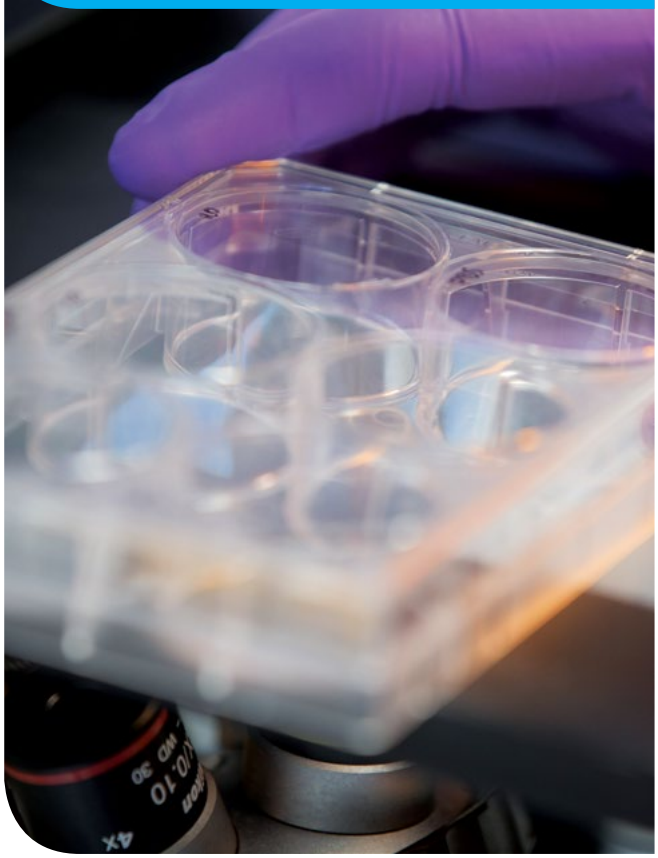
ReNeuron



Annual Report & Accounts 2016

ReNeuron Group plc

Who We Are

We are a global leader in cell-based therapeutics. Our primary objective is the development of novel cell-based therapies targeting areas of significant unmet or poorly met medical need.

In this Report

Head to **reneuron.com** to find out more about us >

Highlights

CTX cell therapy candidate for motor disability as a result of stroke:

- Phase II clinical trial – recruitment completed, data expected in Q4 2016
- Pivotal Phase II/III clinical trial planned to commence in H1 2017

hRPC cell therapy candidate for retinitis pigmentosa:

- Phase I/II clinical trial underway – ReNeuron's first US clinical study
- Pivotal Phase II/III clinical trial planned to commence in 2018

CTX stem therapy candidate for critical limb ischaemia:

- Phase I clinical trial ongoing – data expected in H2 2016
- Phase II clinical trial planned to commence in H1 2017

Exosome nanomedicine platform:

- Promising early pre-clinical data in cancer
- Glioblastoma multiforme selected as first clinical target

Relocation of the Company's operations to a new purpose built facility in Pencoed, South Wales

Continued strengthening of the senior management team of the business, at both executive and non-executive levels including the appointment of Dr Michael Owen as a Non-executive Director in December 2015

Placing completed in August 2015 to raise £68.4 million, before expenses, funding all therapeutic programmes into mid or late-stage clinical development

Loss for the year of £11.35 million (2015: loss of £8.91 million); cash outflow from operating activities of £11.92 million (2015: outflow of £8.25 million); cash, cash equivalents and bank deposits at 31 March 2016 of £65.71 million (2015: £12.38 million)

At a Glance

Our Strategy

Gain early clinical validation for our therapeutic programmes, via well-designed clinical trials in well-regulated territories.

Develop best-in-class cell-based therapies in our areas of therapeutic focus.

Realise value for our technologies and therapeutic programmes, based on compelling clinical data.

We have therapeutic candidates in clinical development for motor disability as a result of stroke, for critical limb ischaemia and for the blindness-causing disease retinitis pigmentosa.

Our Products

CTX cells for Stroke Disability

Our lead therapeutic candidate is our CTX 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.

Read more on **page 12**

hRPCs for Retinitis Pigmentosa

Our hRPC stem cell candidate is for the treatment of retinitis pigmentosa (RP), a blindness-causing disease of the retina. This treatment is in early-stage clinical development.

Read more on **page 13**

CTX cells for Critical Limb Ischaemia

Our second CTX 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.

Read more on **page 14**

CTX-derived Exosomes

Exosomes are nanoparticles released by cells containing a number of active proteins and microRNAs. Our exosomes nanomedicine platform is generating promising early pre-clinical data in cancer and we have selected glioblastoma multiforme (GBM) as our first clinical target for our ExoPr0 exosome nanomedicine candidate.

Read more on **page 15**

Head to **reneuron.com/products/products-technologies** to read more on our products and technologies

Our Progress

£68.4m fundraising

The fundraising completed in the period has provided us with a very robust balance sheet with which to pursue these programmes through to key clinical milestones over the next two to three years.

First clinical trial commenced in the US

The Phase I/II clinical trial in RP patients marks the initiation of ReNeuron's clinical trial activity in the US. The first patients have been treated and initial short-term safety data from the Phase I part of the study are expected in early 2017.

Relocation to South Wales

ReNeuron's existing business operations moved to our new facility in Pencoed, South Wales in February 2016, with cell production suites planned to come on-stream at a later date, once qualified for use and licensed for clinical and commercial manufacture.

Scientific Advisory Board established

The inaugural meeting of the newly-established Scientific Advisory Board took place in December 2015, comprising nine leading academics and industry executives with a world-class breadth of expertise across ReNeuron's areas of operation.

Notice of grant of key US patent

We have received a Notice of Allowance from the US Patent and Trademark Office for a key patent application covering our cell cryopreservation technology.

Brain cancer selected as first clinical target for exosome nanomedicine platform

During the period, we were awarded a £2.1 million grant from Innovate UK for our exosome nanomedicine programme. In collaboration with the Cell and Gene Therapy Catapult and the Department of Biochemical Engineering at University College London, this grant will fund the development of robust manufacturing systems to enable the production of ExoPr0, our selected exosome nanomedicine candidate, at a commercial scale, as well as product characterisation work and pre-clinical efficacy and toxicity testing of the ExoPr0 candidate.

Read more news at **www.reneuron.com/news**

Chairman and Chief Executive Officer's Joint Statement

Olav Hellebø
Chief Executive Officer

John Berriman
Non-executive Chairman

Our last financial year was one of significant progress. During the period, we commenced our first clinical trial in the US and have also made progress with our ongoing clinical trials in stroke disability and critical limb ischaemia.

Overview

Our last financial year was one of significant progress. During the period, we commenced our first clinical trial in the US, a Phase I/II clinical trial of our hRPC cell therapy candidate for retinitis pigmentosa. We have also made progress with our ongoing clinical trials in stroke disability and critical limb ischaemia and we look forward to reporting data from these studies later this year. We have recently selected brain cancer as the first clinical target for our exosome nanomedicine platform, based on exciting pre-clinical data published during the period. The substantial £68.4 million fundraising completed in the period has provided us with a very robust balance sheet with which to pursue the above programmes through to key clinical milestones over the next two to three years.

Review of programmes

We have made considerable progress during the period across our therapeutic programmes and it underlines the increasing breadth of the Company's pipeline that we now have two clinical trials in progress in the UK, a further clinical trial underway in the US and an exciting early-stage exosome nanomedicine programme targeting cancer.

CTX for stroke disability

During the period, the clinical team from Glasgow's Southern General Hospital presented long-term follow-up data from the PISCES Phase I clinical trial with our CTX stem cell therapy candidate for motor disability as a result of stroke. There continued to be no cell-related or immunological adverse events reported in any of the eleven patients treated in the study out to at least 24 months post-treatment, with improvements in neurological status and limb function maintained throughout long-term follow-up compared with pre-treatment baseline performance.

A UK, multi-site Phase II clinical trial (PISCES II) is ongoing to examine the efficacy of CTX in patients with motor disability as a result of ischaemic stroke. Subsequent to the period-end, we announced that patient recruitment had completed in the PISCES II study, with three-month follow-up data expected to be available in the fourth quarter of 2016. We also announced that we had commenced formal interactions with regulatory authorities in Europe and the US regarding plans for a randomised, controlled, pivotal Phase II/III clinical trial with CTX in stroke disability. Subject to the results of the Phase II study, we expect to file an application in the first quarter of 2017 to commence a Phase II/III clinical trial.

Further, we have appointed local representatives to assist ReNeuron in taking advantage of the recently enacted and favourable regulatory regime for cell therapy candidates in Japan. These new Japanese regulations offer the potential for conditional marketing approval for cell therapies at an earlier stage of clinical development than in the West. We intend to pursue discussions with the Japanese regulatory authorities over the coming months, in order to advance our CTX cell therapy candidate for stroke disability in Japan under the new regulations.

hRPC for retinitis pigmentosa

During the period under review, we commenced a Phase I/II clinical trial in the US with our human retinal progenitor cell (hRPC) therapy candidate for retinitis pigmentosa (RP). RP is a group of hereditary diseases of the eye that lead to progressive loss of sight due to cells in the retina becoming damaged and eventually dying. The FDA has also granted Fast Track designation to our hRPC programme targeting RP. This designation provides eligibility for an accelerated approval and priority review process by the FDA and the Orphan Drug Designation already granted for our RP programme in both the US and Europe provides the potential for a significant period of market exclusivity once approved in these major territories.

The Phase I/II clinical trial in RP patients marks the initiation of clinical trial activity in the US with our therapeutic programmes. The study is being conducted at Massachusetts Eye and Ear Infirmary in Boston, a world-renowned clinical centre for the treatment of retinal diseases. The trial design is an open-label, dose escalation study to evaluate the safety, tolerability and preliminary efficacy of our hRPC stem cell therapy candidate in 15 patients with advanced RP.

Initial short-term safety and tolerability data from the Phase I part of the study in the first nine patients are expected in early 2017. Longer term safety data, as well as efficacy read-outs from the Phase II part of the study in a further six patients, are expected in the second half of 2017. Subject to the outcome of the Phase I/II study, we expect to be able to file an application in late 2017 or early 2018 to commence a pivotal Phase II/III clinical trial of hRPC in RP. A positive outcome from this study is expected to form the basis for subsequent marketing authorisation filings in both the US and Europe.

CTX for critical limb ischaemia

Our CTX cell therapy candidate for critical limb ischaemia (CLI) is currently in a Phase I clinical trial in the UK. CLI is a condition that results in loss of blood flow to the lower limb. The condition is common in diabetics and can ultimately lead to amputation. During the past few months, we have prioritised CTX cell batches towards the PISCES II stroke study in preference to the CLI safety study. Notwithstanding this prioritisation, we expect to have safety data from the CLI study by the end of this calendar year, sufficient to enable this programme to move into Phase II clinical development.

ReNeuron researchers have identified a unique mechanism by which exosomes inhibit the growth and migration of glioblastoma cells in pre-clinical models of the disease.

Exosome nanomedicine platform

During the period, we continued to advance our exosome nanomedicine programme. Exosomes are lipid-based nanoparticles secreted from all cells, which are believed to play a key role in the transfer of beneficial proteins and particularly non-coding RNAs from one cell to another. We aim to exploit the therapeutic potential of exosomes derived from our own proprietary stem cell lines and we have filed multiple patent applications covering the composition, manufacture and therapeutic use of our exosome nanomedicine platform.

ReNeuron researchers have identified a unique mechanism by which exosomes expressed from CTX cells inhibit the growth and migration of glioblastoma cells in pre-clinical models of the disease. During the period, a paper was published in the scientific journal PLOS ONE describing work undertaken by ReNeuron researchers to identify a unique set of highly enriched miRNAs contained within CTX-derived exosomes. The research demonstrated that these miRNAs may have significant impact in regulating cell growth and apoptosis in cancer.

Chairman and Chief Executive Officer's Joint Statement continued

In August 2015, the Company completed a placing to raise £68.4 million, before expenses.

Based on these findings, we recently announced that we had selected glioblastoma multiforme (GBM) as the first clinical target for our selected exosome nanomedicine candidate, designated ExoPr0. GBM accounts for 16% of all diagnosed brain cancers. Overall median survival for newly diagnosed disease is 12 to 15 months with five year survival rates of 4% to 6%. The incidence rate in the US and Europe combined is around 25,000 patients per annum.

