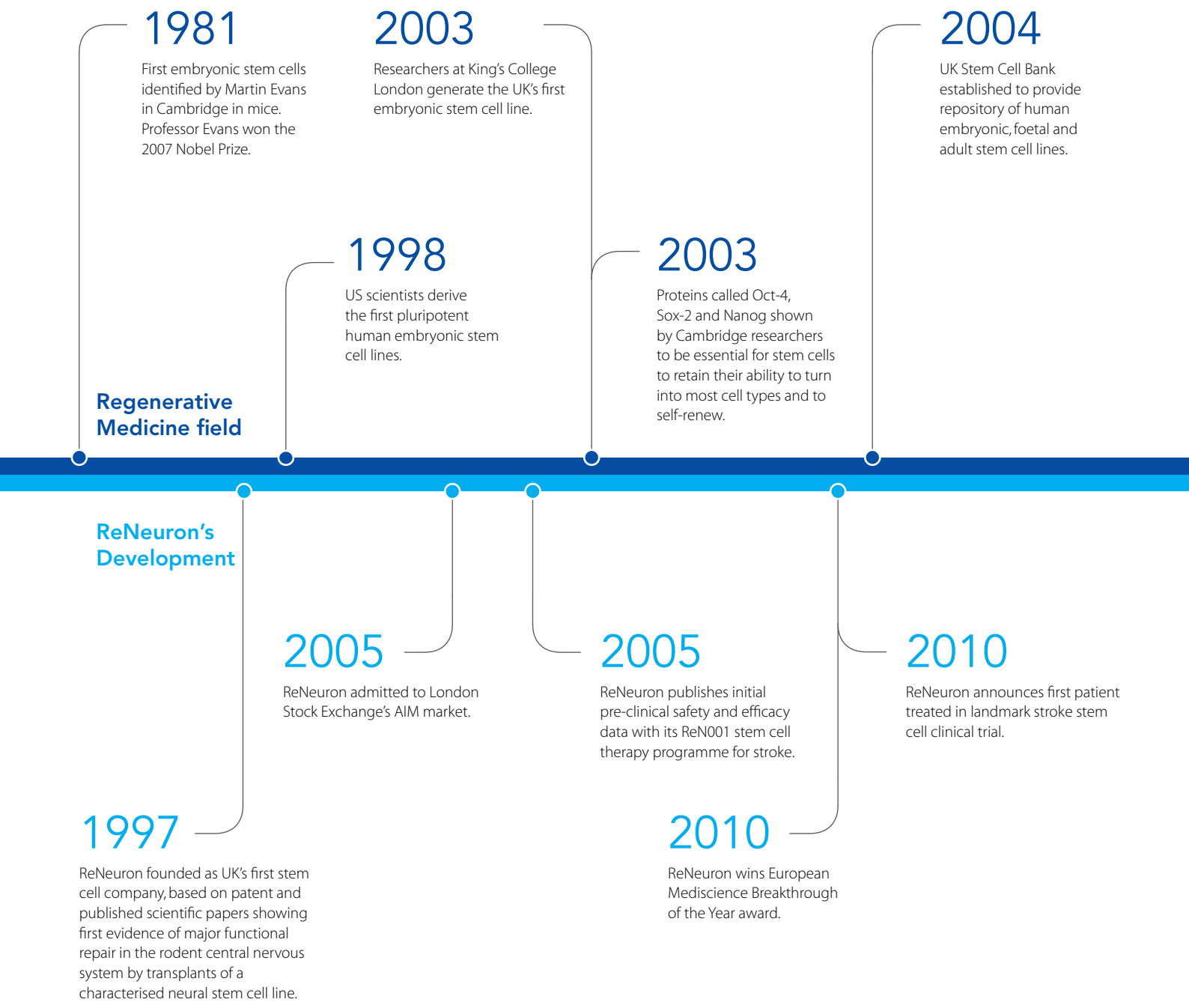
Our product:
ReN003

Our ReN003 programme uses our hRPC platform targeting blindness-causing diseases of the retina. It is being developed in collaboration with the Schepens Eye Research Institute (an affiliate of Harvard Medical School in Boston, USA) and the Institute for Ophthalmology, University College London. This programme is initially focused on retinitis pigmentosa, where a progressive loss of vision results from loss of photoreceptor cells found in the retina.

A final set of pre-clinical studies is being conducted to support an IND filing in the US for an initial Phase I/II clinical trial, targeted for early 2015.

STRATEGIC REPORT/

ReNeuron and the Development of Regenerative Medicine



2006

Adult mouse cells reprogrammed by the addition of 4 factors to generate pluripotent cell lines (induced pluripotent cells – IPSCs). Shinya Yamanaka of Kyoto University was awarded the 2012 Nobel Prize for this.

2007

First human IPSC lines generated in Japan and USA.

2008

Spanish and UK teams announce first tissue-engineered trachea successfully transplanted.

2012

UK Cell Therapy Catapult established to support growth of the UK cell therapy industry.

2012

Professor Sir John Gurdon at Cambridge awarded Nobel Prize jointly with Shinya Yamanaka for work on reprogramming cells.

2013-14

Faster access to medicines and early adoption schemes are announced in US, UK and Japan.

2012

First patent underpinning exosome platform filed.

2013

ReNeuron receives European and US Orphan Drug Designation for retinitis pigmentosa stem cell therapy candidate.

2013

£25.4 million equity financing completed.

2014

Work commences on design of new R&D & manufacturing facility in South Wales.

2014

Phase II stroke and Phase I CLI trials open for recruitment.

2013

Widespread media coverage of data from stroke trial which shows no safety concerns and evidence of sustained reductions in neurological impairment and spasticity.

2013

Pre-clinical data published showing positive effects of *CTX* cells in restoring microvasculature and blood flow to the limb extremities in animal models of lower limb ischaemia.

STRATEGIC REPORT/

Developments in Regenerative Medicine

Regenerative Medicine is maturing as a field and has reached critical mass whilst regulators are supporting the sector across the globe.

Currently, the vast majority of treatments for chronic and/or life-threatening diseases are palliative. Others delay disease progression and the onset of complications associated with the underlying illness. The result is a healthcare system burdened by costly treatments for an aging population.

Regenerative Medicine offers the prospect of curing or significantly changing the course of chronic diseases and thus significantly improving the economics of current healthcare.

60,000

stem cell transplants performed annually worldwide.

$900m

In 2012 cell therapy products distributed by biotherapeutic companies generated over $900 million.

Recognising the potential for developing fields such as Regenerative Medicine to play a major role in addressing the healthcare cost implications of an increasingly elderly population, Governments and their regulatory agencies are taking steps to support expedited approvals of regenerative medicine products:

- In the UK, the Medicines and Health care products Regulatory Agency ('MHRA') introduced the "Early Access to Medicines Scheme (EAMS)" in April 2014. This is designed to allow patients with life-threatening or severely debilitating conditions with high unmet need to access medicines that do not yet have marketing authorisation. MHRA will evaluate early clinical data and may designate a promising therapy "Promising innovative medicine (PIM)". With this designation, on completion of Phase III trials (or Phase II trials in exceptional circumstances), a scientific review by MHRA will result in an EAMS opinion and the product may be made available to patients in need prior to marketing authorisation.

- The European Medicines Agency (EMA) has recently announced the introduction of 'Adaptive Licensing', also known as staggered approval or progressive licensing. This involves planned early marketing authorisation in a restricted population followed by evidence gathering and later expansion of this authorisation across broader patient populations.

Although several procedures already exist to aid EU early marketing (e.g. conditional marketing authorisation, centralised compassionate use), an Adaptive Licensing Pilot project is being launched in which EMA will support companies with promising therapies to find the quickest way to supply medicines to those in need.

- In the US the Food and Drug Administration ('FDA') has recently introduced 'Breakthrough Therapy Designation', for product candidates treating a serious or life threatening disease or condition. It may be granted when preliminary clinical evidence indicates that a therapy has substantial improvement on clinical endpoints over existing therapies. If a drug is designated as a breakthrough therapy, FDA will expedite the development and review of such drug.

- In Japan, infrastructure changes include radical amendments to both regulation and reimbursement that will significantly benefit stem cell therapy commercialisation in Japan. New laws to be introduced in November 2014 will allow provisional marketing authorisation (with conditions) once clinical studies can confirm probable benefit and safety in a small patient population. This will bring promising medicines to patients whilst more comprehensive clinical data is being generated to achieve a full marketing authorisation.

Meanwhile the commercial potential of Regenerative Medicine is becoming clear. A significant number of regenerative medicine products are already commercially and clinically successful. It is estimated that in 2012 cell therapy products distributed by biotherapeutic companies generated over $900 million with 160,000 patients receiving treatments.

Products approvals are increasing and new data are becoming available from mid-stage and late-stage regenerative medicine clinical trials. For example, in 2012, seven cell therapy products were approved by regulatory agencies around the world in contrast with five such approvals in the three previous years, and none from 2002 to 2008. This approval rate is expected to escalate.

