ReNeuron

Changing patients' lives

ReNeuron Group plc
Annual Report and
Accounts 2019

ReNeuron

Our vision is to deliver life-changing therapies to patients

As a leader in cell-based therapeutics, we develop proprietary allogeneic stem cell technology platforms to address significant areas of unmet medical need.

Our therapeutic portfolio is comprised of two clinical stage candidates: hRPC and CTX stem cell therapies. In addition we are developing an exosome technology platform.

Inside this report

Group at a glance

Our unique stem cell technologies deliver 'off the shelf' stem cell treatments without the need for immunosuppresive drugs.

Read 'Group at a glance' on pages 04 to 05

Our progress towards changing patients' lives

We have made significant progress with both of our clinical programmes in retinitis pigmentosa (RP) and stroke disability and our exosome technology is being developed as a novel drug delivery vehicle.

Read about 'Our progress towards changing patients' lives' on pages 10 to 15

Our business model and competitive advantages

Our competitive advantages and robust business model place us in a position for success with significant recent interest being shown from potential commercial partners in all of our programmes.

Read more about 'Our business model' and 'Our competitive advantages' on pages on pages 16 to 17

See our website at:
www.reneuron.com/investors

Contents

A year of progress towards changing patients' lives

hRPC stem cell therapy candidate for retinal diseases:

Strongly positive preliminary efficacy data from the first three Phase 2a patients in ongoing US Phase 1/2a clinical trial in retinitis pigmentosa (RP).

Top line data from all treated patients in the Phase 2a element of study expected to be presented in October 2019.

Second site opened during the year at Retinal Research Institute, Phoenix, Arizona.

Read more about our progress with hRPC stem cell therapy on pages 10 to 11

CTX stem cell therapy candidate for stroke disability:

During the period we continued to progress the clinical development of our CTX cell therapy candidate for stroke disability. The study (PISCES III) is a randomised placebo-controlled Phase 2b clinical trial in 110 patients across up to 40 sites.

Patient dosing commenced in January 2019, with top-line data expected in late 2020.

Read more about our progress with CTX stem cell therapy on pages 12 to 13

Exosome nanomedicine platform:

We are exploring the use of our exosome technology platform as a potential drug delivery vehicle. Recent data show that exosomes can be loaded with miRNA and proteins.

We have made a significant advance towards an industrial scale production of exosomes without affecting the quality and consistence of the final product.

Read more about our progress with exosome nanomedicine on pages 14 to 15

Corporate

Strong business development activity with active discussions ongoing with a number of commercial third parties.

Collaboration agreement signed with a US-based biopharmaceutical company to explore the use of our exosome technology platform as a potential delivery vehicle for synthetic oligonucleotides used in gene therapy.

Successful negotiation of an exclusive licence agreement (signed post year end) with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd ("Fosun Pharma") for the development, manufacture and commercialisation of our hRPC and CTX therapy programmes in the People's Republic of China ("China").

Read more about our Progress in the last 12 months' on page 9

Financial highlights

Loss for the period of

£14.3 million

(2018: loss of £17.6 million)

Cash used in operating activities

£12.0 million

(2018: £14.9 million)

Cash, cash equivalents and bank deposits at 31 March 2019 of

£26.4 million

(2018: £37.4 million)

Post period end

- In April 2019, further data was presented in relation to the ongoing Phase 1/2a clinical trial of our hRPC therapy candidate in RP. It was reported that the improvement in vision experienced by the patients in the first cohort in the Phase 2a element had been sustained.
- An initial licence fee of £6 million (before withholding tax) has been received from Fosun Pharma.

EUROPEAN MEDISCIENCE AWARDS 2019 SPONSORED BY STIFEL

Winner of the Breakthrough of the Year Award

In June 2019, we won the 'Breakthrough of the Year' award at the 2019 European Mediscience Awards. This award underlines the strong clinical development and commercial progress we have made over the past year.

"We are greatly encouraged by the progress we have made with our cell therapy clinical development programmes for retinitis pigmentosa and stroke disability over the past year and look forward to continuing to advance our clinical and business development activities in the months ahead."

Olav Hellebø
Chief Executive Officer

14 June 2019

For scientific terms see the glossary on page 83

Group at a glance

Our **hRPC stem cell therapy** could change the lives of patients suffering from **retinitis pigmentosa (RP)**.

Our **CTX stem cell therapy** could change the lives of patients suffering from **stroke disability**.

What are hRPCs?

Allogeneic, cryopreserved cell-based therapy for treatment of retinal diseases.

What can they do?

Human retinal progenitor cells (hRPCs) have the ability to differentiate into all of the nerve cells and nerve support cells of the retina.