During the period, we were awarded a £2.1 million grant from Innovate UK for our exosome nanomedicine programme. In collaboration with the Cell and Gene Therapy Catapult and the Department of Biochemical Engineering at University College London, this grant will fund the development of robust manufacturing systems to enable the production of ExoPr0 at a commercial scale, as well as product characterisation work and pre-clinical efficacy and toxicity testing of the ExoPr0 candidate.

The Company is well placed to pursue its therapeutic programmes through to key clinical milestones over the next two to three years.

Assuming a successful outcome to the above pre-clinical development programme, we expect to be able to file an application to commence a first human clinical trial with ExoPr0 in the second half of 2017.

Other activities

In August 2015, we completed a placing to raise £68.4 million, before expenses. This financing has provided the business with an extremely robust balance sheet, enabling us to take all of our current programmes into mid or late-stage clinical development over the next two to three years.

In February 2016, we relocated our existing business operations to our new facility in South Wales, with cell production suites planned to come on-stream at a later date, once qualified for use and licensed for clinical and commercial manufacture.

Also in February this year, we announced that we had received a Notice of Allowance from the US Patent and Trademark Office for a key patent application covering our cell cryopreservation technology. We have deployed this patented technology to our lead CTX stem cell line to derive a cryopreserved, long shelf life cell therapy candidate, designated CTXcryo. We believe that CTXcryo will provide ReNeuron with significant commercial and competitive advantages in terms of the availability of a genuine off-the-shelf, low cost-of-goods cell therapy candidate with a shelf life enabling shipping to, and storage at, clinical sites on a global basis.

Equivalent patents to the allowed US cryopreservation patent have already issued in Europe, Japan and Australia. Overall, ReNeuron owns or has exclusively licensed more than 80 issued patents, providing protection for our technologies and therapeutic candidates in key potential markets across the globe.

During the period, we have continued to strengthen the senior management of the business, at both executive and non-executive levels. In December 2015, we announced the appointment of Dr Michael Owen as a Non-executive Director of the Company. Mike brings a wealth of scientific and commercial biotech and pharmaceutical experience to the Board and also chairs the Company's newly established Scientific Advisory Board (SAB). The inaugural meeting of the SAB took place in December 2015, comprising nine leading academics and industry executives with a world-class breadth of expertise across ReNeuron's areas of operation.

Financial summary

Total costs increased to £14.3 million (2015: £10.9 million) primarily as a result of increased clinical trial activity.

As a result of the above and a £0.8 million increase in finance income, the total comprehensive loss for the year increased to £11.35 million (2015: £8.91 million) in line with both internal and consensus analyst forecasts.

Cash outflow from operating activities was £11.92 million (2015: £8.25 million), largely reflecting the operating costs incurred during the period. Capital expenditure was £0.29 million (2015: £0.38 million). As already mentioned, in August 2015, the Company raised £68.4 million, before expenses, by means of a placing with new and existing institutional investors. As a result, cash, cash equivalents and bank deposits totalled £65.71 million at the year-end (2015: £12.38 million).

Summary and outlook

Our last financial year was one of significant progress. During the period, we commenced our first clinical trial in the US, a Phase I/II clinical trial of our hRPC cell therapy candidate for retinitis pigmentosa. We have also made progress with our ongoing clinical trials in stroke disability and critical limb ischaemia and we look forward to reporting data from these studies later this year. We have recently selected brain cancer as the first clinical target for our exosome nanomedicine platform, based on exciting pre-clinical data published during the period.

On page 60 of this report is the Notice of the 2016 Annual General Meeting (the AGM) to be held at 10.00 a.m. on 6 September 2016. A short explanation of the resolutions to be proposed at the AGM is set out on page 62. The Directors recommend that you vote in favour of the resolutions to be proposed at the AGM, as they intend to do in respect of their own beneficial holdings of Ordinary shares.

Finally, the substantial £68.4 million fundraising completed in the period has provided us with a very robust balance sheet with which to pursue the above programmes through to key clinical milestones over the next two to three years.

Olav Hellebø
Chief Executive Officer

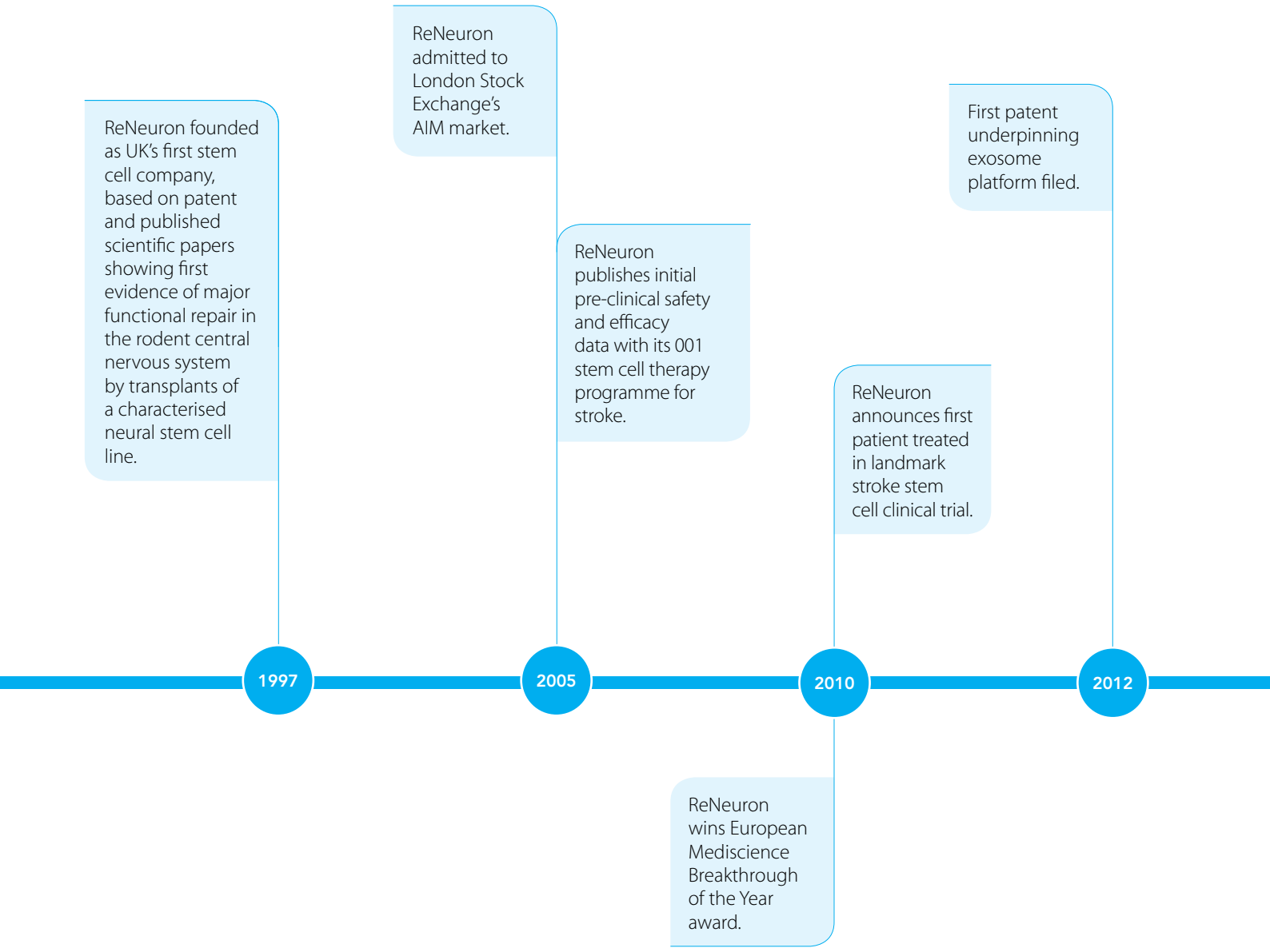
John Berriman
Non-executive Chairman

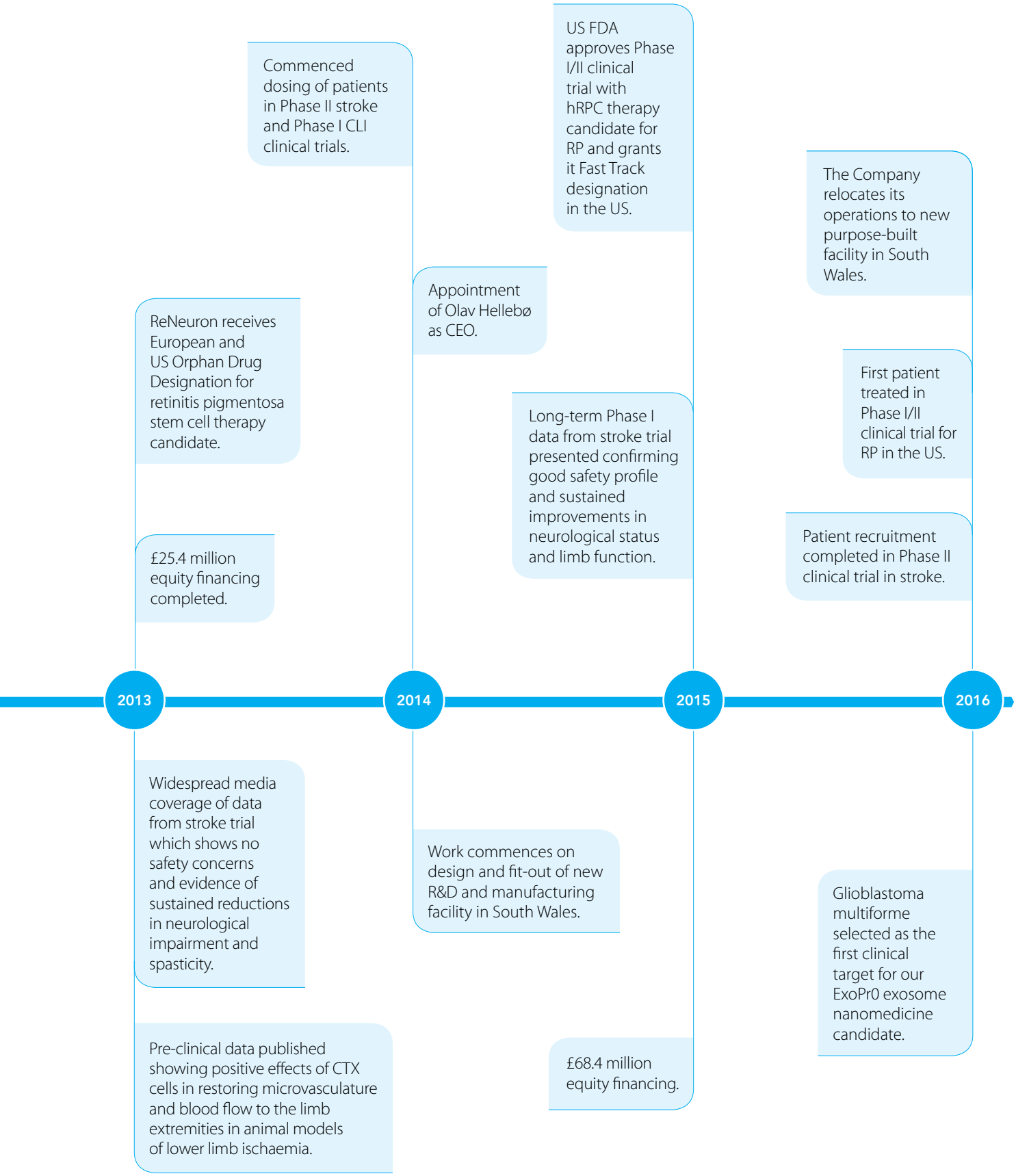
22 July 2016

£65.71m

Cash equivalents and bank deposits totalled £65.71 million at the year-end (2015: £12.38 million).