Analysts suggest there are at least 2,500 ongoing regenerative medicine clinical trials involving tens of thousands of patients for a myriad of clinical indications. An estimated 15 percent of this is industry-sponsored, and the remainder is being sponsored by leading academic centres around the world.

Bringing together ReNeuron's world class research and development activities.

A key element of ReNeuron's £33 million funding in 2013 was support from the Welsh Government who will fund a new state-of-the-art facility in South Wales, through the conversion and fitting out of a landmark building at Pencoed Technology Park, near Cardiff. This move will bring together ReNeuron's world class research and development activities, good manufacturing practice (GMP) cell manufacture and allied corporate functions in one location, providing operational synergies as the Company's therapeutic candidates move through clinical development to future market approval.

ReNeuron plans to commence the relocation of its operations to this site in the first half of 2015, when the conversion of the existing building is expected to be complete. The ground floor of this facility will provide the Company with more than 25,000 square feet of state-of-the-art research and development laboratories, GMP clean rooms designed for automated cell culture, and office accommodation, with scope to expand further if required in the future.

When licensed for GMP cell manufacture, the facility will provide for ReNeuron's late-stage clinical and initial commercial product requirements, from 2016 onwards.

STRATEGIC REPORT/

Business Review

ReN001: Stroke Disability

Stroke, caused by a disruption in the flow of blood to the brain, is the third most deadly disease in the developed world and the leading cause of serious disability - approximately 150,000 people suffer a stroke in the UK each year and approximately 800,000 in the US.

Ischaemic stroke accounts for about 80% of strokes and results from an inadequate supply of blood and oxygen to the brain due to blockage of an artery, such as by a blood clot. The lack of treatment options represents an enormous gap in medical care given its high incidence and severity, and 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.

The market

Between 2012 and 2030, total stroke-related costs in the US are projected to triple, from $71.6 billion to $184.1 billion. Treatments for stroke are currently limited to the acute phase three to four hours after a stroke event. ReN001 is aimed at the post-stroke rehabilitation period for which there are currently no therapies available, with the target of improving recovery and functional abilities such that patients can lead a more productive life.

We have undertaken a detailed health economics analysis to identify the stroke sub-population where administration of ReN001 could be justified in terms of both clinical and cost effectiveness. This analysis indicates a potential market in the US of $1.1 - $2.3 billion and a similar amount in Europe.

Progress to date

Following completion of the PISCES Phase I trial in 11 patients, which showed a good safety profile and evidence of sustained reductions in neurological impairment and spasticity, we have commenced a Phase II clinical trial in up to 10 clinical sites across the UK. The trial will recruit up to 41 patients between 8 and 12 weeks after their stroke. Patients will be monitored on a number of validated stroke efficacy measures up to six months post-treatment.

800,000

Approximately 800,000 people suffer a stroke in the US each year.

ReN009: Critical Limb Ischaemia (CLI)

Peripheral arterial disease (PAD) is one of the most common vascular diseases, affecting one in three people over the age of 70. CLI is the most severe end-stage form of PAD.

Changes in arterial vessels disturb the normal flow of blood. Such changes include atherosclerosis, or the hardening of the arteries, which is caused by the build-up of fat and cholesterol depositions on their inside walls. This build up narrows the vessels and causes ischaemia, the inadequate blood (and thus oxygen) flow to the body's tissues. CLI is the most severe form of PAD, caused by chronic inflammatory processes associated with atherosclerosis. It is a common side-effect of diabetes, as well as strokes and obesity. There are estimated to be over 1 million people in the US with CLI.

The condition is characterised by pain at rest and lesions of the leg. There are no effective therapies and as many as 50% of CLI patients currently have no treatment option other than limb amputation.

The market

There are approximately 160,000 amputations as a result of PAD and the estimated costs per patient are >US$90,000 over 2 years and >US$0.5 million over a patient's lifetime. There are no treatments other than surgery for CLI patients and 20-50% are ineligible for this.

Available data shows that, in 2008, the total cost of inpatient treatment specifically for PAD in the USA was $14.3 billion, of which 71% related to the treatment of CLI.

Progress to date

A number of pre-clinical studies have shown the dose-dependent positive effects of our *CTX* cells in restoring microvasculature and blood flow to the limb extremities in animal models of lower limb ischaemia. A Phase I dose escalation trial has now commenced in 9 patients in Scotland in which the ReN009 cells are administered via straightforward intramuscular injection into the affected lower limb of patients with PAD. The straightforward nature of both the ReN009 treatment and the design of the Phase I clinical trial is expected to lead to progression into a larger placebo-controlled Phase II efficacy study during 2015, assuming the Phase I primary safety end-point is met.

160,000

There are approximately 160,000 amputations as a result of peripheral arterial disease (PAD) in the US every year.

50%

There are no effective therapies and as many as 50% of CLI patients currently have no treatment option other than limb amputation.

ReN003: Retinitis Pigmentosa (RP)

Retinitis pigmentosa is a group of inherited diseases of the retina that all lead to a gradual and progressive reduction in vision caused by the death of photoreceptor cells.

It is the most common inherited cause of blindness in people between the ages of 20 and 60. RP is typically diagnosed in adolescents and young adults and most sufferers will be legally blind by the age of 40.

1.5m

There are an estimated 1.5 million patients affected with retinitis pigmentosa worldwide.

The market

Retinitis pigmentosa affects approximately 1 in 3,000 to 4,000 people, with an estimated 1.5 million patients worldwide, including more than 100,000 patients in the United States and approximately 180,000 patients in the EU.

There are no treatments currently available for RP, and two of the few approaches in development only target a small subpopulation of the RP patient population with specific genetic mutations. Our ReN003 programme is expected to be applicable to the broad, heterogeneous RP patient population. We estimate the potential target market for ReN003 to be in the range $200 - $400 million per annum in the US.

The ReN003 therapeutic candidate also represents an alternative and potentially highly advantageous cell therapy approach to other degenerative conditions of the retina, such as age-related macular degeneration (AMD) and diabetic retinopathy, where the unmet medical need also remains high. AMD is the leading cause of blindness in people over 60 in the US. The ReN003 therapy for RP has been granted Orphan Drug Designation in both Europe and the US, providing the potential for 10 year market exclusivity post-approval of the therapy in these territories.

Progress to date

In pre-clinical models it has been demonstrated that our hRPCs differentiate into cells expressing the appropriate cell surface markers for photoreceptors, the cells lost in RP patients. We have also shown that in rodent models of retinal degeneration, transplanted hRPCs migrate into the outer nuclear layer of the host retina and preserve visual acuity.

A final set of pre-clinical studies are being conducted which will support an IND filing in the US for an initial Phase I/II clinical trial targeted for early 2015.

Exosomes

Exosomes are nano-sized (30-100nm) vesicles, secreted by cells in response to stimuli. They play a key role in cell-to-cell communication, modulate cellular immunity and promote the activation of regenerative or repair processes in diseased or injured cells through the delivery and transfer of their cargo of proteins and nucleic acids.

Exosome-based, cell-free therapies offer a number of advantages over cell-based therapies for some indications. They are easier to manufacture, less immunogenic and can be standardised and tested in terms of dose and biological activity in a similar manner to conventional bio-pharmacological products. As such, they may be more readily developed as 'off the shelf' therapeutic products.

Progress to date

The bench-to-clinic translation of *CTX* cell-derived exosome products is underway. Our researchers have identified and characterised two distinct exosome populations during GMP manufacture of *CTX* clinical product, which display unique protein and nucleic acid compositions. We have demonstrated in vivo effects that suggest therapeutic benefit for indications ranging from gliomas to wound healing. As exosomal cargo can comprise a variety of bioactive nucleic acids and proteins, reflecting both the condition and origin of the parent or producer cell. Our *CTX* stem cell line is a potent producer of exosomes and we have generated a strong intellectual property portfolio relating to this process. We are conducting further pre-clinical studies and good manufacturing practice (GMP) manufacturing optimisation work, with the aim of starting a first-in-man clinical study using an exosome-based therapeutic candidate within two years.

115

We have identified circa 115 different types of miRNAs in our *CTX*-derived exosomes.

STRATEGIC REPORT/

Risks and Uncertainties

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.

Description of Risk	
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 develop a drug candidate successfully because we cannot demonstrate in clinical trials that it is safe and efficacious. 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.
Competition and intellectual property	Intellectual property protection remains fundamental to our strategy of developing novel drug candidates. Our ability to stop others making a drug, using it or selling the invention or proprietary rights by obtaining and maintaining protection is critical to our success. We manage 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 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 risk	The financial risks faced by the Group include 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. The Group holds currency in US dollars and Euros to cover immediate expenses in those currencies.