How it is used

Our therapy is initially targeting the inherited retinal degenerative disease, retinitis pigmentosa, by implantation of our cell therapy into the retina.

What are CTX stem cells?

Allogeneic, cryopreserved, immortalised neural stem cells for treatment of stroke disability.

What can they do?

CTX stem cells have the ability to differentiate into a repertoire of specific nerve and nerve support cells.

How it is used

Our cell therapy is directly injected into the brain near to the area damaged by the stroke.

Key facts about retinal disease

RP is an inherited, **degenerative eye disease** that results in the loss of peripheral vision[1].

The end result is blindness. **1** in **3,000** to **4,000** people are affected by RP[1].

Our therapy could **potentially benefit patients** suffering from this rare disease.

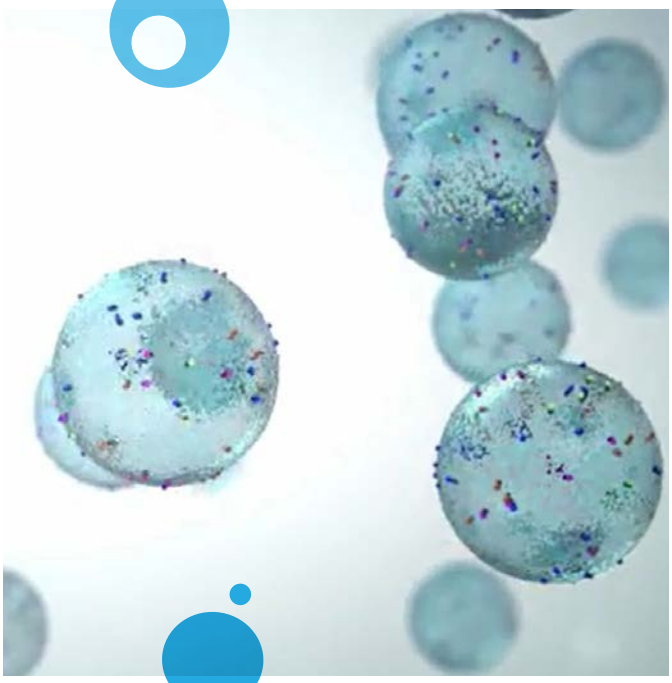
Key facts about stroke disability

Around **800,000 strokes** happen in the US each year[2].

Stroke mortality rate has decreased by 33% since 1996 suggesting that **more people are suffering** from stroke disability[3].

More people than ever might be able to **benefit from our potentially life-changing therapy** to reduce their disability, and dependence on others.

Our CTX-derived exosomes could change the lives of patients where **current treatment options are limited**.



What are CTX-derived exosomes?

These are nano-sized packages of information released by CTX cells.

What can they do?

Therapeutic agents can be loaded to our exosomes and potentially be used to treat a host of poorly met medical needs.

How it is used

CTX-derived exosomes can be delivered either locally or systemically depending upon the desired final destination.

Key facts about exosomes

Our studies have identified the potential of **ExoPr0** (our first CTX exosome therapeutic candidate) as both a novel therapeutic candidate and as a drug delivery vehicle.

We are focusing on the use of our exosome technology as a **novel drug delivery vehicle**.

One of the key advantages of our CTX-derived exosomes is that they can cross the **blood brain barrier**.

(1) RP Fighting Blindness
(2) Centers for Disease Control and Prevention
(3) National Institutes of Health

For scientific terms see the glossary on page 83

Chairman's statement

I am pleased to introduce the Group's results for the year ended 31 March 2019.

The Company's programmes have continued to progress well during the period. The most notable milestone achieved was the announcement, and subsequent presentation in conference, of positive preliminary data from the first cohort of three patients in the Phase 2a element of the ongoing US Phase 1/2a clinical trial with our hRPC cell therapy candidate for retinitis pigmentosa. We remain highly encouraged by these early efficacy results, with all three patients demonstrating a rapid improvement in vision compared with their pre-treatment baseline. We look forward to reporting further Phase 2a data from the study later this year.

Elsewhere, we commenced patient dosing during the period in the US Phase 2b study of our CTX cell therapy candidate for stroke disability. Top-line results from this study are expected in late 2020. We have also refocused our exosome technology programme towards value-generating business partnerships, in which our exosomes may be exploited as a novel vector for delivering third party biological drugs.

We have highlighted previously the interest our therapeutic programmes have attracted from commercial third parties. In April 2019, this interest culminated in the signing of an exclusive licence agreement with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharma") for the development, manufacture and commercialisation of both our CTX and hRPC cell therapy programmes in the People's Republic of China. We are delighted to be partnering with Fosun Pharma, a leading healthcare group in China with extensive healthcare business interests worldwide.