ReNeuron's Development





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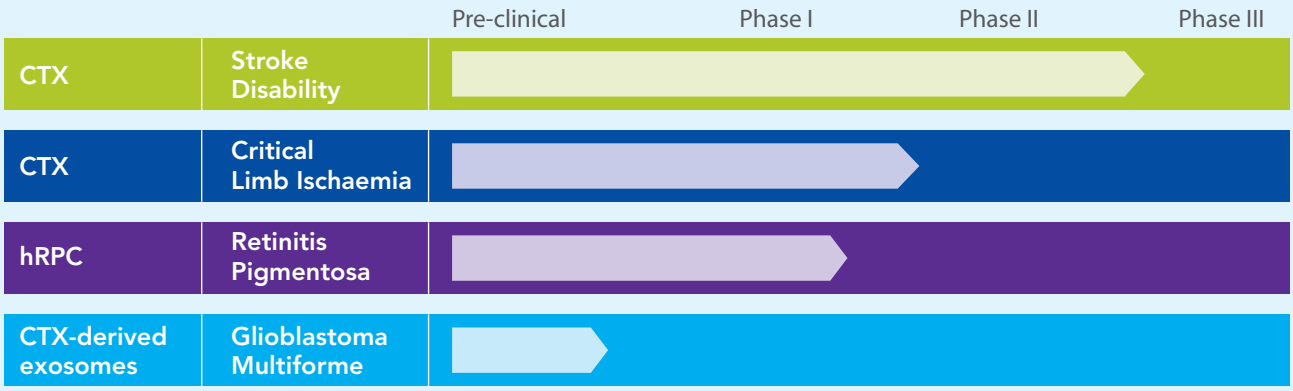
Business Review – Our Products and Technologies

We have used our unique stem cell technologies to develop cell-based therapies for significant disease conditions where the cells can be readily administered 'off-the-shelf' to any eligible patient without the need for additional drug treatments.

Our product pipeline

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



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.

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. As 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 product variant of the CTX stem cell line, designated CTXcryo, which can be shipped to clinical sites and stored there in a cryopreserved form. This provides 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.

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.

CTX-derived exosomes

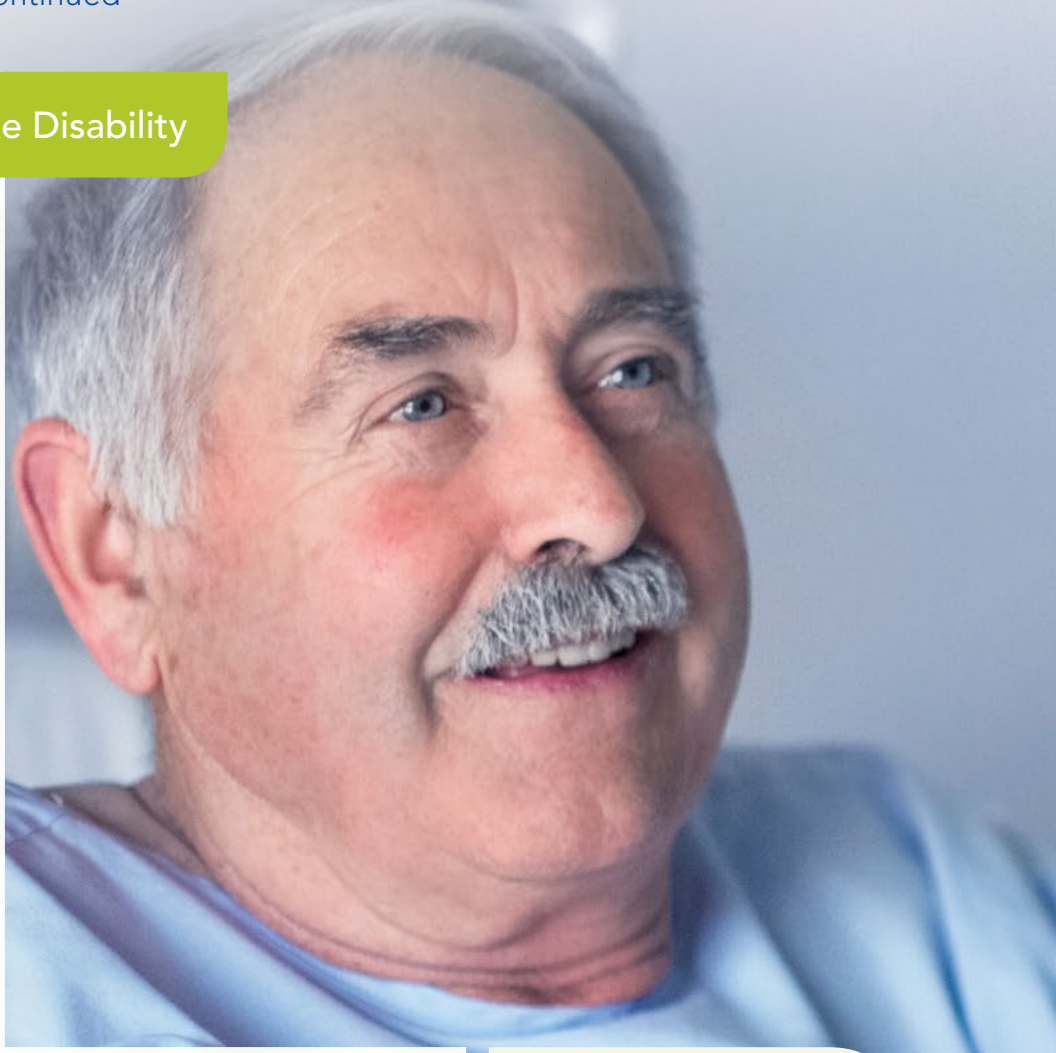
Cells often communicate via exosomes, nano-sized packages of information released by the cell for absorption by other cells in close proximity. These packages of information contain a variety of proteins, genetic material and other cargo which have the ability to induce functional changes in recipient cells. Under certain conditions, exosomes produced by stem cells initiate repair and regeneration.

However, depending on the state of the cell and its environmental stimuli, stem cells have the ability to communicate different information and induce different functional changes. We have therefore developed a technology by which our CTX stem cell line, already in clinical trials as a cell therapy candidate, can be cultured under different environments to produce therapy specific agents and can be harvested at a commercially relevant scale. The ability to produce a commercially valuable therapeutic product from stem cell derived exosomes demands a standardised stem cell producer line appropriately sourced and isolated, manufactured to GMP, grown in serum-free conditions and (ideally) already having demonstrated patient safety. In the stem cell field, our CTX cell line uniquely meets all these conditions.

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

Business Review – Our Products and Technologies continued

CTX cells for Stroke Disability



Indication: Stroke disability

A stroke occurs when blood flow leading to, or in, the brain is blocked (ischaemic stroke) or a blood vessel in the brain ruptures (haemorrhagic stroke), which can result in damage to the nerve cells in the brain and a loss of bodily functions. 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. According to the World Health Organisation, each year, approximately 15 million people suffer their first ischaemic 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. Our CTX stem cell therapy candidate for stroke (CTX) 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.

Our product

Our CTX stem cell therapy candidate for stroke disability 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.

Our CTX stem cell therapy candidate 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.

The ongoing phase II clinical trial involves a single injection of CTX cells into the brain, adjacent to the area damaged by the stroke.

Progress to date

Long term data from the PISCES Phase I trial in stroke patients were reported at the European Stroke Association in Glasgow in April 2015. The treatment continued to show a good safety profile and sustained reductions in neurological impairment and spasticity lasting out to two years post treatment. In August 2014 we commenced a Phase II clinical trial in sites across the UK with patient recruitment completed in June 2016. The trial has recruited disabled patients between two and twelve months after their stroke. Patients are monitored on a number of validated stroke efficacy measures up to six months post-treatment. Three-month follow up data from this study are expected in the fourth quarter of 2016. Subject to these data, we expect to file an application in the first quarter of 2017 to commence a Phase II/III clinical trial in the US and EU.

15m

Each year approximately 15 million people suffer their first ischaemic stroke.

>$70bn

The annual health/social costs in the US are >$70 billion.

hRPCs for Retinitis Pigmentosa

Indication: Retinitis pigmentosa (RP)
Retinitis pigmentosa is an inherited, degenerative eye disease which causes severe vision impairment and often blindness due to loss of the photoreceptor cells found in the retina. 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. The incidence of RP is 1:4,000 in the US with an estimated treatment population of 275,000 in the US and EU.

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 human retinal progenitor cell (hRPC) programme is expected to be applicable to the broad, heterogeneous RP patient population.

Our hRPC based therapy for RP has been granted Orphan Drug Designation in both Europe and the US, providing the potential for ten and seven year market exclusivity post-approval of the therapy in these territories, respectively.

The FDA has also awarded Fast Track designation to the programme. This designation is intended to expedite the development and review of new drugs or biological products targeting unmet medical need where the diseases concerned are serious or life threatening.

Our product

Our hRPC stem cell therapy candidate for RP has been developed in collaboration with the Schepens Eye Research Institute (an affiliate of Harvard Medical School in Boston, USA), the Institute for Ophthalmology, University College London and the Foundation Fighting Blindness (USA). Pre-clinical studies have demonstrated that, when transplanted into the retina, our hRPCs have the potential to preserve pre-existing photoreceptors, potentially reducing or halting further deterioration of vision. In addition, some of the hRPCs had both matured into apparently functional photoreceptors and engrafted into the photoreceptor layer, raising the possibility of a degree of reversal of the decline in vision associated with RP.

Progress to date

In April 2015 the Company filed an Investigational New Drug (IND) application with the US FDA to commence a Phase I/II clinical trial with hRPCs in patients with RP. The IND was approved in May 2015 and the first patient was treated in the clinical trial in March 2016. The trial is being conducted at Massachusetts Eye and Ear in Boston. Massachusetts Eye and Ear is a world-renowned clinical centre for the treatment of retinal diseases and the Phase I/II clinical study will be conducted with leading retinal clinicians Dr Eric Pierce, PI and Dr Dean Elliot, surgeon.

The Phase I/II clinical trial is evaluating the safety, tolerability and preliminary efficacy of our hRPC cell therapy candidate. Initial short-term data from the Phase I part of the study in the first nine patients are expected in early 2017. Longer-term safety data, as well as efficacy read-outs from the Phase II part of the study in a further six patients, are expected in the second half of 2017. Subject to the outcome of the Phase I/II study, we expect to be able to file an application in late 2017 or early 2018 to commence a pivotal Phase II/III clinical trial.

1:4,000

It is estimated that retinitis pigmentosa affects roughly 1 in 4,000 people.

1.5m

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

Business Review – Our Products and Technologies continued

CTX cells for Critical Limb Ischaemia

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

There are estimated to be over one million people in the US with CLI. It is a common side-effect of diabetes, as well as strokes and obesity. The condition is characterised by pain at rest and lesions of the leg. There are no effective therapies and for approximately 25% of CLI patients the primary treatment is amputation, with an estimated 160,000 legs amputated per annum due to CLI in the US alone.

The market

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

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

Our product

The CTX stem cell therapy candidate for CLI also comprises cells derived from our CTX neural stem cell line. Published pre-clinical studies have demonstrated 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. Our CTX stem cells are administered via straightforward intramuscular injection.

Progress to date

A Phase I dose escalation clinical trial is ongoing in Scotland in which CTX cells are administered via straightforward intramuscular injection into the affected lower limb of patients with PAD. Progression into a larger placebo-controlled Phase II efficacy study is planned during 2017.

>1m

There are estimated to be over one million people in the US with critical limb ischaemia.

25%

For approximately 25% of critical limb ischaemia patients, the primary treatment is amputation.

CTX-derived Exosomes

Indication: Glioblastoma multiforme Glioblastoma multiforme (GBM) has been selected as the first clinical target for our exosome nanomedicine platform, based on evidence of tumour-inhibiting activity from early pre-clinical studies with the technology.

The market

GBM accounts for 16% of all diagnosed brain cancers. Overall median survival for newly diagnosed disease is 12 to 15 months with five year survival rates of 4% to 6%. The incidence rate in the US and Europe combined is around 25,000 patients per annum.

Our product

Exosomes are nanoparticles secreted from all cells including ReNeuron's proprietary CTX stem cell line. They play a key role in the transfer of beneficial proteins and particularly non-coding microRNAs (miRNAs) from one cell to another. ReNeuron researchers have identified a unique mechanism by which exosomes expressed from CTX cells inhibit the growth and migration of glioblastoma cells in pre-clinical models of the disease. Earlier this year, a paper was published in the scientific journal PLOS ONE describing work undertaken by ReNeuron researchers to identify a unique set of highly enriched miRNAs contained within CTX-derived exosomes. The research demonstrated that these miRNAs may have significant impact in regulating cell growth and apoptosis in cancer.

Our CTX stem cell line is a potent producer of exosomes and we have therefore generated a strong intellectual property portfolio relating to this process. Based upon these promising findings, ReNeuron is pursuing pre-clinical development of its selected exosome nanomedicine candidate, designated ExoPr0, targeting GBM.