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

- the early stage of development of the business;
- availability and terms of capital needed to sustain operations, and failure to secure partnerships that will fund late stage trials and commercial exploitation;
- competition from other companies and market acceptance of its products;
- its reliance on consultants, contractors and personnel at third-party research institutions;
- the ability to attract and retain qualified personnel, in particular during the planned relocation to the new facility in South Wales.

Financial Review

Cashflow

Cash outflow from operating activities was £6.00 million (2013: £6.02 million). Capital expenditure was £0.12 million (2013: £0.03 million). The net proceeds from the fundraising in August 2013 amounted to £23.44 million and as a consequence cash, cash equivalents and bank deposits totalled £20.92 million at the year-end (2013: £3.55 million), an increase of £17.37 million.

Revenues

Revenues in the year amounted to £22k (2013: £17k), being royalties from non-therapeutic licensing activities. Grant income of £0.66 million (2013: nil) was also recognised.

The Group has continued to access substantial non-dilutive funding through grant applications, with total grant awards of £9.3 million received in the year as follows:

- a £7.8 million grant package from the Welsh Government to establish a world-class manufacturing and development facility in South Wales for late stage clinical and commercial product requirements;
- a £1.5 million grant from the Technology Strategy Board (TSB) to part-fund the Company's Phase II trial of its ReN001 stem cell therapy for disabled stroke patients.

Operating expenses

Research and development (R&D) costs rose to £5.83 million (2013: £4.79 million) as a result of increased clinical research, collaborations and manufacturing costs. R&D costs accounted for 67% of net operating expenses (2013: 67%) and include:

- staff costs for personnel engaged on research and development activities;
- sub-contracted clinical research;
- clinical trial costs;
- manufacturing, quality assurance, quality control and shipping activities;
- regulatory affairs.

General and administrative (G&A) expenses increased to £2.82 million (2013: £2.32 million). These costs include staff costs for executive, administrative and finance employees, facilities and occupancy costs and legal, accounting and professional fees. Dilapidation and redundancy provisions ahead of relocation to the South Wales facility amounted to £0.21 million.

The Company has increased its permanent staff headcount to conduct the increasing scale of its R&D activities and to provide managerial support to those activities. Non-cash charges arising from share-based payments under IFRS 2 were £0.44 million (2013: £0.38 million).

Finance revenue

Finance revenue, which represents income received from the Group's cash and investments was £0.15 million (2013: £0.03 million).

Taxation

Taxation comprises tax credits booked against research and development expenditure of £0.75 million (2013: £0.71 million). The tax credit for the year ended 31 March 2014 has yet to be submitted to HMRC. The claim submitted for 2013 of £0.71 million was received in October 2013.

Outcome

Mainly as a consequence of the increase in R&D and G&A costs, the loss before income tax increased to £7.82 million (2013: £7.06 million) resulting in a net loss after allowing for the tax credit of £7.07 million (2013: £6.35 million).

This 2014 Strategic Report on pages 1 to 15 is hereby signed on behalf of the Board of Directors.

Michael Hunt
Chief Executive Officer

17 June 2014

GOVERNANCE/

Board of Directors

Bryan Morton BSc, Non-executive Chairman

Bryan Morton was appointed to the Board in October 2008 and appointed as Chairman in August 2011. He was formerly Chief Executive Officer of EUSA Pharma Inc., a Company he founded in 2006, until its acquisition by Jazz in 2012 when it was sold for a total consideration of US$700 million. Bryan is a non-executive Chairman of Aircraft Medical and Chairman of Oxford BioTherapeutics, Glide Pharma and is also non-executive Director on the Syncona LLP Board and the Oxitec 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 58.

Michael Hunt BSc, ACA, Chief Executive Officer

Michael Hunt was appointed Chief Executive Officer of ReNeuron Group plc in July 2005. Prior to ReNeuron, he spent six years at Biocompatibles International plc (sold to BTG 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 and served on the UK Technology Strategy Board's RegenMed Advisory Group and its Cell Therapy Catapult Interim Advisory Group. He currently sits as an industry member on the UK Department of Health's Regenerative Medicine Expert Group. He read economics at University College London and qualified as a chartered accountant with Ernst & Young. Aged 51.

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 holds Fellowships of the Royal Society of Medicine and the Society of Biology, is a member of the Society for Neuroscience, the International Society for Cellular Therapies and the International Society for Stem Cell Research. He is a member of the Expert Working Group on Cell and Gene Therapies for the Bioindustry Organization BioSafe Committee. Aged 63.

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 Chief Medical Officer at EUSA Pharma Inc., until its acquisition by Jazz in 2012, and Chief Medical Officer at Zeneus Pharma, which was acquired by Cephalon Inc in 2006. In addition, he serves as Chair of the Board of Trustees of the Neuro Foundation, and Non-executive Director on the Board of Circassia Pharmaceuticals. 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 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 63.

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 Director of FinvectorVision Therapies Limited, a specialist gene therapy manufacturer and Geschäftsführer of DHP 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. Aged 50.

Professor Sir Chris Evans OBE, Non-executive Director

Professor Sir Chris Evans OBE was appointed to the Board in August 2013. Sir Chris is the Founder and Chairman of Excalibur Group, and is a highly successful scientist and entrepreneur, having built over 50 medical companies and created over $5 billion of value for investors with $3 billion of cash exits. He is the Founder of Chiroscience, Celsis, Biovex, Merlin, Vectura and Piramed. He has also raised $2 billion for cancer research projects. More recently, he has established Arthurian Life Sciences Ltd to provide management services to the Wales Life Sciences Investment Fund, a £100 million fund and a key part of the Welsh Government's Life Sciences initiative. Aged 56.

John Berriman BSc MSc, Non-executive Director

John Berriman was appointed to the Board in July 2011. He is the Chairman of Heptares Therapeutics Ltd, Autifony Therapeutics Ltd and past Chairman of Algeta ASA (sold to Bayer AG in 2014 and previously 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 a Masters degree 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. Aged 66.

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

Dr Paul Harper was appointed to the Board in August 2005. He 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 Research & Development 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 Chief Executive Officer, preparing Cambridge Antibody Technology Ltd for flotation on the London Stock Exchange and founding Provensis Limited to develop a drug device product. Currently Chairman of Physiomics plc, Sareum Holdings plc and three other private biotechnology/devices businesses. Aged 68.

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 was completed in March 2010. Prior to ApaTech he was Chief Executive Officer of Celltech Pharmaceuticals and a director of Celltech Group plc before which 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 a non-executive director of Phase4 Ventures, as an adviser to Mercia Fund Management Ltd and as an advisor to several emerging life science and medical technology companies in the UK and internationally. Aged 54.

Advisers

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Registrars

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Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
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Berkshire
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Directors' Report for the year ended 31 March 2014

The directors present their report and the audited consolidated financial statements of the Company for the year ended 31 March 2014.

Presentation of financial statements

The Group accounts include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2014.

Results and dividends

The results for the year are given in the Group Statement of Comprehensive Income set out on page 29. The directors do not recommend the payment of a dividend (2013: £nil).

Research and development

During the year the Group incurred research and development costs of £5,829,000 (2013: £4,786,000) all charged 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
Simon Cartmell, Non–executive Director
Dr Tim Corn, Non-executive Director
Mark Docherty, Non–executive Director
Professor Sir Chris Evans, Non-executive Director (appointed 9 August 2013)
Dr Paul Harper, Non–executive Director

Directors' emoluments

	Salaries and fees £'000	Bonuses £'000	Benefits in kind £'000	**2014 Total £'000**	**2014 Pension contributions £'000**	2013 Total £'000	2013 Pension contributions £'000
Michael Hunt	200	62	3	**265**	**19**	238	17
Dr John Sinden	178	50	3	**231**	**18**	222	16
Bryan Morton	34	–	–	**34**	**–**	32	–
John Berriman	29	–	–	**29**	**–**	27	–
Simon Cartmell	29	–	–	**29**	**–**	27	–
Dr Tim Corn	26	–	–	**26**	**–**	19	–
Mark Docherty	18	–	–	**18**	**–**	17	–
Professor Sir Chris Evans	17	–	–	**17**	**–**	–	–
Dr Paul Harper	24	–	–	**24**	**–**	23	–
Total	555	112	6	**673**	**37**	605	33

Benefits in kind are private medical insurance and professional subscriptions.

Directors' emoluments include amounts payable to third parties in respect of fees as described in note 29 of the financial statements.