Exosome-based therapies also 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 Company is collaborating with the Netherlands Cancer Institute (NKI) in order to further establish the efficacy of ExoPr0 in relevant pre-clinical models of the disease. NKI is one of Europe's most prestigious oncology research and clinical centres and has been at the forefront of some of the greatest recent breakthroughs in immuno-oncology. ReNeuron is also collaborating with the Cell and Gene Therapy Catapult and the Department of Biochemical Engineering at University College London under a recently awarded £2.1 million grant from Innovate UK. This grant will fund the development of robust manufacturing systems to enable the production of ExoPr0 at a commercial scale, as well as product characterisation work and pre-clinical efficacy and toxicity testing of the ExoPr0 candidate.

Assuming a successful outcome to the above pre-clinical development programme, the Company expects to be able to file an application to commence a first human clinical trial with ExoPr0 in the second half of 2017.

25,000

Patients diagnosed with glioblastoma in the US and Europe each year.

12 to 15

12 to 15 months overall median survival for diagnosed disease.

Our Manufacturing

ReNeuron has invested heavily in its cell manufacturing process and technologies, converting exciting stem cell science into cell-based therapy candidates with real commercial potential.

From manufacture to patient.

Our cell-based therapy candidates are manufactured in accordance with stringent quality standards. We work to good manufacturing practice (GMP) standards and strive for continuous improvement in order to maintain our quality standards at the highest level.

We have established world class CMC (chemistry, manufacturing and control) and Quality teams at our new facility in Pencoed. The team has industry-leading experience in the development of cell therapy products as well as decades of experience in the commercialisation of complex biologics.

CTX

Each patient treatment will require one vial of CTX drug product and each vial will contain many millions of identical living cells from our conditionally immortalised neural stem cell line. The process for production of these cells is well established and has already been successfully transferred to a number of contract manufacturers as part of the overall strategy to have security of future commercial supply.

CTX cells are cryopreserved as a parenteral presentation and are transported using state-of-the-art dry shippers and logistics networks which dovetail with the scale-up for future commercial supply.

CTX cells can be shipped to the patient sites ahead of the planned surgery dates to consistently ensure efficient and timely delivery to the patient. Once at site, the cell vials can simply be thawed and used without further dilution or manipulation.

CTX cells are administered using ReNeuron proprietary cell injection systems in conjunction with industry standard devices for stereotactic surgery.

hRPC

Each patient treatment of the hRPC drug product contains millions of living human retinal progenitor cells in a parenteral presentation. These cells are expanded in number during the production process using ReNeuron's technology for growth and expansion in a low oxygen environment, this being more typical of the conditions that these cells would experience in the retina. The cells are received at the clinical site and then implanted under the retina in a day case operation.

Exosomes

The CTX cell line is a constitutive producer of large numbers of extracellular micro vesicles called exosomes. These exosomes contain miRNA and proteins in a lipid membrane, and they have been well characterised by ReNeuron. The fact that ReNeuron has the ability to manufacture CTX cells at a commercial scale provides an excellent upstream platform for the manufacture of exosomes. The exosomes can be easily and consistently purified from the CTX supernatant using well established industry standard technologies such as tangential flow filtration and chromatography.

The exosomes drug product will be presented as a parenteral in an industry standard vial which is therefore simple and easy to use in a clinical setting.

Bringing together ReNeuron's world class R&D activities and GMP manufacturing capability.

GMP

Our products are manufactured in accordance with Good Manufacturing Practice (GMP).

25,000 sq ft

The ground floor of the new facility will provide the Company with more than 25,000 square feet of state-of-the-art research and development laboratories and manufacturing suites and hosts the potential for future expansion as required.

In February 2016, the Company relocated its existing operations to a new purpose-built, 25,000 square feet facility at Pencoed Business Park in Pencoed, South Wales. The fit-out of the office accommodation and laboratories at the site is complete. Work is continuing on the fit-out and eventual validation and licensing of the manufacturing areas of the facility.

When fully complete and licensed, we believe the building will house one of the world's most advanced commercial cell therapy manufacturing facilities providing ReNeuron with vertically integrated capability from research to commercial supply. We look forward to continuing to work with the Welsh Government to bring this important project to fruition.

ReNeuron will be able to manufacture all pipeline products at this site using state of the art technology including robotics capability. In addition, as part of our overall manufacturing strategy we have signed long term contracts with reputable contract manufacturers in the US and EU to cover our cell manufacturing needs. This dual sourcing approach will be further enhanced when the Pencoed manufacturing suites come on line.

Financial Review

Michael Hunt
Chief Financial Officer

The business benefits from a strong balance sheet and the backing of high calibre institutional investors.

Revenues

Revenues in the year amounted to £29,000 (2015: £30,000), being royalties from non-therapeutic licensing activities. Grant income of £0.53 million (2015: £0.52 million) was recognised in Other income.

Operating expenses

Research and development costs increased to £10.27 million (2015: £7.25 million) and accounted for 72% of net operating expenses (2015: 66%). The increase during the period was primarily due to increased clinical trial costs, manufacturing process development costs and cell manufacturing costs as a result of increasing clinical trial activity. Pre-clinical research costs reduced in the period, reflecting the further progression of the Company's therapeutic programmes into their clinical development phase.

General and administrative expenses increased to £4.02 million (2015: £3.69 million) primarily due to increased staff recruitment activity and costs associated with the relocation of the business to South Wales.

The Company continues to increase its permanent staff headcount to conduct the increasing scale of its research and clinical development activities and to provide managerial support to those activities. Non-cash charges arising from share-based payments under IFRS 2 were £0.68 million (2015: £0.47 million).

Finance income

Finance income, which represents income received from the Group's cash and investments and gains from foreign exchange, was £0.9 million (2015: £0.09 million). This income increased in line with the increase in average cash balances and as a result of a favourable movement in exchange rates on cash and investments held in foreign currency.

Taxation

The total tax credit for the period was £1.49 million, relating to an accrual for a research and development tax credit for the period (2015: £1.40 million).

Result for the year

As a result of the above, the total comprehensive loss for the year increased to £11.35 million (2015: £8.91 million), in line with both internal and consensus analyst forecasts.

Cashflow

Cash outflow from operating activities was £11.92 million (2015: £8.25 million), largely reflecting the operating costs incurred during the period. Capital expenditure was £0.29 million (2015: £0.38 million). In August 2015, the Company raised £68.4 million, before expenses, by means of a Placing with new and existing institutional investors. As a result, cash, cash equivalents and bank deposits totalled £65.71 million at the year-end (2015: £12.38 million).

Following completion of the Placing, the Directors expect that the Group's financial resources will be sufficient to support operations for at least the next two years. Consequently, the going concern basis has been adopted in the preparation of these financial statements.

Michael Hunt
Chief Financial Officer

22 July 2016

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.
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 short and medium term 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; and
- the ability to attract and retain qualified personnel.

Board of Directors

1 Olav Hellebø

Role Chief Executive Officer

Prior to ReNeuron, Olav Hellebø held the role of CEO at Clavis Pharma ASA, a Norwegian, oncology focused, listed biotechnology company. At Clavis, he built a multi-national leadership team, taking the company's lead programme through Phase III clinical development as well as completing substantial fundraising and out-licensing transactions for the business. Prior to Clavis, he headed up the global biologics franchise at UCB Pharma and was head of the UK commercial operations of Novartis.

2 John Berriman

Role Non-executive Chairman
Committee Chair of Nominations and Corporate Governance Committee, Audit Committee, Remuneration Committee

John Berriman was appointed to the Board in July 2011 and became Chairman in March 2015. He is past Chairman of Heptares Therapeutics Ltd (sold to Sosei in February 2015) and Algeta ASA (sold to Bayer AG in 2014 and previously listed on the Oslo stock 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.

3 Michael Hunt

Role Chief Financial Officer

Michael Hunt joined ReNeuron in 2001. Between 2005 and 2014 he served as CEO, leading the business through its early development to its current position as one of the global, clinical stage leaders in the regenerative medicine field. He was appointed as Chief Financial Officer in 2014. 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.

4 Simon Cartmell OBE

Role Non-executive Director
Committee Chair of Remuneration Committee, Nominations and Corporate Governance Committee, Audit Committee

Simon Cartmell OBE 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.

5 Professor Sir Chris Evans OBE

Role Non-executive Director

Professor Sir Chris Evans OBE was 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 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.

6 Dr Tim Corn

Role Non-executive Director
Committee Remuneration Committee

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, and at Zeneus Pharma. 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 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. He was elected Fellow of the Faculty of Pharmaceutical Medicine in 1996 and of the Royal College of Psychiatrists in 1998.

7 Dr Paul Harper

Role Non-executive Director
Committee Chair of Audit Committee, Nominations and Corporate Governance Committee

Dr Paul Harper 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.

8 Dr Mike Owen

Role Non-executive Director

Dr Mike Owen was appointed to the Board in December 2015. His career in biotech, the pharmaceutical industry and academia spans almost 40 years. He was formerly Senior Vice President for Biopharmaceuticals Research at GlaxoSmithKline and was also a Founder and Chief Scientific Officer of Kymab Ltd, an antibody-based biotech company, and for many years held a research position at the Imperial Cancer Research Fund (now CR-UK). He currently serves as a director of Zealand Pharma, Ossianix Inc, BliNK Biomedical SAS and Avacta plc and is a member of the Scientific Advisory Boards of Kymab Ltd and the CRT Pioneer Fund LP, and the investor advisory board of HS Lifesciences gmbh. He is a Fellow of the Academy of Medical Sciences and a member of the European Molecular Biology Organisation.

Senior Management

Dr John Sinden

Role
Chief Scientific Officer

Dr John Sinden is a scientific co-founder of ReNeuron and from 1998 to 2015 was an Executive Director of the ReNeuron companies. Prior to founding ReNeuron and becoming its first employee, 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 PhD in Neuroscience from the University of Paris at the College de France. He subsequently held post-doctoral appointments at Oxford University and the Institute of Psychiatry prior to joining the permanent staff of the Institute in 1987. Dr Sinden is an Honorary Professor in the Faculty of Medical Sciences at University College London and has over 140 scientific publications and book chapters. He holds Fellowships of the Royal Society of Medicine and the Royal Society of Biology and is a member of the International Society for Stem Cell Research and the Expert Working Group on Cell and Gene Therapies for the Bioindustry Organization BioSafe Committee.

Shaun Stapleton

Role
Head of Regulatory Affairs

Shaun Stapleton joined ReNeuron from RRG (a Voisin Consulting Life Sciences Company) where he was a Director and Vice President of Regulatory Science. He supported clients on a number of global development and registration projects, including advanced therapies and orphan drugs. Having graduated in Biochemistry from Imperial College, London, he began his career in research with the Imperial Cancer Research Fund, before moving into the pharmaceutical industry. He held positions of increasing responsibility in regulatory affairs at Sterling Winthrop, Eli Lilly and Boehringer Ingelheim before becoming Senior Director of Regulatory Affairs at Ipsen, where he managed regulatory input into development programmes globally, securing new product approvals in the US, EU and internationally in the neurology, endocrinology and oncology therapeutic areas.

Sharon Grimster

Role
VP Development & General Manager, Wales

Sharon Grimster joined ReNeuron in 2013 and was appointed as VP Development & General Manager, Wales in April 2015. She has significant experience in pharmaceutical development and she has a particular expertise in biologics manufacturing. Prior to working at ReNeuron, she held senior team roles at F-star and Antisoma, where she was responsible for a range of development functions, including project management, regulatory affairs, manufacturing, quality and general operations. She started her pharmaceutical career at Celltech, where she led teams in project management, manufacturing and research.

Randolph Corteling

Role
Head of Research

Dr Randolph Corteling was appointed Head of Research in April 2015. He received his first degree (BSc Pharmacology (Hons)) from the University of East London in 1997. He then spent three years as a research associate at Novartis pharmaceuticals in West Sussex, before undertaking a PhD in Medical and Surgical Sciences under the supervision of Prof. Ian Hall at Nottingham University. He then subsequently spent three years as a Heart and Stroke Foundation postdoctoral fellow at the University of Calgary, Canada before joining ReNeuron as a senior member of the research team in 2007.

Dr Julian Howell

Role
Chief Medical Officer

Dr Julian Howell has held a number of leadership roles in clinical development during the last 15 years, bringing small molecules and biological products through all phases of clinical development in Europe and the US. He joined ReNeuron from Shield Therapeutics, where he held the role of Group Medical Director. Prior to that, he led the clinical team at ProStrakan, contributing to multiple US and EU new product approvals in oncology supportive care, GI and pain treatments. He gained medical and surgical qualifications in the UK and worked in the UK health service before completing an MBA at Cranfield University and joining the pharmaceutical industry, initially at SmithKlineBeecham and subsequently in senior clinical and medical affairs roles at Roche, Chiron and Pharmion.

Olav Hellebø

Role
Chief Executive Officer

Michael Hunt

Role
Chief Financial Officer

See page 20 for biographies.

Advisers

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Principal Banker
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Nominated Adviser
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Financial PR Consultants
Buchanan
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Independent Auditors
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Chartered Accountants and Statutory Auditors
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Berkshire
RG1 3JH

Directors' Report for the year ended 31 March 2016

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 March 2016.

Presentation of financial statements

The Group accounts include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016.

Results and dividends

The results for the year are given in the Group Statement of Comprehensive Income set out on page 37. The Directors do not recommend the payment of a dividend (2015: £nil).

Research and development

During the year the Group incurred research and development costs of £10,272,000 (2015: £7,250,000) all charged to the Statement of Comprehensive Income.

Directors

The Directors who held office during the year and up to the signing of the financial statements, unless otherwise stated, are listed below:

John Berriman, Non-executive Chairman
Olav Hellebø, Chief Executive Officer
Michael Hunt, Chief Financial Officer
Dr John Sinden, Chief Scientific Officer (resigned 24 September 2015)
Simon Cartmell OBE, Non-executive Director
Dr Tim Corn, Non-executive Director
Mark Docherty, Non-executive Director (resigned 24 September 2015)
Professor Sir Chris Evans OBE, Non-executive Director
Dr Paul Harper, Non-executive Director
Dr Mike Owen, Non-executive Chairman (appointed 4 December 2015)

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 64 days (2015: 56 days).

The Company had no trade payables at the year-end (2015: nil).

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; and
- 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 Company 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 6 September 2016 at 10.00 a.m. The Notice of the Annual General Meeting is enclosed on page 60 of this document.

By order of the Board

Michael Hunt
Director

Corporate Governance Report for the year ended 31 March 2016

This report provides general information on the Group's adoption of corporate governance principles. As an AIM-listed Company, ReNeuron is not required to comply with the UK Corporate Governance Code, 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. These principles are revised from time to time as necessary to ensure that they comply with best corporate governance practice as far as practicable given the Company's size and nature of its business.

The Board

As at 31 March 2016, the Board comprised six Non-executive Directors, and two Executive Directors. During the year the following Board changes took place: on 24 September 2015, Mark Docherty and Dr John Sinden stepped down from the Board. On 4 December 2015, Dr Mike Owen joined the Board as a Non-executive Director.

Directors' biographies are set out on pages 20 and 21.

The Board is responsible to the shareholders for the proper management of the Group and meets at least six times a year to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

There is a clear separation of the roles of Chief Executive Officer and Non-executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group.

The Board considers there to be sufficient independence on the Board and, that all of the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to the Board, and bring considerable experience in scientific, operational and financial development of biopharmaceutical products and companies.

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board has a process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman.

Board Committees

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

Dr Harper is not regarded as independent due to his length of tenure as a Director of the Parent Company. However, the Board believes Dr Harper's specific skills and experience makes him the best choice for the role of Audit Committee Chairman.

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 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 control 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 Company's Share Option Schemes and sets performance conditions for options granted under the Schemes.

The Nominations and Corporate Governance Committee, which meets as required, but at least once a year, has responsibility for reviewing the size and composition of the Board, the appointment of replacement or additional Directors, the monitoring of compliance with applicable laws, regulations and corporate governance guidance and making appropriate recommendations to the Board.

Risk management and internal control

The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a bi-monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

Corporate Social Responsibility

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.

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.

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 at www.reneuron.com. 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, Chief Financial Officer and, where appropriate, other members of the senior management team 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.

Directors' Remuneration Report for the year ended 31 March 2016

This report sets out the remuneration policy operated by the Company in respect of the Executive and Non-executive Directors, as of the date of this report. No Director is involved in discussions relating to their own remuneration.

Remuneration policy for Executive Directors

The Remuneration Committee sets the remuneration policy that aims to align Executive Director remuneration with shareholders' interests and to attract and retain the best talent for the benefit of the Group. The Committee has sought independent advice when setting the remuneration policy. Executive Directors are appointed under service contracts with notice periods not exceeding twelve months. Remuneration for Executive Directors is composed of the following elements:

Basic salary

Basic salaries are reviewed annually and revised salaries take effect from the start of the financial year. The review process is managed by the Remuneration Committee with reference to market salary data and the Executive's performance during the year.

Bonuses

Annual bonuses are based on achievement of Group strategic and operational objectives, and personal performance objectives. The maximum annual bonus that may be payable in cash is set at 50% of base salary for the Executive Directors. Up to a further 50% of base salary may be awarded subject to the achievement of further stretching strategic corporate objectives, and payable in nominal price share options under the Company's deferred Share-based Bonus Plan.

Longer Term Incentives

In order to further incentivise Executive Directors and align their interests with shareholders, the Company operates a Long Term Incentive Plan under which nominal price share options may be granted from time to time. The quantum of these awards will relate to the Executive Director's base salary and will vest subject to the performance conditions detailed in the notes to the tables on pages 32 to 34 of this report.

Executive Directors are expected to build a direct stake in the Company's shares over time, either through the purchase of shares in the market from time to time and/or through the future exercise of share options.

The Company has the ability to grant share options under its Share Option schemes subject to a cap, as previously agreed with shareholders, of up to 10% of total issued share capital in any ten year period.

Pension

The Group operates a defined contribution pension scheme which is available to all employees. The Company contribution in respect of Executive Directors is currently set at 10% of base salary. The Executive Director may choose to take some or all of this benefit as a cash alternative, subject to the the Company remaining cash neutral after relevant payroll taxes.

Other benefits

Other benefits provided are life assurance, private medical insurance and professional subscriptions where relevant to the duties of the Executive Director. The Company also pays a car allowance of £10,000 per annum to each Executive Director (disclosed as part of Salaries and fees in the remuneration table below).

Non-executive Directors' remuneration

The remuneration of the Non-executive Directors is determined by the Remuneration Committee with regard to market comparatives. In setting the remuneration policy for Non-executive Directors, the Committee has sought independent advice and, where appropriate, has consulted with certain of its shareholders. Non-executive Directors are appointed for an initial three year term via an appointment letter from the Company, with a three months' notice period. The appointment term is renewable for further three year terms after the initial term has expired.

Non-executive Directors receive their fees in the form of a basic cash fee and an equity-based fee which takes the form of nominal price share options under the Company's Non-executive Share Option Scheme. To avoid any incentive effect that may influence the Non-executive Director's independence, these share options will vest over three years on a straight line basis and are not subject to performance conditions.

Non-executive Directors do not receive any pension, bonus or other benefits from the Company. The remuneration of the Non-executive Directors is reviewed by the Board annually.

The Directors received the following remuneration during the year:

Directors' emoluments

	Salaries and fees £'000	Bonuses[2] £'000	Benefits in kind £'000	**2016 Total £'000**	**2016 Pension contributions £'000**	2015 Total £'000	2015 Pension contributions £'000
John Berriman	43	–	–	**43**	**–**	31	–
Olav Hellebø	290	115	2	**407**	**28**	226	16
Michael Hunt	205	82	2	**289**	**19**	300	19
Dr John Sinden[1] (resigned 24 September 2015)	76	16	3	**95**	**8**	230	19
Simon Cartmell OBE	35	–	–	**35**	**–**	30	–
Dr Tim Corn	29	–	–	**29**	**–**	26	–
Mark Docherty (resigned 24 September 2015)	9	–	–	**9**	**–**	18	–
Professor Sir Chris Evans OBE	25	–	–	**25**	**–**	25	–
Dr Paul Harper	32	–	–	**32**	**–**	24	–
Dr Mike Owen (appointed 4 December 2015)	8	–	–	**8**	**–**	–	–
Total	752	213	7	**972**	**55**	910	54

Note 1:
Dr John Sinden resigned from the Board on 24 September 2015 after which he remained as an employee but on a part-time basis on a pro-rated salary.

Note 2:
Bonuses paid to Directors, who held office during the period, represent a percentage of base salary ranging from 37% to 42% based on achievement of corporate and personal performance objectives.

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

The Directors, who held office at the end of the year, held the following interests in the Ordinary shares of the Company:

	Ordinary shares of 1p each	
	2016 Number	2015 Number
John Berriman	**1,043,476**	725,000
Olav Hellebø	**322,778**	322,778
Michael Hunt	**1,758,471**	1,508,471
Simon Cartmell OBE	**787,500**	787,500
Dr Tim Corn	**200,000**	200,000
Professor Sir Chris Evans OBE	**24,010,525**	24,010,525
Dr Paul Harper	**451,709**	451,709
Dr Mike Owen	**–**	–

The Directors, who held office at the end of the year, held the following interests in options over shares of the Company:

John Berriman

	Note	At 1 April 2015 Number	Lapsed during the year Number	Granted during the year Number	**At 31 March 2016 Number**	Exercise price	Exercise period*
Options – unapproved	8	480,073	–	–	**480,073**	3.75p	September 2014 – September 2021
Options – unapproved	10	575,249	–	–	**575,249**	2.87p	September 2015 – September 2022
Options – unapproved	12	600,000	–	–	**600,000**	3.6p	September 2016 – September 2023
Options – unapproved	14	600,000	–	–	**600,000**	3.45p	September 2017 – September 2024
		2,255,322	–	–	**2,255,322**		

Directors' Remuneration Report
continued

Directors' emoluments continued

Olav Hellebø

	Note	At 1 April 2015 Number	Lapsed during the year Number	Granted during the year Number	**At 31 March 2016 Number**	Exercise price	Exercise period*
Options – approved	15	7,246,376	–	–	**7,246,376**	1.0p	September 2017 – September 2024
Options – unapproved	15	8,309,180	–	–	**8,309,180**	1.0p	September 2017 – September 2024
Options – unapproved	17	–	–	18,123,636	**18,123,636**	1.0p	October 2018 – October 2025
		15,555,556	–	18,123,636	**33,679,192**		

Michael Hunt

	Note	At 1 April 2015 Number	Lapsed during the year Number	Exercised during the year Number**	Granted during the year Number	**At 31 March 2016 Number**	Exercise price	Exercise period*
Options – unapproved	1	2,272,950	(2,272,950)	–	–	**–**	11.0p	August 2008 – August 2015
Options – unapproved	2	567,586	–	–	–	**567,586**	4.4p	August 2009 – August 2016
Options – unapproved	2	567,586	–	–	–	**567,586**	6.61p	August 2010 – August 2016
Options – unapproved	3	989,806	–	–	–	**989,806**	10.61p	August 2010 – August 2017
Options – unapproved	3	989,806	–	–	–	**989,806**	18.94p	August 2010 – August 2017
Options – approved	5	347,808	–	–	–	**347,808**	1.0p	August 2011 – August 2019
Options – unapproved	5	1,095,079	–	(1,095,079)	–	**–**	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	–	(1,035,533)	–	**1,035,533**	1.0p	August 2013 – August 2020
Options – unapproved	9	2,916,667	–	(1,458,333)	–	**1,458,334**	1.0p	September 2014 – September 2021
Options – approved	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
Options – approved	15	1,715,333	–	–	–	**1,715,333**	1.0p	September 2017 – September 2024
Options – unapproved	15	2,347,167	–	–	–	**2,347,167**	1.0p	September 2017 – September 2024
Options – unapproved	17	–	–	–	7,090,909	**7,090,909**	1.0p	October 2018 – October 2025
		24,793,733	(2,272,950)	(5,361,673)	7,090,909	**24,250,019**		

Simon Cartmell OBE

	Note	At 1 April 2015 Number	Lapsed during the year Number	Granted during the year Number	**At 31 March 2016 Number**	Exercise price	Exercise period*
Options – unapproved	8	480,073	–	–	**480,073**	3.75p	September 2014 – September 2021
Options – unapproved	10	575,249	–	–	**575,249**	2.87p	September 2015 – September 2022
Options – unapproved	12	600,000	–	–	**600,000**	3.6p	September 2016 – September 2023
Options – unapproved	14	600,000	–	–	**600,000**	3.45p	September 2017 – September 2024
		2,255,322	–	–	**2,255,322**		