Directors' emoluments continued

The directors held the following interests in the Ordinary shares of the Company:

	Ordinary shares of 1p each		Warrants (see below)	
	2014 Number	2013 Number	**2014 Number**	2013 Number
Michael Hunt	**1,253,023**	453,023	**125,000**	125,000
Dr John Sinden	**2,211,902**	1,611,902	**125,000**	125,000
Bryan Morton	**1,015,909**	215,909	**125,000**	125,000
John Berriman	**725,000**	125,000	**125,000**	125,000
Simon Cartmell	**787,500**	187,500	**187,500**	187,500
Dr Tim Corn	**200,000**	–	**–**	–
Dr Paul Harper	**451,709**	251,709	**50,000**	50,000
Professor Sir Chris Evans	**24,010,525**	n/a	**–**	n/a
Mark Docherty	**944,854**	344,854	**125,000**	125,000

The Warrants of the Company entitled the holder to subscribe for Ordinary shares at a price of 6.0 pence per share up to 20 April 2014. The Warrants expired on that date with none having been exercised.

At the date of his appointment on 9 August 2013 Professor Sir Chris Evans held 47,844 Ordinary shares of 1p and no Warrants.

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

Michael Hunt

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – approved	1	806,370	121,357	–	**927,727**	4.4p	August 2005 – July 2014
Options – unapproved	1	971,690	146,238	–	**1,117,928**	4.4p	August 2006 – July 2014
Options – unapproved	2	1,975,621	297,329	–	**2,272,950**	11.0p	August 2008 – August 2015
Options – unapproved	2	493,359	74,227	–	**567,586**	4.4p	August 2009 – August 2016
Options – unapproved	2	493,359	74,227	–	**567,586**	6.61p	August 2010 – August 2016
Options – unapproved	3	860,328	129,478	–	**989,806**	10.61p	August 2010 – August 2017
Options – unapproved	3	860,328	129,478	–	**989,806**	18.94p	August 2010 – August 2017
Options – approved	5	1,442,887	–	–	**1,442,887**	1.0p	August 2011 – August 2020
Options – unapproved	6	1,772,728	–	–	**1,772,728**	1.0p	August 2012 – August 2019
Options – unapproved	7	2,071,066	–	–	**2,071,066**	1.0p	August 2013 – August 2020
Options – unapproved	9	2,916,667	–	–	**2,916,667**	1.0p	August 2014 – August 2021
Options – unapproved	11	3,181,818	–	–	**3,181,818**	1.0p	September 2015 – September 2022
Options – approved	13	–	–	694,500	**694,500**	1.0p	September 2016 – September 2023
Options – unapproved	13	–	–	3,263,833	**3,263,833**	1.0p	September 2016 – September 2023
		17,846,221	972,334	3,958,333	**22,776,888**		

Directors' emoluments continued
John Sinden

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – approved	1	806,370	121,357	–	**927,727**	4.4p	August 2005 – July 2014
Options – unapproved	1	965,131	145,251	–	**1,110,382**	4.4p	August 2006 – July 2014
Options – unapproved	2	1,975,621	297,329	–	**2,272,950**	11.0p	August 2008 – August 2015
Options – unapproved	2	493,339	74,247	–	**567,586**	4.4p	August 2009 – August 2016
Options – unapproved	2	493,339	74,247	–	**567,586**	4.4p	August 2010 – August 2016
Options – unapproved	3	860,328	129,478	–	**989,806**	10.61p	August 2010 – August 2017
Options – unapproved	3	860,328	129,478	–	**989,806**	18.94p	August 2010 – August 2017
Options – approved	5	1,564,642	–	–	**1,564,642**	1.0p	August 2011 – August 2020
Options – unapproved	6	1,713,637	–	–	**1,713,637**	1.0p	August 2012 – August 2019
Options – unapproved	7	1,918,782	–	–	**1,918,782**	1.0p	August 2013 – August 2020
Options – unapproved	9	2,336,389	–	–	**2,336,389**	1.0p	August 2014 – August 2021
Options – unapproved	11	2,450,758	–	–	**2,450,758**	1.0p	September 2015 – September 2022
Options – approved	13	–	–	1,364,638	**1,364,638**	1.0p	September 2016 – September 2023
Options – unapproved	13	–	–	961,751	**961,751**	1.0p	September 2016 – September 2023
		16,438,664	971,387	2,326,389	**19,736,440**		

Directors' emoluments continued

Bryan Morton

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – unapproved	4	226,682	34,115	–	**260,797**	4.22p	August 2012 – August 2019
Options – unapproved	4	277,797	41,808	–	**319,605**	3.85p	August 2013 – August 2020
Options – unapproved	8	417,274	62,799	–	**480,073**	3.75p	August 2014 – August 2021
Options – unapproved	10	500,000	75,249	–	**575,249**	2.87p	August 2015 – August 2022
Options – unapproved	12	–	–	700,000	**700,000**	3.6p	September 2016 – September 2023
		1,421,753	213,971	700,000	**2,335,724**		

John Berriman

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – unapproved	8	417,274	62,799	–	**480,073**	3.75p	August 2014 – August 2021
Options – unapproved	10	500,000	75,249	–	**575,249**	2.87p	August 2015 – August 2022
Options – unapproved	12	–	–	600,000	**600,000**	3.6p	September 2016 – September 2023
		917,274	138,048	600,000	**1,655,322**		

Simon Cartmell

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – unapproved	8	417,274	62,799	–	**480,073**	3.75p	August 2014 – August 2021
Options – unapproved	10	500,000	75,249	–	**575,249**	2.87p	August 2015 – August 2022
Options – unapproved	12	–	–	600,000	**600,000**	3.6p	September 2016 – September 2023
		917,274	138,048	600,000	**1,655,322**		

Dr Tim Corn

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – unapproved	10	500,000	75,249	–	**575,249**	2.87p	August 2015 – August 2022
Options – unapproved	12	–	–	500,000	**500,000**	3.6p	September 2016 – September 2023
		500,000	75,249	500,000	**1,075,249**		

Directors' emoluments continued

Dr Paul Harper

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – unapproved	2	98,781	14,867	–	**113,648**	11.0p	August 2008 – August 2015
Options – unapproved	2	98,668	14,849	–	**113,517**	4.4p	August 2009 – August 2016
Options – unapproved	3	258,098	38,844	–	**296,942**	10.61p	August 2010 – August 2017
Options – unapproved	4	226,682	34,115	–	**260,797**	4.22p	August 2012 – August 2019
Options – unapproved	4	277,797	41,808	–	**319,605**	3.85p	August 2013 – August 2020
Options – unapproved	8	417,274	62,799	–	**480,073**	3.75p	August 2014 – August 2021
Options – unapproved	10	500,000	75,249	–	**575,249**	2.87p	August 2015 – August 2022
Options – unapproved	12	–	–	500,000	**500,000**	3.6p	September 2016 – September 2023
		1,877,300	282,531	500,000	**2,659,831**		

Mark Docherty

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – unapproved	3	258,098	38,844	–	**296,942**	10.61p	August 2010 –August 2017
Options – unapproved	4	226,682	34,115	–	**260,797**	4.22p	August 2012 – August 2019
Options – unapproved	4	277,797	41,808	–	**319,605**	3.85p	August 2013 – August 2020
Options – unapproved	8	417,274	62,799	–	**480,073**	3.75p	August 2014 – August 2021
Options – unapproved	10	500,000	75,249	–	**575,249**	2.87p	August 2015 – August 2022
Options – unapproved	12	–	–	500,000	**500,000**	3.6p	September 2016 – September 2023
		1,679,851	252,815	500,000	**2,432,666**		

Professor Sir Chris Evans

	Note	At 1 April 2013 Number	Adjusted during the year Number*	Granted during the year Number	**At 31 March 2014 Number**	Exercise price*	Exercise period**
Options – unapproved	12	–	–	500,000	**500,000**	3.6p	September 2016 – September 2023
		–	–	500,000	**500,000**		

* The numbers of share options and exercise price for awards other than the Group's Deferred Share-based Bonus Plan and Long Term Incentive Plan have been adjusted during the year to reflect the dilution of option values as a result of the variation in share capital.
** 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 2014 the performance conditions had not been met for the awards described in notes 4, 6, 7, 8, 9, 10, 11, 12 and 13 below.

Directors' emoluments continued

Note 1:
These options were issued following the Group's Admission to the AIM market. They replaced an earlier award which had been conditional on the successful Admission; this condition has been met.

Note 2:
These options were issued subject to a performance condition which has been met, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials.

Note 3:
These options were issued subject to a performance condition which has been met, being the successful completion of an initial clinical trial of a ReNeuron cell therapy.

Note 4:
These options were issued subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a second clinical trial.

Note 5:
These options have been issued 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 carry no further performance conditions.

Note 6:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions below, which have not yet been met:

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 were issued subject to the performance conditions below, which have not yet been met:

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 subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a third clinical trial.

Directors' emoluments continued

Note 9:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below, which have not yet been met:

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 10:
These options were issued subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a fourth clinical trial.

Note 11:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below, which have not yet been met:

i) The first patient is administered with a ReNeuron cell therapy in a fourth 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 12:
These options were issued subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a fifth clinical trial.

Note 13:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below, which have not yet been met:

i) The first patient is administered with a ReNeuron cell therapy in a fifth 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.