Dr Tim Corn

	Note	At 1 April 2015 Number	Lapsed during the year Number	Granted during the year Number	**At 31 March 2016 Number**	Exercise price	Exercise period*
Options – unapproved	10	575,249	–	–	**575,249**	2.87p	September 2015 – September 2022
Options – unapproved	12	500,000	–	–	**500,000**	3.6p	September 2016 – September 2023
Options – unapproved	14	500,000	–	–	**500,000**	3.45p	September 2017 – September 2024
		1,575,249	–	–	**1,575,249**		

Professor Sir Chris Evans OBE

	Note	At 1 April 2015 Number	Lapsed during the year Number	Granted during the year Number	**At 31 March 2016 Number**	Exercise price	Exercise period*
Options – unapproved	12	500,000	–	–	**500,000**	3.6p	September 2016 – September 2023
Options – unapproved	14	500,000	–	–	**500,000**	3.45p	September 2017 – September 2024
		1,000,000	–	–	**1,000,000**		

Directors' Remuneration Report
continued

Directors' emoluments continued
Dr Paul Harper

	Note	At 1 April 2015 Number	Lapsed during the year Number	Granted during the year Number	**At 31 March 2016 Number**	Exercise price	Exercise period*
Options – unapproved	1	113,648	(113,648)	–	**–**	11.0p	August 2008 – August 2015
Options – unapproved	2	113,517	–	–	**113,517**	4.4p	August 2009 – August 2016
Options – unapproved	3	296,942	–	–	**296,942**	10.61p	August 2010 – August 2017
Options – unapproved	4	260,797	–	–	**260,797**	4.22p	August 2012 – August 2019
Options – unapproved	4	319,605	–	–	**319,605**	3.85p	August 2013 – August 2020
Options – unapproved	8	480,073	–	–	**480,073**	3.75p	September 2014 – September 2021
Options – unapproved	10	575,249	–	–	**575,249**	2.87p	September 2015 – September 2022
Options – unapproved	12	500,000	–	–	**500,000**	3.6p	September 2016 – September 2023
Options – unapproved	14	500,000	–	–	**500,000**	3.45p	September 2017 – September 2024
		3,159,831	(113,648)	–	**3,046,183**		

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed below

** Of these options exercised during the year, 1,095,079 related to options issued in accordance with the Group's deferred Share-based Bonus Plan. The estimated gain on the exercise of these options was included in the Directors' Report in the year that the options were granted. The remaining 4,266,594 options exercised crystallised a gain of £81,000 on exercise.

Note 1:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials; these options expired in August 2015.

Note 2:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials; at 31 March 2016 these options were exercisable.

Note 3:
These options were issued subject to a performance condition, being the successful completion of an initial clinical trial of a ReNeuron cell therapy; at 31 March 2016 these options were exercisable.

Note 4:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a second clinical trial; at 31 March 2016 these options were exercisable.

Directors' emoluments continued

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; at 31 March 2016 these options were exercisable.

Note 6:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions below; at 31 March 2016 these options were exercisable.

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 amended performance conditions below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 50% of these options were exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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 a performance condition, being the first patient administered with a ReNeuron cell therapy in a third clinical trial; at 31 March 2016 these options were exercisable.

Note 9:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 50% of these options were exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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, being the first patient administered with a ReNeuron cell therapy in a fourth clinical trial; at 31 March 2016 these options were exercisable.

Note 11:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 50% of these options were exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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.

Directors' Remuneration Report
continued

Directors' emoluments continued

Note 12:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a fifth clinical trial; at 31 March 2016 these options were not exercisable.

Note 13:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 these options were not exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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 14:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a sixth clinical trial; at 31 March 2016 these options were not exercisable.

Note 15:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 these options were not exercisable.

i) The first patient is administered with a ReNeuron cell therapy in a sixth clinical trial;
ii) The Total Shareholder Return (TSR) of the Company meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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 16:
These options were issued subject to the performance conditions set out below; at 31 March 2016 these options were not exercisable.

i) 50% vest when the first patient is administered with a ReNeuron cell therapy in a sixth clinical trial;
ii) 50% vest on completion of the fourth clinical trial of a ReNeuron cell therapy.

Note 17:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below; at 31 March 2016 these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in a sixth clinical trial;
ii) 33.3% vest on completion of the fourth clinical trial of a ReNeuron cell therapy;
iii) 33.4% vest if the Total Shareholder Return (TSR) of the Company meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option.

By order of the Board

Simon Cartmell OBE
Non-executive Director

Independent Auditors' Report to the Members of ReNeuron Group plc

Report on the financial statements

Our opinion

In our opinion:

- ReNeuron Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2016 and of the Group's loss and the Group's and the 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 Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

ReNeuron Group plc's financial statements comprise:

- the Group and Parent Company Statements of Financial Position as at 31 March 2016;
- the Group Statement of Comprehensive Income for the year then ended;
- the Group and Parent Company Statements of Cash Flows for the year then ended;
- the 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 the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the 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.

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.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Independent Auditors' Report
continued

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 International Standards on Auditing (UK and Ireland) (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.

What an audit of financial statements involves

We conducted our audit in accordance with 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 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

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

22 July 2016

Group Statement of Comprehensive Income for the year ended 31 March 2016

	Note	**2016 £'000**	2015 £'000
Revenue: royalty income	5	**29**	30
Other income: grants		**534**	519
Research and development costs	6	**(10,272)**	(7,250)
General and administrative costs	6	**(4,015)**	(3,693)
Operating loss		**(13,724)**	(10,394)
Finance income	7	**878**	91
Loss before income tax		**(12,846)**	(10,303)
Income tax credit	10	**1,492**	1,397
Loss and total comprehensive loss for the year		**(11,354)**	(8,906)
Loss and total comprehensive loss attributable to equity owners of the Company		**(11,354)**	(8,906)
Basic and diluted loss per Ordinary share	12	**(0.4p)**	(0.5p)

Group and Parent Company Statements of Financial Position as at 31 March 2016

	Note	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	**361**	161	**–**	–
Intangible assets	14	**1,591**	1,591	**–**	–
Investment in subsidiaries	15	**–**	–	**76,743**	68,415
Investments – bank deposit	17	**5,000**	–	**5,000**	–
Trade and other receivables	16	**11**	281	**–**	–
		6,963	2,033	**81,743**	68,415
Current assets					
Trade and other receivables	16	**1,421**	400	**236**	–
Income tax receivable		**2,764**	1,272	**–**	–
Investments – bank deposit	17	**43,283**	–	**43,283**	–
Cash and cash equivalents	18	**17,426**	12,382	**13,454**	4,956
		64,894	14,054	**56,973**	4,956
Total assets		**71,857**	16,087	**138,716**	73,371
Equity					
Equity attributable to owners of the Company					
Share capital	23	**31,646**	17,888	**31,646**	17,888
Share premium account		**97,704**	46,267	**97,704**	46,267
Capital redemption reserve		**8,964**	8,964	**8,964**	8,964
Merger reserve		**2,223**	2,223	**1,858**	1,858
Accumulated losses		**(72,879)**	(62,206)	**(6,899)**	(7,096)
Total equity		**67,658**	13,136	**133,273**	67,881
Liabilities					
Non-current liabilities					
Provisions	20	**–**	605	**–**	–
Financial liabilities: finance leases	21	**–**	1	**–**	–
		–	606	**–**	–
Current liabilities					
Trade and other payables	19	**3,700**	2,344	**5,443**	5,490
Provisions	20	**498**	–	**–**	–
Financial liabilities: finance leases	21	**1**	1	**–**	–
		4,199	2,345	**5,443**	5,490
Total liabilities		**4,199**	2,951	**5,443**	5,490
Total equity and liabilities		**71,857**	16,087	**138,716**	73,371

The financial statements on pages 37 to 59 were approved by the Board of Directors on 22 July 2016 and were signed on its behalf by:

Michael Hunt
Director

Company Registered Number 05474163

Group and Parent Company Statements of Changes in Equity as at 31 March 2016

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 2014	**17,888**	**46,267**	**8,964**	**2,223**	**(53,625)**	**21,717**
Credit on share-based payment	–	–	–	–	325	325
Loss for the year and total comprehensive loss	–	–	–	–	(8,906)	(8,906)
As at 31 March 2015	**17,888**	**46,267**	**8,964**	**2,223**	**(62,206)**	**13,136**
Issue of Ordinary shares	13,758	54,696	–	–	–	68,454
Costs of share issue	–	(3,259)	–	–	–	(3,259)
Credit on share-based payment	–	–	–	–	681	681
Loss for the year and total comprehensive loss	–	–	–	–	(11,354)	(11,354)
As at 31 March 2016	**31,646**	**97,704**	**8,964**	**2,223**	**(72,879)**	**67,658**

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 2014	**17,888**	**46,267**	**8,964**	**1,858**	**(6,512)**	**68,465**
Credit on share-based payment	–	–	–	–	325	325
Loss for the year and total comprehensive loss	–	–	–	–	(909)	(909)
As at 31 March 2015	**17,888**	**46,267**	**8,964**	**1,858**	**(7,096)**	**67,881**
Issue of Ordinary shares	13,758	54,696	–	–	–	68,454
Costs of share issue	–	(3,259)	–	–	–	(3,259)
Credit on share-based payment	–	–	–	–	681	681
Loss for the year and total comprehensive loss	–	–	–	–	(484)	(484)
As at 31 March 2016	**31,646**	**97,704**	**8,964**	**1,858**	**(6,899)**	**133,273**

Group and Parent Company Statements of Cash Flows for the year ended 31 March 2016

		Group		Company	
		2016	2015	**2016**	2015
	Note	**£'000**	£'000	**£'000**	£'000
Cash used in operating activities	26	**(11,920)**	(9,124)	**(853)**	(795)
Income tax credit received		**–**	879	**–**	–
Cash used in operating activities		**(11,920)**	(8,245)	**(853)**	(795)
Cash flows from investing activities					
Capital expenditure		**(293)**	(61)	**–**	–
Purchase of intangible asset		**–**	(319)	**–**	–
Loans provided to subsidiaries		**–**	–	**(7,892)**	(3,702)
Interest received		**345**	91	**331**	28
Net cash generated/(used) in investing activities		**52**	(289)	**(7,561)**	(3,674)
Cash flows from financing activities					
Finance lease principal payments		**–**	(1)	**–**	–
Proceeds from issuance of Ordinary shares		**68,454**	–	**68,454**	–
Costs of share issue		**(3,259)**	–	**(3,259)**	–
Bank deposit (placed)/matured		**(48,283)**	6,000	**(48,283)**	–
Net cash generated from financing activities		**16,912**	5,999	**16,912**	–
Net increase/(decrease) in cash and cash equivalents		**5,044**	(2,535)	**8,498**	(4,469)
Cash and cash equivalents at the start of year		**12,382**	14,917	**4,956**	9,425
Cash and cash equivalents at the end of year		**17,426**	12,382	**13,454**	4,956

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 2016.

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 area that requires management to make difficult, subjective or complex judgements about matters that are inherently uncertain is:

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.

Notes to the Financial Statements
continued

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 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 life 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.

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.

2. Accounting policies and basis of preparation continued

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. Milestone payments associated with these rights are capitalised when incurred. 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. Any monies paid to subsidiaries are deemed to be a capital contribution.

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.

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 measured at amortised cost using the effective interest rate method. Bank deposits with maturities between four and twelve months are disclosed within current assets and those with maturities greater than twelve months are disclosed within non-current assets.

Trade payables

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

Notes to the Financial Statements
continued

2. Accounting policies and basis of preparation continued

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 is expected to be 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 2016. None of them has any impact on the financial statements of the Group:

- Annual improvements 2010-2012 (effective 1 July 2014) (endorsed 1 Feb 2015);
- Amendment to IAS 19, 'Employee benefits', on defined benefit plans (effective 1 July 2014) (endorsed for 1 Feb 2015);
- Annual improvements 2011-2013 (effective 1 July 2014) (endorsed for 1 Jan 2015);
- IFRIC 21, 'Levies' (effective 1 January 2014) (endorsed 17 June 2014).

There are a number of new standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group. The future introduction of these standards is not expected to have a material impact on the financial statements of the Group.

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.

During the financial year the Company raised £68.4 million, before expenses, by means of a Placing to shareholders and, the Directors expect that the Group's financial resources will be sufficient to support operations for at least the next two years. Consequently, the going concern basis has been adopted in the preparation of these financial statements.

4. Segment analysis
The Group has identified the Chief Executive Officer as the Chief Operating Decision Maker (CODM). The CODM manages the business as one segment, the development of cell-based therapies and all activities and assets are based in the UK. 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 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

	2016 £'000	2015 £'000
Loss before income tax is stated after charging:		
Research and development costs:		
Employee benefits (note 9)	**3,205**	2,260
Depreciation of property, plant and equipment (note 13)	**40**	35
Other expenses	**7,027**	4,955
Total research and development costs	**10,272**	7,250
General and administrative costs:		
Employee benefits (note 9)	**1,543**	1,263
Legal and professional fees	**586**	399
Depreciation of property, plant and equipment (note 13)	**52**	90
Operating lease charges:		
– land and buildings	**309**	264
Dilapidations provision (note 20)	**5**	100
Restructuring provision (note 20)	**–**	141
Other expenses	**1,520**	1,436
Total general and administrative costs	**4,015**	3,693
Total research and development costs and general and administrative costs	**14,287**	10,943

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	2016 £'000	2015 £'000
Fees payable to the Group's auditors:		
– for the audit of the Parent Company and consolidated financial statements	**19**	19
– for the audit of the Company's subsidiaries pursuant to legislation	**22**	21
Total	**41**	40

7. Finance and investment income

	2016 £'000	2015 £'000
Interest receivable on short-term and investment bank deposits	**345**	91
Foreign exchange gains	**533**	–
Total	**878**	91

Notes to the Financial Statements
continued

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.

	2016 £'000	2015 £'000
Aggregate emoluments of Directors:		
Salaries and other short-term employee benefits	**972**	945
Pension contributions	**55**	54
	1,027	999
Share-based payments	**372**	334
Directors' emoluments including share-based payments	**1,399**	1,333

Two Directors (2015: two) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

One Director exercised share options during the year making a gain on exercise of £81,000, further details of which can be seen in the Directors' Remuneration Report (2015: none).

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

9. Employee information

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

	2016 Number	2015 Number
By activity:		
Research and development	**37**	27
Administration	**7**	6
	44	33

Group	**2016 £'000**	2015 £'000
Staff costs:		
Wages and salaries	**3,465**	2,600
Social security costs	**429**	315
Share-based payment charge	**681**	473
Other pension costs	**173**	135
	4,748	3,523

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 £173,000 (2015: £135,000). There were no prepaid or accrued contributions to the scheme at the year-end (2015: nil).

10. Income tax credit on loss on ordinary activities

	2016 £'000	2015 £'000
United Kingdom research and development tax credit at 14.5% (2015: 14.5%)	**1,492**	1,397

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 14.5% (2015: 14.5%) on 230% of qualifying expenditure for the year to 31 March 2016.

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

	2016 £'000	2015 £'000
Loss before income tax	**12,846**	10,303
Loss before income tax multiplied by the main rate of corporation tax of 20% (2015: 20%)	**2,569**	2,061
Effects of:		
– difference between depreciation and capital allowances	**33**	27
– other short term timing differences	**21**	(48)
– expenses not deductible for tax purposes	**(137)**	(1)
– losses not recognised	**(994)**	(517)
– adjustments In respect of prior year	**–**	(125)
Tax credit	**1,492**	1,397

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

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

	Amount not recognised 2016 £'000	Amount not recognised 2015 £'000
Tax effect of timing differences because of:		
Accelerated capital allowances	**(159)**	(126)
Short term timing differences not recognised	**100**	121
Losses carried forward	**13,183**	11,303
	13,124	11,298

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

	Amount not recognised 2016 £'000	Amount not recognised 2015 £'000
Tax effect of timing differences because of:		
Losses carried forward	**736**	716

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 £484,000 (2015: £909,000).

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 £11,354,000 (2015: £8,906,000) by 2,609,315,899 shares (2015: 1,788,827,700 shares), being the weighted average number of 1.0 pence Ordinary shares in issue during the year.

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

Notes to the Financial Statements
continued

13. Property, plant and equipment

Group	Leasehold improvements £'000	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 April 2014	1,635	921	166	2,722
Additions	–	50	11	61
Disposals	–	(229)	(64)	(293)
At 31 March 2015	**1,635**	**742**	**113**	**2,490**
Accumulated depreciation				
At 1 April 2014	1,576	787	134	2,497
Charge for the year	59	37	29	125
Disposals	–	(229)	(64)	(293)
At 31 March 2015	**1,635**	**595**	**99**	**2,329**
Net book amount:				
At 31 March 2015	**–**	**147**	**14**	**161**
Cost:				
At 1 April 2015	1,635	742	113	2,490
Additions	–	200	92	292
Disposals	(1,635)	(435)	(11)	(2,081)
At 31 March 2016	**–**	**507**	**194**	**701**
Accumulated depreciation				
At 1 April 2015	1,635	595	99	2,329
Charge for the year	–	57	35	92
Disposals	(1,635)	(435)	(11)	(2,081)
At 31 March 2016	**–**	**217**	**123**	**340**
Net book amount:				
At 31 March 2016	**–**	**290**	**71**	**361**

The figures stated above include plant and equipment held under finance leases at cost of £3,000 (2015: £3,000), depreciation of £2,000 (2015: £1,000) and net book value of £1,000 (2015: £2,000).

The Company had no property, plant or equipment at 31 March 2016 (2015: £nil).

14. Intangible assets

	Licence fees £'000	Intellectual property rights not amortised £'000	Total £'000
At 1 April 2015:			
Cost	1,884	6,143	8,027
Accumulated amortisation and impairment	1,884	4,552	6,436
Net book amount at 1 April 2015	–	1,591	1,591
Additions	–	–	–
Net book amount at 31 March 2016	**–**	**1,591**	**1,591**

As at 31 March 2016, the carrying amount 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. As the products are not ready for commercial use they do not have a finite useful life, therefore it is not appropriate to amortise them.

14. Intangible assets continued

The carrying amount of the intangible assets has been reviewed for impairment by considering the fair value less costs to sell. It is not appropriate to perform a discounted cash flow calculation to assess its value in use given they are not ready for commercial use. The carrying value of the asset is considered appropriate based on the current market capitalisation value of the business. The market capitalisation of the business was c.£94.9 million at 18 July 2016.

There was an addition in the prior year of £319,000 relating to a milestone payment made in respect to the intellectual property acquired by way of a cross-licence from a third party in 2005.

The Company holds no intangible assets.

15. Investments in subsidiaries

Company

Net book amount	**2016 £'000**	2015 £'000
At start of the year	**68,415**	64,524
Investment in subsidiary	**7,892**	3,702
Capital contribution arising from share-based payments	**436**	189
Net book amount at 31 March	**76,743**	68,415

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
continued

16. Trade and other receivables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current:				
Other receivables	**913**	208	**236**	–
Prepayments and accrued income	**508**	192	**–**	–
	1,421	400	**236**	–
Non-current:				
Lease deposit repayable in 2016 at current value	**–**	229	**–**	–
Other receivables	**11**	52	**–**	–
	11	281	**–**	–
Total trade and other receivables	**1,432**	681	**236**	–

The classes within trade and other receivables do not include impaired assets.

17. Investments

	Group		Company	
Bank deposits maturing:	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Four to twelve months: current asset investments	**43,283**	–	**43,283**	–
After more than twelve months: fixed asset investments	**5,000**	–	**5,000**	–

18. Cash and cash equivalents

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Cash at bank and in hand	**17,426**	12,382	**13,454**	4,956

19. Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade payables	**1,502**	1,059	**3**	3
Taxation and social security	**110**	91	**–**	–
Accruals	**2,088**	1,194	**–**	–
Amounts owed to Group undertakings	**–**	–	**5,440**	5,487
Total payables falling due within one year	**3,700**	2,344	**5,443**	5,490

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

20. Provisions

	Group	
	2016 £'000	2015 £'000
Balance as at 1 April	**605**	364
Amount utilised	**(112)**	–
Amount charged to the Statement of Comprehensive Income	**5**	241
Balance as at 31 March	**498**	605
Building dilapidations	**355**	350
Restructuring	**143**	255
	498	605
Due within one year	**498**	–
Due after more than one year	**–**	605
	498	605

The provision in respect of building dilapidations due on exit of the premises in Guildford was utilised subsequent to 31 March 2016.

The Group relocated its business from Guildford to Pencoed, South Wales in February 2016. Existing employees of the business were offered terms to incentivise their relocation with the business. However, some employees left when the Guildford office closed. The financial statements include a provision of £143,000 (2015: £255,000) being the estimated further cost of restructuring payments to be made to those staff employed by the Company at 31 March 2016.

The Company had no provisions at 31 March 2016 (2015: nil).

21. Finance leases

Future minimum payments under finance leases:

	Group	
	2016 £'000	2015 £'000
Within one year	**1**	1
In more than one year but not more than five years	**–**	1
Total gross payments	**1**	2
Less finance charges included above	**–**	–
Present value of payments	**1**	2

Notes to the Financial Statements
continued

22. Financial risk management

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.

The agreed policy is to invest surplus cash in interest bearing current/liquidity accounts and term deposits and to spread the credit risk across a number of counterparties, the selection criteria being as follows:

- UK based banks;
- Minimum credit rating with Fitch and/or Moody's (long term A-/A3; short term F1/P-1); and
- Familiar and respected names.

At 31 March 2016 and 31 March 2015 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 Group's cash resources are placed on fixed deposit, with a maximum original term of 24 months, to secure fixed and higher interest rates. 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 2016 cash and bank deposits of £7,803,000 (2015: £894,000) were held in these currencies. Creditors of the Group include £441,000 denominated in US Dollars and £128,000 denominated in Euro. All of the Group's receivables are denominated in Pounds Sterling.

At 31 March 2016, if Pounds Sterling had weakened/strengthened by 5% against the US Dollar with all other variables held constant, the recalculated post-tax loss for the year would have been £250,000 (2015: £15,000) higher/lower.

At 31 March 2016, if Pounds Sterling had weakened/strengthened by 5% against the Euro with all other variables held constant, the recalculated post-tax loss for the year would have been £110,000 (2015: £10,000) higher/lower.

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	
	2016	2015
	£'000	£'000
Finance leases – due in more than one year	**–**	1
Finance leases – due in one year or less	**1**	1
Trade and other payables	**3,590**	2,253
	3,591	2,255

22. Financial risk management continued

Currency profile of the Group's cash and cash equivalents

	Group	
	2016	2015
Currency	**£'000**	£'000
Pounds Sterling	**14,906**	11,488
United States Dollar	**1,292**	528
Euro	**1,228**	366
	17,426	12,382

Currency profile of the Group's bank deposit investments

	Group	
	2016	2015
Currency	**£'000**	£'000
Pounds Sterling	**43,000**	–
United States Dollar	**4,173**	–
Euro	**1,110**	–
	48,283	–

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 2016. 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.

	2016		2015	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Investments – bank deposits	**48,283**	**48,283**	–	–
Cash at bank and in hand	**17,426**	**17,426**	12,382	12,382
Receivables: non-current	**11**	**11**	281	281
Receivables: current	**1,421**	**1,421**	400	400
(Trade and other payables)	**(3,590)**	**(3,590)**	(2,253)	(2,253)

23. Share capital

	2016	2015
	£'000	£'000
Authorised	**Unlimited**	Unlimited
Issued and fully paid		
3,164,618,541 Ordinary shares of 1.0p each (2015: 1,788,827,700 of 1.0p each)	**31,646**	17,888

On 24 August 2015 the Company issued 40,000,000 Ordinary shares at 5.0 pence per share and on 25 August 2015 the Company issued 1,327,411,939 Ordinary shares at 5.0 pence per share.

In addition during the year to 31 March 2016, 8,378,902 Ordinary shares were issued as a result of the exercise of options awarded under the Group's share option schemes.

Notes to the Financial Statements
continued

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 6.0 pence per share. Warrants were exercisable up to 20 April 2014. All of these warrants 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 1.0 pence Ordinary shares in companies in the Group as at 31 March 2016 are summarised below. At 31 March 2016, the total outstanding options represented 4.5% of the total shares in issue.