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 to agree payment terms with all suppliers 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 73 days (2013: 40 days).

The Company had no trade payables at the year-end (2013: nil).

Corporate Governance

As an AIM-listed Company, ReNeuron is not required to comply with the UK Corporate Governance Code (2012), the 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 Committee with formally delegated duties and responsibilities. All of the non-executive directors are members of these committees. 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 supervises 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 Committee has responsibility for reviewing the size and composition of the Board, the appointment of replacement or additional directors and making appropriate recommendations to the Board.

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. 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' Report
continued

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 2 September 2014 at 10:00am. The notice of the Annual General Meeting is enclosed on page 54 of this document.

By order of the Board

Michael Hunt
Director

Independent Auditors' Report to the Members of ReNeuron Group plc

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's loss and the group's and the parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are prepared by ReNeuron Group plc, comprise:

- Group and Parent Company Statements of Financial Position as at 31 March 2014;
- Group Statement of Comprehensive Income for the year then ended;
- Group and Parent Company Statements of Cash Flows for the year then ended;
- Group and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and 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.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditors' Report to the Members of ReNeuron Group plc continued

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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 ISAs (UK & 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.

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

17 June 2014

Group Statement of Comprehensive Income for the year ended 31 March 2014

	Note	**2014 £'000**	2013 £'000
Revenue: royalty income	5	**22**	17
Other income: grants		**662**	–
Research and development costs	6	**(5,829)**	(4,786)
General and administrative costs	6	**(2,824)**	(2,319)
Operating loss		**(7,969)**	(7,088)
Finance income	7	**149**	30
Finance costs	7	**–**	(1)
Loss before income tax		**(7,820)**	(7,059)
Income tax credit	10	**754**	714
Loss and total comprehensive loss for the year		**(7,066)**	(6,345)
Loss and total comprehensive loss attributable to equity owners of the Company		**(7,066)**	(6,345)
Basic and diluted loss per ordinary share	12	**(0.5p)**	(0.8p)

Group and Parent Company Statements of Financial Position as at 31 March 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	**225**	213	**–**	–
Intangible assets	14	**1,272**	1,272	**–**	–
Investment in subsidiaries	15	**–**	–	**64,524**	48,006
Trade and other receivables	16	**275**	135	**–**	–
		1,772	1,620	**64,524**	48,006
Current assets					
Trade and other receivables	16	**676**	341	**3**	1
Income tax receivable	10	**754**	714	**–**	–
Investments - bank deposit	17	**6,000**	–	**–**	–
Cash and cash equivalents	18	**14,917**	3,547	**9,425**	2,877
		22,347	4,602	**9,428**	2,878
Total assets		**24,119**	6,222	**73,952**	50,884
Equity					
Equity attributable to owners of the Company					
Share capital	23	**17,888**	7,748	**17,888**	7,748
Share premium account		**46,267**	32,972	**46,267**	32,972
Capital redemption reserve		**8,964**	8,964	**8,964**	8,964
Merger reserve		**2,223**	2,223	**1,858**	1,858
Accumulated losses		**(53,625)**	(46,999)	**(6,512)**	(6,147)
Total equity		**21,717**	4,908	**68,465**	45,395
Liabilities					
Non-current liabilities					
Provisions	20	**364**	150	**–**	–
Financial liabilities: finance leases	21	**2**	–	**–**	–
		366	150	**–**	–
Current liabilities					
Trade and other payables		**2,035**	1,163	**5,487**	5,489
Financial liabilities: finance leases		**1**	1	**–**	–
		2,036	1,164	**5,487**	5,489
Total liabilities		**2,402**	1,314	**5,487**	5,489
Total equity and liabilities		**24,119**	6,222	**73,952**	50,884

The financial statements on pages 29 to 51, 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 17 June 2014 and were signed on their behalf by:

Michael Hunt
Director

Company Registered Number 05474163

Group and Parent Company Statements of Changes in Equity as at 31 March 2014

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 April 2012	**6,234**	**28,885**	**8,964**	**2,223**	**(41,072)**	**5,234**
Issue of Ordinary shares	1,514	4,543	–	–	–	6,057
Costs of share issue	–	(456)	–	–	–	(456)
Credit on share-based payment	–	–	–	–	418	418
Loss for the year and total comprehensive loss	–	–	–	–	(6,345)	(6,345)
As at 31 March 2013	**7,748**	**32,972**	**8,964**	**2,223**	**(46,999)**	**4,908**
Issue of Ordinary shares	10,140	15,210	–	–	–	25,350
Costs of share issue	–	(1,915)	–	–	–	(1,915)
Credit on share-based payment	–	–	–	–	440	440
Loss for the year and total comprehensive loss	–	–	–	–	(7,066)	(7,066)
As at 31 March 2014	**17,888**	**46,267**	**8,964**	**2,223**	**(53,625)**	**21,717**

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 April 2012	**6,234**	**28,885**	**8,964**	**1,858**	**(5,842)**	**40,099**
Issue of Ordinary shares	1,514	4,543	–	–	–	6,057
Costs of share issue	–	(456)	–	–	–	(456)
Credit on share-based payment	–	–	–	–	418	418
Loss for the year and total comprehensive loss	–	–	–	–	(723)	(723)
As at 31 March 2013	**7,748**	**32,972**	**8,964**	**1,858**	**(6,147)**	**45,395**
Issue of Ordinary shares	10,140	15,210	–	–	–	25,350
Costs of share issue	–	(1,915)	–	–	–	(1,915)
Credit on share-based payment	–	–	–	–	440	440
Loss for the year and total comprehensive loss	–	–	–	–	(805)	(805)
As at 31 March 2014	**17,888**	**46,267**	**8,964**	**1,858**	**(6,512)**	**68,465**

Group and Parent Company Statements of Cash Flows for the year ended 31 March 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**£'000**	£'000	**£'000**	£'000
Cash used in operations	26	**(6,718)**	(6,637)	**(593)**	(468)
Interest paid		**–**	(1)	**–**	–
Income tax credit received		**714**	616	**–**	–
Cash used in operating activities		**(6,004)**	(6,022)	**(593)**	(468)
Cash flows from investing activities					
Capital expenditure		**(121)**	(37)	**–**	–
Loans provided to subsidiaries		**–**	–	**(16,344)**	(6,032)
Interest received		**61**	30	**50**	28
Net cash used in investing activities		**(60)**	(7)	**(16,294)**	(6,004)
Cash flows from financing activities					
Finance lease principal payments		**(1)**	(8)	**–**	–
Proceeds from issuance of Ordinary shares		**25,350**	6,057	**25,350**	6,057
Costs of share issue		**(1,915)**	(456)	**(1,915)**	(456)
Bank deposit placed		**(6,000)**	–	**–**	–
Net cash generated from financing activities		**17,434**	5,593	**23,435**	5,601
Net increase/(decrease) in cash and cash equivalents		**11,370**	(436)	**6,548**	(871)
Cash and cash equivalents at the start of year		**3,547**	3,983	**2,877**	3,748
Cash and cash equivalents at the end of year		**14,917**	3,547	**9,425**	2,877

Notes to the Financial Statements

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 Alternative Investment Market (AIM) 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 for both the Group and 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 2014.

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.

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 in the year in which they occur.

Revenue

Revenue represents income received from royalties and licensing income arising from collaborations with third parties and is recognised when they fall due to the group.

Research and development expenditure

Capitalisation of expenditure on product development 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.

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. The Group has no further payment obligations once the contributions have been paid.

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.

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, 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.

2. Accounting policies and basis of preparation continued

Share-based payments

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 as disclosed in note 25. The calculation uses the Black-Scholes model. 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 credited to reserves.

Where warrants have been issued as recompense for services supplied, the fair value of warrants is charged to the Statement of Comprehensive Income over the period the services are received and a corresponding credit is made to reserves.

Intangible assets

Intangible assets relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historical cost less accumulated amortisation and any provision for impairment. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

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 principal 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 in subsidiaries

Investments in subsidiaries are shown at cost less any provision for impairment.

Current income tax

The 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.

2. Accounting policies and basis of preparation continued

Bank deposits, cash and cash equivalents

Cash and cash equivalents in the cash flow statement and 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 in excess of three months are classed as investments and are stated at cost.

Trade payables

Trade payables are recorded at fair value when goods or services have been received from a supplier.

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.

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, new interpretations and amendments to standards and interpretations are applicable for the first time for the financial year ended 31 March 2014. None of them has any impact on the financial statements of the Group:

- Amendment to IFRS 7, "Financial instruments: Disclosures" on offsetting financial assets and financial liabilities;
- Amendment to IAS 12, "Income Taxes";
- Amendment to IAS 19, "Employee Benefits";
- IFRS 13, "Fair Value Measurement";
- Amendment to IAS 32, "Financial Instruments: Presentation";
- Amendment to IAS36, "Impairment of Assets";
- IFRIC intepretation 21, "Levies".