Date of Grant	Number of options at 1 April 2015	Granted during the year	Lapsed during the year	Exercised during the year	**As at 31 March 2016**	Note	Exercise price	Date from which exercisable*	Date of expiry**
August 2005	5,909,671	–	(5,909,671)	–	**–**	1	11.0p	August 2008	August 2015
August 2006	2,179,531	–	(56,759)	–	**2,122,772**	2	4.41p	August 2009	August 2016
August 2006	1,135,172	–	–	–	**1,135,172**	2	6.61p	August 2009	August 2016
August 2007	4,087,897	–	(49,490)	–	**4,038,407**	3	10.61p	August 2010	August 2017
August 2007	1,979,612	–	–	–	**1,979,612**	3	18.94p	August 2010	August 2017
August 2009	2,490,610	–	(325,996)	–	**2,164,614**	4	4.22p	August 2012	August 2019
August 2009	2,236,933	–	–	(1,889,124)	**347,809**	5	1.0p	August 2011	August 2019
August 2009	3,486,365	–	–	(1,772,728)	**1,713,637**	6	1.0p	August 2012	August 2019
August 2010	2,422,603	–	(409,094)	–	**2,013,509**	3	3.85p	August 2013	August 2020
August 2010	1,723,185	–	–	(1,723,184)	**–**	5	1.0p	August 2012	August 2020
August 2010	4,989,848	–	–	(1,035,533)	**3,954,315**	7	1.0p	August 2013	August 2020
September 2011	4,170,634	–	(570,087)	–	**3,600,547**	8	3.75p	September 2014	September 2021
September 2011	7,224,167	–	(500,000)	(1,958,334)	**4,765,833**	9	1.0p	September 2014	September 2021
September 2012	6,644,129	–	(2,128,423)	–	**4,515,706**	10	2.87p	September 2015	September 2022
September 2012	6,776,212	–	–	–	**6,776,212**	11	1.0p	September 2015	September 2022
September 2013	7,395,000	–	(2,425,000)	–	**4,970,000**	12	3.6p	September 2016	September 2023
September 2013	7,947,917	–	–	–	**7,947,917**	13	1.0p	September 2016	September 2023
September 2014	10,425,000	–	(2,050,000)	–	**8,375,000**	14	3.45p	September 2017	September 2024
September 2014	25,134,723	–	–	–	**25,134,723**	15	1.0p	September 2017	September 2024
October 2015	–	6,500,000	(150,000)	–	**6,350,000**	16	1.0p	October 2018	October 2025
October 2015	–	51,232,727	–	–	**51,232,727**	17	1.0p	October 2018	October 2025
Total	**108,359,208**	**57,732,727**	**(14,574,520)**	**(8,378,903)**	**143,138,512**				

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed below.
** 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 subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials; these options expired in August 2015.

Note 2:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in Phase I/II trials; at 31 March 2016 these options were exercisable.

Note 3:
These options were issued subject to a performance condition, being the successful completion of an initial clinical trial of a ReNeuron cell therapy; at 31 March 2016 these options were exercisable.

Note 4:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a second clinical trial; at 31 March 2016 these options were exercisable.

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; at 31 March 2016 these options were exercisable.

Note 6:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions below; at 31 March 2016 these options were exercisable.

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 amended performance conditions below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 50% of these options were exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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 a performance condition, being the first patient administered with a ReNeuron cell therapy in a third clinical trial; at 31 March 2016 these options were exercisable.

Notes to the Financial Statements
continued

25. Share options continued

Note 9:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 50% of these options were exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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, being the first patient administered with a ReNeuron cell therapy in a fourth clinical trial; at 31 March 2016 these options were exercisable.

Note 11:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 50% of these options were exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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, being the first patient administered with a ReNeuron cell therapy in a fifth clinical trial; at 31 March 2016 these options were not exercisable.

Note 13:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 these options were not exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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 14:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a sixth clinical trial; at 31 March 2016 these options were not exercisable.

25. Share options continued

Note 15:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2016 these options were not exercisable.

i) The first patient is administered with a ReNeuron cell therapy in a sixth clinical trial;
ii) The Total Shareholder Return (TSR) of the Company meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the option;
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 16:
These options were issued subject to the performance conditions set out below; at 31 March 2016 these options were not exercisable.

i) 50% vest when the first patient is administered with a ReNeuron cell therapy in a sixth clinical trial;
ii) 50% vest on completion of the fourth clinical trial of a ReNeuron cell therapy.

Note 17:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below; at 31 March 2016 these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in a sixth clinical trial;
ii) 33.3% vest on completion of the fourth clinical trial of a ReNeuron cell therapy;
iii) 33.4% vest if the Total Shareholder Return (TSR) of the Company meets or exceeds that of the AIM Healthcare Index in any three year period from date of grant of the 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
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
September 2014	3.450	3.450	2.54	5	61.3	1.850
September 2014	1.000	3.600	2.54	5	61.3	2.740
October 2015	1.000	4.150	1.74	5	58.3	3.370

The risk free rate is taken from the average yields on government gilt edged stock. No dividends are assumed. The assumed vesting period is four years. No lapses are assumed until they take place. Assumed volatility is based on historical experience up to the date of the grant.

Notes to the Financial Statements
continued

25. Share options continued
Fair value charge continued
The weighted average exercise prices for options were as follows:

	2016		2015	
	Number of options '000	**Weighted average exercise price Pence**	Number of options '000	Weighted average exercise price Pence
Outstanding at 1 April	**108,359**	**3.13**	86,238	3.78
Adjusted	**–**	**–**	–	–
Granted	**57,733**	**1.00**	35,809	1.73
Lapsed	**(14,574)**	**6.41**	(13,688)	3.51
Exercised	**(8,379)**	**1.00**	–	–
Outstanding at 31 March	**143,139**	**2.06**	108,359	3.13
Exercisable at 31 March	**31,380**	**4.79**	28,336	7.14

The share price on 31 March 2016 was 3.4 pence (2015: 3.6 pence).

The pattern of exercise price and life is shown below:

	2016				2015			
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
1.0p	**1.0p**	**108,223,172**	**2.29**	**8.45**	1.0p	59,519,349	2.07	7.82
Up to 10p	**3.7p**	**28,897,320**	**1.52**	**6.05**	3.6p	36,862,679	2.46	7.25
10p to 20p	**13.3p**	**6,018,019**	**1.42**	**1.42**	12.2p	11,977,180	1.43	1.43
Total		**143,138,511**				108,359,208		

26. Cash used in operating activities

	Group		Company	
	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000	**Year ended 31 March 2016 £'000**	Year ended 31 March 2015 £'000
Loss before income tax	**(12,846)**	(10,303)	**(484)**	(908)
Adjustment for:				
Interest received	**(345)**	(91)	**(331)**	(28)
Depreciation of property, plant and equipment	**92**	125	**–**	–
Provisions movement	**(107)**	241	**–**	–
Share-based payment charges	**681**	325	**245**	135
Changes in working capital:				
Receivables	**(751)**	270	**(236)**	3
Payables	**1,356**	309	**(47)**	3
Cash used in operating activities	**(11,920)**	(9,124)	**(853)**	(795)

27. Financial commitments

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

	Group	
	2016 £'000	2015 £'000
Not later than one year	**13**	60
Later than one year and no later than five years	**355**	–
Later than five years	**820**	–
Total lease commitments	**1,188**	60

The operating lease commitment is in respect of the lease of offices and laboratories in Pencoed. The ten year lease was signed by the Company with the Welsh Ministers on 11 February 2016 for the offices and laboratory space in new premises in Pencoed, South Wales with the initial rent being reduced over the first three years.

An agreement for lease entered into on 31 March 2014 remains in force but has subsequently been varied in supplemental agreements. Pursuant to this agreement and supplemental agreements, on satisfactory completion of a GMP production facility, a new lease will be entered into over c.25,700 square feet for offices, laboratories and the GMP production facility at the premises in Pencoed.

The Company had no other financial commitments at 31 March 2016 (2015: £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 2016 (2015: £nil).

29. Related party disclosures

Aesclepius Consulting Limited charged fees of £19,000 (2015: £19,000) in respect of services provided as a Non-executive Director by Dr Tim Corn.

Arthurian Life Sciences Limited charged fees of £150,000 in relation to the August 2015 Placing (2015: £nil) and £25,000 (2015: £25,000) in respect of services provided as a Non-executive Director by Professor Sir Chris Evans OBE.

Biomedicon Limited charged fees of £20,135 (2015: £17,000) in respect of services provided as a Non-executive Director by Dr Paul Harper.

XKE Capital Llp charged fees of £8,940 (2015: £18,496) in respect of services provided as a Non-executive Director by Mark Docherty.

Route2 Advisors Ltd charged fees of £nil (2015: £22,000) in respect of consulting services provided by Simon Cartmell OBE.

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	**2016 £'000**	2015 £'000
Purchases and staff:		
Parent Company expenses paid by subsidiary	**1,082**	798
Transactions involving Parent Company shares:		
Share options	**436**	189
Cash management:		
Loans to subsidiary	**7,892**	3,702

Company	**2016 £'000**	2015 £'000
Year-end balance of loan to subsidiary	**67,973**	60,082

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 6 September 2016 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 2016 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. To reappoint as a Director, Simon Cartmell OBE, 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, Professor Sir Christopher Evans OBE, 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 Michael Owen, who having been appointed since the previous annual general meeting is retiring in accordance with Article 114 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the Directors to determine the remuneration of the auditors.

SPECIAL BUSINESS

6. That 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 £10,548,725 in nominal value in aggregate of shares; and

   (b) allot Relevant Securities (other than pursuant to paragraph (a) above) representing up to £10,548,725 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 £10,548,725 in nominal value in aggregate of shares pursuant to the authority conferred by paragraph (b) of Resolution 6; and

      (ii) the allotment of equity securities (or sale of Ordinary shares), otherwise than pursuant to sub-paragraph (i) above, representing up to £3,164,615 in nominal value in aggregate of shares (and including, for the avoidance of doubt, 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

(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.

22 July 2016
By Order of the Board

Michael Hunt
Company Secretary

Registered office
Pencoed Business Park
Pencoed
Bridgend
CF35 5HY
United Kingdom

NOTES

(1) In this Notice "Ordinary shares" shall mean Ordinary shares in the capital of the Company, having a nominal value of 1.0 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 2 September 2016 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 of 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 0370 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 2016 and the Directors' Report and the Independent Auditors' Report on those accounts will be presented to shareholders for approval.

Resolutions 2 and 3
Article 122 of the Company's Articles of Association 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 and that all Directors holding office at the start of business on the date of this Notice of Annual General Meeting and who also held office at the time of both of the two immediately preceding annual general meetings and did not retire at either such meeting, shall retire from office and shall be counted in the number required to retire at the Annual General Meeting. 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:

- Simon Cartmell OBE, who is a non-executive Director of the Company; and
- Professor Sir Christopher Evans OBE, who is a non-executive Director of the Company.

Resolution 4
In accordance with Article 114 of the Company's Articles of Association, every Director who has been appointed since the last annual general meeting of the Company is required to retire from office. Dr Michael Owen, having been appointed as a Director since the last annual general meeting therefore retires and, being eligible, offers himself for reappointment by the shareholders at the Annual General Meeting.

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 Investment Association (IA) 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 IA 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 IA'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 general disapplication pursuant to sub-paragraph 1(ii) of Resolution 7 represents 10 per cent of the existing issued share capital of the Company. The Directors consider it important that they have the authority set out in sub-paragraph (1)(ii), which would allow them to issue 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 and more generally for other purposes.

Glossary of Scientific Terms

Allogeneic
Tissues or cells which may be administered to universal recipients.

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.

Cryopreservation
A process where cells, whole tissues, or any other substances susceptible to damage caused by chemical reactivity or time, are preserved by cooling to sub-zero temperatures.

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

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

Exosomes
Cell-derived vesicles (typically between 30-100nm in diameter) that contain a number of active proteins and/or microRNAs.

Glioblastoma multiforme (GBM)
A highly malignant, rapidly growing type of brain tumour that arises from glial (supportive) cells in the brain. GBM is also known as glioblastoma and grade IV astrocytoma.

Good Manufacturing Practice (GMP)
A GMP is a system for ensuring that products are consistently produced and controlled according to quality standards appropriate to their intended use and as required by the product specification.

Immortalised cell line
A population of cells from a multicellular organism which would normally not proliferate indefinitely but, due to mutation, have evaded normal cellular senescence and instead can keep undergoing division. The cells can therefore be grown for prolonged periods *in vitro*.

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.

MicroRNAs
Small non-coding RNA molecules (21-25 nucleotides in length), which function in RNA silencing and post-transcriptional regulation of gene expression.

Nanoparticles
Particles between 1-100nm in size. A particle being a small object that behaves like a whole unit with respect to its transport and properties.

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.

Glossary of Scientific Terms
continued

Parenteral
Taken into the body or administered in a manner other than through the digestive tract, particularly by intravenous or intramuscular injection.

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.

Photoreceptors
Sensory cells found in the eye which respond to light.

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.

ckd

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