The following standards, interpretations and amendments to existing standards are not yet effective, have not yet been endorsed by the EU and have not been adopted early by the Group. The future introduction of these standards will not have a material impact on the financial statements of the Group:

- IFRS 9, "Financial Instruments", for periods beginning on or after 1 January 2015;
- Amendment to IAS 1 "Financial Statement Presentation" applies for periods beginning on or after 1 July 2013;
- IFRS 10, "Consolidated Financial Statements" applies for periods beginning on or after 1 January 2014;
- IFRS 11, "Joint Arrangements" applies for periods beginning on or after 1 January 2014;
- IFRS 12, "Disclosures of Interests in Other Entities" applies for periods beginning on or after 1 January 2014;
- IAS 27 (Revised 2011), "Separate Financial Statements", applies for periods beginning on or after 1 January 2014;
- IAS 28 (Revised 2011), "Associates and Joint Ventures" applies for periods beginning on or after 1 January 2014.

3. Going concern

The Group is expected to incur significant further costs as it continues to develop its therapies and technologies through clinical development and as it establishes a cell manufacturing and development facility in South Wales. The Group has sufficient cash resources available for its immediate programme of activities taking into account the grant awards made by the Technology Strategic Board and the Welsh government and for at least 12 months from the balance sheet date.

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.

5. Revenue

Revenue represents income received from royalties and licensing income arising from collaborations with third parties. The Group's revenue derives wholly from assets in the United Kingdom. All revenue is derived from customers in the United States of America.

6. Operating expenses

	2014 £'000	2013 £'000
Loss before income tax is stated after charging:		
Research and development costs:		
Employee benefits (note 9)	**1,513**	1,335
Depreciation of property, plant and equipment (note 13)	**83**	103
Other expenses	**4,233**	3,348
Total research and development costs	**5,829**	4,786
General and administrative costs:		
Employee benefits (note 9)	**1,074**	890
Legal and professional fees	**366**	383
Depreciation of property, plant and equipment (note 13)	**29**	19
Operating lease charges:		
– land and buildings	**243**	241
Dilapidations provision (note 20)	**100**	25
Redundancy provision (note 20)	**114**	–
Other expenses	**898**	761
Total general and administrative costs	**2,824**	2,319
Total research and development costs and general and administrative costs	**8,653**	7,105

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

Services provided by the Group's auditors	2014 £'000	2013 £'000
Fees payable to the Group's auditors:		
– for the audit of the Parent Company and consolidated financial statements	**18**	17
– for the audit of the Company's subsidiaries pursuant to legislation	**21**	20
Total	**39**	37

7. Finance income and costs

	2014 £'000	2013 £'000
Interest receivable on short-term bank deposits	**61**	30
Unwind of discount on deposit (note 16)	**88**	–
Finance lease interest payable	**–**	(1)
Net interest receivable	**149**	29

8. Directors' emoluments

The directors of the Company have authority and responsibility for planning, directing and controlling the activities of the Group and they therefore comprise key management personnel as defined by IAS 24, Related Party Disclosures.

	2014	2013
	£'000	£'000
Aggregate emoluments of directors:		
Salaries and other short-term employee benefits	**673**	613
Pension contributions	**37**	33
	710	646
Share-based payments	**267**	240
Directors' emoluments including share-based payments	**977**	886

	2014	2013
	£'000	£'000
Highest paid director:		
Emoluments in respect of qualifying services	**265**	238
Pension contributions	**19**	17
	284	255

Two directors (2013: 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 (2013: none).

Directors' emoluments include amounts payable to third parties as described in note 29.

9. Employee information

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

	2014	2013
	Number	Number
By activity:		
Research and development	**21**	18
Administration	**6**	5
	27	23

	2014	2013
Group	**£'000**	£'000
Staff costs:		
Wages and salaries	**1,795**	1,572
Social security costs	**246**	178
Share-based payment charge	**440**	377
Pension costs	**106**	98
	2,587	2,225

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 was £106,000 (2013: £98,000). There were no prepaid or accrued contributions to the scheme at the year-end (2013: nil).

10. Income tax credit on loss on ordinary activities

	2014 £'000	2013 £'000
United Kingdom research and development tax credit at 11.0% (2013: 11.0%)	**754**	714

No corporation tax liability arises on the results for the year due to the loss incurred.

As a loss-making Small and Medium-sized Enterprise, the Group is entitled to research and development tax credits at 11.0% on 225% of qualifying expenditure for the year to 31 March 2014. In the budget statement on 19 March 2014 an increased rate of 14.5% was announced on 225% of qualifying expenditure from 1 April 2014.

The tax credit compares with the loss for the year as follows:

	2014 £'000	2013 £'000
Loss before income tax	**7,820**	7,059
Loss before income tax multiplied by the UK small profits rate of tax for small companies of 20% (2013: 20%)	**1,564**	1,412
Effects of:		
– difference between depreciation and capital allowances	**(32)**	43
– expenses not deductible for tax purposes	**(56)**	(27)
– losses not recognised	**(722)**	(638)
– other short term timing differences	**–**	(76)
Tax credit	**754**	714

No deferred tax asset has been recognised by the Group or Company as there are currently no foreseeable profits.

The potential deferred tax assets/(liabilities) of the Group are as follows:

	Amount not recognised 2014 £'000	Amount not recognised 2013 £'000
Tax effect of timing differences because of:		
Accelerated capital allowances	**(79)**	(47)
Short term timing differences not recognised	**122**	533
Losses carried forward	**10,325**	9,408
	10,368	9,894

The potential deferred tax assets of the Company are as follows:

	Amount not recognised 2014 £'000	Amount not recognised 2013 £'000
Tax effect of timing differences because of:		
Losses carried forward	**534**	426
	534	426

11. 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 £805,000 (2013: £723,000).

12. 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 £7,066,000 (2013: £6,345,000) by 1,424,978,475 shares (2013: 748,685,036 shares), being the weighted average number of 1p Ordinary shares in issue during the year.

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

13. Property, plant and equipment

Group	Leasehold improvements £'000	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 April 2012	1,635	867	109	2,611
Additions	–	26	11	37
At 31 March 2013	**1,635**	**893**	**120**	**2,648**
Accumulated depreciation				
At 1 April 2012	1,426	793	94	2,313
Charge for the year	88	18	16	122
At 31 March 2013	**1,514**	**811**	**110**	**2,435**
Net book amount:				
At 31 March 2013	**121**	**82**	**10**	**213**
Cost:				
At 1 April 2013	1,635	893	120	2,648
Additions	–	78	46	124
Disposals	–	(50)	–	(50)
At 31 March 2014	**1,635**	**921**	**166**	**2,722**
Accumulated depreciation				
At 1 April 2013	1,514	811	110	2,435
Charge for the year	62	26	24	112
Disposals	–	(50)	–	(50)
At 31 March 2014	**1,576**	**787**	**134**	**2,497**
Net book amount:				
At 31 March 2014	**59**	**134**	**32**	**225**

The figures stated above include plant and equipment held under finance leases at cost of £3,000 (2013:£64,000), depreciation of £nil (2013: £46,000) and net book value of £3,000 (2013: £18,000).

The Company had no property, plant or equipment at 31 March 2014 (2013: £nil).

14. Intangible assets

	Licence fees £'000	Intellectual property rights not amortised £'000	Total £'000
At 1 April 2012, 31 March 2013 and 31 March 2014:			
Cost	1,884	5,824	7,708
Accumulated amortisation and impairment	1,884	4,552	6,436
Net book amount	**–**	**1,272**	**1,272**

Because the intangible assets held by the Group are early in their development, the directors have reviewed assets for impairment individually by considering the fair value less costs to sell. It is not appropriate to perform a discounted cash flow calculation to assess value in use. The directors have concluded that an impairment is not required taking into account the market capitalisation value of the business.

As at 31 March 2014, the net book value of intangible assets relates 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.

15. Investments in subsidiaries

Company

Net book amount	**2014 £'000**	2013 £'000
At start of the year	**48,006**	41,837
Investment in subsidiary	**16,344**	6,032
Capital contribution arising from share-based payments	**174**	137
Net book amount at 31 March	**64,524**	48,006

The Company has invested in ReNeuron Limited to allow it to carry on the trade of the Group. A capital contribution arises where share-based payments are provided to employees of subsidiary undertakings settled with equity to be issued by the Company.

Taking into account the market capitalisation of the Group, the prospect of its therapies and the investor appetite for this sector, 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 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%

ReNeuron Limited is the principal trading company in the Group. The other subsidiaries are dormant.

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.

Notes to the Financial Statements

16. Trade and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Current:				
Receivables	**386**	112	**3**	1
Prepayments and accrued income	**290**	229	**–**	–
	676	341	**3**	1
Non-current:				
Lease deposit repayable in 2015 at current value	**223**	135	**–**	–
Other receivables	**52**	–	**–**	–
	275	135	**–**	–
Total trade and other receivables	**951**	476	**3**	1

17. Current asset investments

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Bank deposit maturing February 2015	**6,000**	–	**–**	–

18. Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**14,917**	3,547	**9,425**	2,877

19. Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Trade payables	**1,159**	487	**3**	3
Taxation and social security	**75**	52	**–**	–
Accruals	**801**	624	**–**	–
Amounts owed to Group undertakings	**–**	–	**5,484**	5,486
Total payables falling due within one year	**2,035**	1,163	**5,487**	5,489

Amounts owed by the Company to Group undertakings are not interest bearing and have no fixed repayment date.

20. Provisions

	Group	
	2014	2013
	£'000	£'000
Balance as at 1 April	**150**	125
Charged to the Statement of Comprehensive Income	**214**	25
Balance as at 31 March	**364**	150
Building dilapidations	**250**	150
Redundancy	**114**	–
	364	150
Due within one year	**–**	–
Due after more than one year	**364**	150
	364	150

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

The Group intends to relocate its business from Guildford to Pencoed, South Wales in the first half of 2015. Existing employees of the business have been offered terms to incentivise their relocation with the business. However, it is expected that some employees will leave when the Guildford office closes. The financial statements include a provision of £114,000 being the estimated cost of redundancy payments to be made on closure to those staff employed by the Company at 31 March 2014.

The Company had no provisions at 31 March 2014 (2013: nil).

21. Finance leases

Future minimum payments under finance leases:

	Group	
	2014	2013
	£'000	£'000
Within one year	**1**	1
In more than one year but not more than five years	**2**	–
Total gross payments	**3**	1
Less finance charges included above	**–**	–
Present value of payments	**3**	1

22. Financial instruments

Capital management

The Group's key objective in managing its capital is to safeguard its ability to continue as a going concern. In particular it has sought and obtained equity funding alongside non-dilutive grant support and collaborations to pursue its programmes. 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 for all pipeline products.

Risk

The financial risks faced by the Group include liquidity and credit risk, interest rate risk and foreign currency risk.

Liquidity and credit risk

The Group seeks to maximise the returns from funds held on deposit balanced with the need to safeguard the assets of the business. All cash balances and short-term investments are held at leading banking institutions. Barclays Bank plc in the UK is rated A-1 for short-term deposits by S&P and BlackRock Institutional Cash Series plc in Ireland is rated AAAm by S&P.

At 31 March 2014 and 31 March 2013 no current asset receivables were aged over three months. No receivables were impaired. The lease deposit is discounted; other receivables are not discounted.

Interest rate risk

A portion of the company's cash resources has been placed on fixed deposit, originally for a period of one year, to secure a fixed and immediately higher interest rate. The directors do not currently consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates.

Foreign currency risk

The Group holds part of its cash resources in US dollars and Euros to cover payments committed in the immediate future. At 31 March 2014 cash of £286,000 (2013: £87,000) was held in these currencies. Creditors of the group include £86,000 denominated in US dollars and £65,000 denominated in Euro. All of the Group's receivables are denominated in Pounds Sterling.

The Group has not entered into forward currency contracts.

Ageing profile of the Group's financial liabilities

The Group's financial liabilities consist of:

	Group	
	2014	2013
	£'000	£'000
Finance leases – due in more than one year	**2**	–
Finance leases – due in one year or less	**1**	1
Trade and other payables	**1,960**	1,111
	1,963	1,112

Currency profile of the Group's cash and cash equivalents

	Group	
	2014	2013
Currency	**£'000**	£'000
Sterling	**14,631**	3,460
United States Dollar	**158**	84
Euro	**128**	3
	14,917	3,547

22. Financial instruments continued

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 2014. 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.

	2014		2013	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Investments – bank deposit	**6,000**	**6,000**	–	–
Cash at bank and in hand	**14,917**	**14,917**	3,547	3,547
Receivables: non-current	**275**	**275**	135	135
Receivables: current	**386**	**386**	112	112
(Trade and other payables)	**(1,960)**	**(1,960)**	(1,111)	(1,111)

23. Share capital

	2014 £'000	2013 £'000
Authorised	**Unlimited**	Unlimited
Issued and fully paid		
1,788,827,700 Ordinary shares of 1p each (2013: 774,827,700 of 1p each)	**17,888**	7,748

On 27 April 2012 the Company issued 151,424,616 Ordinary shares at 4p per share, raising £6,057,000.

On 8 August 2013 the Company issued 29,033,000 Ordinary shares at 2.5p per share and on 9 August 2013 the Company issued 984,967,000 Ordinary shares at 2.5p per share. In total the company raised £25,350,000.

24. Warrants

In April 2012 investors subscribing for Ordinary shares were issued with 134,037,500 Warrants to subscribe for further Ordinary shares at a price of 6 pence per share. Warrants were exercisable up to 20 April 2014. All of these warrants were outstanding at 31 March 2014 and have since lapsed with no new shares having been issued.

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.

25. 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 Enterprise Management Incentives (EMI) scheme and unapproved schemes.

The award of share options to executive directors and employees of the Group are made in accordance with the Group's Deferred Share-based Bonus Plan and Long Term Incentive Plan.

Total options existing over 1p Ordinary shares in companies in the Group as at 31 March 2014 are summarised below:

Date of Grant	Number of shares at 1 April 2013	Adjusted during the year*	Granted during the year	Lapsed during the year	**As at 31 March 2014**	Note	Exercise price	Date from which exercisable**	Date of expiry***
August 2005	4,537,370	682,868	–	–	**5,220,238**	1	4.4p	August 2005	July 2014
August 2005	5,334,176	802,790	–	–	**6,136,966**	2	11.0p	August 2008	August 2015
August 2006	2,042,422	307,385	–	–	**2,349,807**	2	4.41p	August 2009	August 2016
August 2006	986,677	148,495	–	–	**1,135,172**	2	6.61p	August 2009	August 2016
August 2007	3,733,823	561,933	–	–	**4,295,756**	3	10.6p	August 2010	August 2017
August 2007	1,720,656	258,956	–	–	**1,979,612**	3	18.94p	August 2010	August 2017
August 2009	2,516,165	378,680	–	–	**2,894,845**	4	4.22p	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	2,689,070	404,702	–	–	**3,093,772**	3	3.85p	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	4,485,692	675,092	–	–	**5,160,784**	8	3.75p	August 2014†	August 2021
August 2011	8,001,944	–	–	–	**8,001,944**	9	1.0p	August 2014†	August 2021
September 2012	7,005,000	1,054,242	–	(287,624)	**7,771,618**	10	2.87p	September 2015†	September 2022
September 2012	7,708,030	–	–	–	**7,708,030**	11	1.0p	September 2015†	September 2022
September 2013	–	–	8,745,000	(150,000)	**8,595,000**	12	3.6p	September 2016†	September 2023
September 2013	–	–	8,670,139	–	**8,670,139**	13	1.0p	September 2016†	September 2023
Total	**63,985,173**	**5,275,143**	**17,415,139**	**(437,624)**	**86,237,831**				

* The numbers of share options and exercise price for awards other than the Group's Deferred Share-based Bonus Plan and Long Term Incentive Plan have been adjusted during the year to reflect the dilution of option values as a result of the variation in share capital.

** 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 2014 the performance conditions marked † had not been met.

*** All options lapse in full if they are not exercised by the date of expiry.

25. Share options continued

Note 1:
These options were issued following the Group's Admission to the AIM market. They replaced an earlier award which had been conditional on the successful Admission; this condition has been met.

Note 2:
These options were issued subject to a performance condition which has been met, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials.

Note 3:
These options were issued subject to a performance condition which has been met, being the successful completion of an initial clinical trial of a ReNeuron cell therapy.

Note 4:
These options were issued subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a second clinical trial.

Note 5:
These options have been issued 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 carry no further performance conditions.

Note 6:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions below, which have not yet been met:

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 were issued subject to the performance conditions below, which have not yet been met:

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 subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a third clinical trial.

Note 9:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below, which have not yet been met:

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.

25. Share options continued

Note 10:
These options were issued subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a fourth clinical trial.

Note 11:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below, which have not yet been met:

i) The first patient is administered with a ReNeuron cell therapy in a fourth 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 12:
These options were issued subject to a performance condition which has not yet been met, being the first patient administered with a ReNeuron cell therapy in a fifth clinical trial.

Note 13:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below, which have not yet been met:

i) The first patient is administered with a ReNeuron cell therapy in a fifth 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

Fair value charges for share options have been prepared based on a Black-Scholes model with the following key assumptions:

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 2010	4.430	4.925	3.08	5	112.9	3.980
August 2010	1.000	4.925	3.08	5	112.9	4.560
August 2011	4.310	4.500	2.41	5	104.6	3.470
August 2011	1.000	4.500	2.41	5	104.6	4.080
September 2012	3.300	3.300	1.65	5	98.7	3.510
September 2012	1.000	3.300	1.65	5	98.7	4.020
September 2013	3.600	3.600	2.94	5	83.8	2.420
September 2013	1.000	3.600	2.94	5	83.8	3.050

The risk free rate is taken from the average yields on government gilt edged stock. No dividends are assumed. The assumed vesting period is 4 years. An attrition rate of 10% per annum was used for options issued to employees until 2010. Later grants are reported assuming no lapses until they take place. Assumed volatility is based on historical experience up to the date of the grant.

25. Share options continued

The weighted average exercise prices for options were as follows:

	2014		2013	
	Number of options '000	**Weighted average exercise price Pence**	Number of options '000	Weighted average exercise price Pence
Outstanding at 1 April	**63,985**	**4.46**	48,578	5.30
Adjusted	**5,275**	**–**	1,161	–
Granted	**17,415**	**2.31**	14,713	2.10
Lapsed	**(437)**	**3.12**	(467)	1.00
Outstanding at 31 March	**86,238**	**3.78**	63,985	4.46
Exercisable at 31 March	**28,171**	**7.36**	20,592	9.30

The share price on 31 March 2014 was 3.1 pence (2013: 3.0p).

The pattern of exercise price and life is shown below:

	2014				2013			
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**	**37,604,261**	**2.56**	**7.62**	1p	28,934,122	3.42	8.05
Up to 10p	**3.8p**	**36,221,236**	**2.42**	**6.40**	4.4p	24,459,958	2.89	6.63
10p to 20p	**12.1p**	**12,412,334**	**2.43**	**2.43**	12.5p	8,870,437	3.26	3.26
20p to 30p	**–**	**–**	**–**	**–**	21.8p	1,720,656	4.42	4.42
Total		**86,237,831**				63,985,173		

26. Cash used in operations

	Group		Company	
	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000	**Year ended 31 March 2014 £'000**	Year ended 31 March 2013 £'000
Loss before income tax	**(7,820)**	(7,059)	**(805)**	(723)
Adjustment for:				
Interest received	**(149)**	(30)	**(50)**	(28)
Interest payable	**–**	1	**–**	–
Depreciation of property, plant and equipment	**112**	122	**–**	–
Provisions movement	**214**	25	**–**	–
Share-based payment charges	**440**	418	**266**	281
Changes in working capital:				
Receivables	**(387)**	117	**(2)**	1
Payables	**872**	(231)	**(2)**	1
Cash used in operations	**(6,718)**	(6,637)	**(593)**	(468)

27. Financial commitments

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

	Group	
	2014 £'000	2013 £'000
Not later than one year	**241**	243
Later than one year and not later than five years	**–**	241
Total lease commitments	**241**	484

The operating lease commitment is in respect of the lease of offices and laboratories in Guildford.

On 31 March 2014 the company signed an Agreement for Lease with the Welsh Ministers. Pursuant to this agreement the Company has committed to enter into a 10 year lease over circa 25,7000 square foot for premises in South Wales for a rent of £12.50 per square foot subject to a rent free period of 15 months. The lease will take effect when the Welsh Ministers have completed the construction and fit out of offices, laboratories and a GMP production facility at the premises.

The Company had no financial commitments at 31 March 2014 (2013: £nil).

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

28. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2014 (2013: £nil).

29. Related party disclosures

Aesclepius Consulting Limited charged fees of £19,000 (2013: £17,474) in respect of services provided by Dr Tim Corn.

Arthurian Life Sciences Limited charged fees of £500,000 for strategic assistance and £16,667 (2013 : nil) in respect of services provided by Professor Sir Chris Evans.

Biomedicon Limited charged fees of £17,000 (2013: £22,500) in respect of services provided by Dr Paul Harper.

Bryan Morton Limited charged fees of £26,500 (2013: £nil) in respect of services provided by Bryan Morton.

XKE Capital Llp charged fees of £18,083 (2013: £17,496) in respect of services provided by Mark Docherty.

During the year the Company contracted cell manufacturing services of £nil (2013: £427,000) from Angel Biotechnology plc of which Dr Paul Harper was a director.

Parent Company and subsidiaries

The Parent Company is responsible for financing and setting Group strategy. ReNeuron Limited carries out the Group strategy, employs all 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. ReNeuron Limited makes payments including the expenses of the Parent Company.

Company: transactions with subsidiaries	**2014 £'000**	2013 £'000
Purchases and staff:		
Parent company expenses paid by subsidiary	**591**	468
Transactions involving Parent Company shares:		
Share options	**174**	137
Cash management:		
Loans to subsidiary	**16,344**	6,032

Company	**2014 £'000**	2013 £'000
Year-end balance of loan to subsidiary	**56,380**	40,036

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.

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 an 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.

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

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, oligodendrocytes 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 has been shown to be both efficacious and safe.

Quality Adjusted Life Year
A standard method of comparing different therapeutic agents and measuring their clinical effectiveness.

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 damage 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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that, the Annual General Meeting of ReNeuron Group plc (incorporated and registered in England and Wales with registered no. 5474163) (the "Company") will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH on 2 September 2014 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 2014 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. To reappoint as a Director, Bryan Morton, 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, John Berriman, 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 Paul Harper, 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.
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 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 £5,962,759 in nominal value in aggregate of shares; and

   (b) allot Relevant Securities (other than pursuant to paragraph (a) above) representing up to £5,962,759 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 £5,962,759 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 £1,788,827.70 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 £1,788,827.70 in nominal value in aggregate of shares; and

(2) shall 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.

17 June 2014
By Order of the Board

Richard Moulson
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 29 August 2014 except that should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting, provided that the Directors may in their discretion determine that in calculating any such period no account shall be taken at any day that is not a working day. 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. Alternatively, additional Forms of Proxy may be obtained by contacting Computershare Investor Services PLC on 0870 707 1272. 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) A "Vote Withheld" option has been included on the Form of Proxy. The legal effect of choosing the "Vote Withheld" 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, the Company specifies that only those shareholders registered in the register of members of the Company as at the close of business on the day which is two working days before the day of the 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.

Explanatory Notes to the Business of the Annual General Meeting

Resolution 1
The Company's Annual Report and Accounts for the financial year ended on 31 March 2014 and the Directors' Report and the Independent Auditors' Report on those accounts will be presented to shareholders for approval.

Resolutions 2, 3 and 4
In accordance with Article 122 of the Company's Articles of Association, which requires that at every annual general meeting of the Company at least one third of the Directors for the time being retire from office by rotation, having so retired by rotation in accordance with Article 122, each of the following Directors is standing for reappointment by the shareholders at the Annual General Meeting:

- Bryan Morton, who is a non-executive Director and Chairman of the Company;
- John Berriman, who is a non-executive Director of the Company; and
- Dr Paul Harper, who is a non-executive Director of the Company.

Resolution 5
At every annual general meeting at which accounts are presented to shareholders, the Company is required to appoint an auditor to serve until the next such annual general meeting. PricewaterhouseCoopers LLP have confirmed that they are willing to continue as the Company's auditors for the next financial year. The Company's shareholders are asked to reappoint them and to authorise the Directors to determine their remuneration, which will, in accordance with the Company's practice concerning good corporate governance, be subject to the recommendation of the Audit Committee.

Resolution 6
This resolution seeks to authorise the Directors to allot shares, subject to the normal pre-emption rights reserved to shareholders contained in the 2006 Act. The Association of British Insurers ("ABI") regards as routine a request by a company seeking an annual authority to allot new shares in an amount of up to a third of the existing issued share capital. In addition, the ABI will also regard as routine a request for authority to allot up to a further third of the existing issued share capital provided such additional third is reserved for fully pre-emptive rights issues. Resolution 6 seeks to reflect the spirit of the ABI's recommendations, though sub-paragraph (b) of Resolution 6 covers a broader range of offers, issues and allotments. The limits imposed under sub-paragraphs (a) and (b) of Resolution 6 each represent one third of the existing issued share capital of the Company.

Resolution 7
Pursuant to section 561 of the 2006 Act existing shareholders of the Company have a right of pre-emption in relation to future issues of shares. Sub-paragraph (1)(i) of Resolution 7 allows the disapplication of pre-emption rights to allow the issue of shares to existing shareholders, for example, by way of a rights issue or open offer. The limit imposed in respect of the grant of options pursuant to sub-paragraph 1(ii) of Resolution 7 represents 10 per cent. of the issued share capital of the Company. The limit imposed in respect of the general disapplication pursuant to sub-paragraph 1(iii) of Resolution 7 represents 10 per cent. of the issued share capital of the Company. The Directors consider it important that they have the authorities set out in sub-paragraphs (1)(ii) and (1)(iii), which would allow them to grant options and issue shares to incentivise employees, directors and consultants and to issue shares generally for other purposes.

ckd

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