In June 2019, ReNeuron won the 'Breakthrough of the Year' award at the annual European Mediscience Awards in London, in recognition of the strong clinical development and commercial progress the Company has made over the past year. The European Mediscience Awards is one of the largest annual gatherings of private and publicly quoted healthcare, biotech and life sciences companies in Europe.

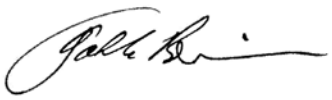
Our therapeutic programmes have attracted the interest of a number of commercial third parties

Despite the substantial progress we have made during the period, we have continued to maintain tight control over our operating costs, reflected in the Group's financial results for the year ended 31 March 2019.

ReNeuron continues to make sound progress across its therapeutic programmes and we look forward to reporting further progress in the year ahead. The Board and I would like to extend our thanks to our employees for their ongoing commitment and hard work during the year. I would also like to thank all of our shareholders for their continued support.

John Berriman
Non-executive Chairman

On page 78 of this report is the Notice of the 2019 Annual General Meeting (AGM) to be held at 10 a.m. on 12 September 2019. A short explanation of the resolutions to be proposed at the AGM is set out on page 81. 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.



John Berriman
Non-executive Chairman
18 July 2019

Strategic Report

Our process for developing life-changing therapies

Pre-clinical trials

Pre-clinical studies (in vitro and in vivo) are conducted to assess feasibility, efficacy and safety of any potential drug product prior to it being tested in humans.

Clinical trials

Phase 1

We assess the safety of a biologically active substance in a small, select group of subjects.

Phase 2a

We evaluate the efficacy and safety of our therapy in selected populations of patients.

Phase 2b

We then evaluate the efficacy and safety of our therapy in patients in a controlled, rigorous trial.

Phase 3

Once our therapy has been shown to be both efficacious and safe (in Phase 1 and Phase 2) we carry out large-scale clinical trials.

Review and approval

Once a therapy has been deemed safe and effective, it is submitted for approval to regulatory bodies. These bodies review the available evidence and approve it if the benefits appear to outweigh the risks.

Our hRPCs (for retinitis pigmentosa therapy) have recently been shown to be safe and well-tolerated, and have moved into the Phase 2a part of the current US clinical trial to evaluate safety and preliminary efficacy. Results will form the basis for interactions with both European and US regulatory authorities regarding future clinical development of hRPC.

Our CTX cell therapy (for stroke disability) has had both Phase 1 and Phase 2a success, and is currently being evaluated in a Phase 2b, placebo-controlled clinical trial in the US in 110 patients at up to 40 clinical trial sites.

Our exosome technology platform is undergoing pre-clinical evaluation as a drug delivery vehicle.

Progress in the last 12 months

hRPCs

The Phase 2a part of the current US Phase 1/2a trial in retinitis pigmentosa is ongoing.

All three subjects in the first cohort of the Phase 2a element have demonstrated an improvement in vision compared with their pre-treatment baseline.

In March 2019, the dosing of the second cohort of three Phase 2a patients commenced.

We have partnered with Fosun Pharma for the development, manufacture and commercialisation of our hRPC stem cell therapy in China.

Read more about our progress with hRPC stem cells on page 10

CTX Cells

Patient dosing commenced in the study PISCES III, a randomised, placebo-controlled clinical trial in 110 patients.

In January 2019, the first patient was treated in the Phase 2b study. We are seeking a one point or more improvement in the modified Rankin Scale (mRS) score, at six months post surgery, in CTX-treated patients that have a mRS score of three or four at baseline.

We have partnered with Fosun Pharma for the development, manufacture and commercialisation of our CTX stem cell therapy in China.

Read more about our progress with CTX stem cells on page 12

CTX-derived exosomes

Our focus has been on the potential of our exosomes as a drug delivery vehicle, providing greater scope for near-term third party collaboration deals.

We have signed a collaboration agreement with a US-based pharmaceutical company to explore use of exosome technology as a novel delivery vehicle in gene therapy.

Data has been presented that shows that exosomes can be loaded with miRNA and proteins.

We have made a significant advance towards an industrial scale production of exosomes without affecting the quality and consistence of the final product.

Read more about our progress with CTX-derived exosomes on page 14

Pipeline with Near Term Catalysts

Programme	Indication	Pre-clinical	Phase 1	Phase 2	Next Milestone
hRPCs	Retinitis Pigmentosa				Top line Phase 1/2a data read out expected Q4 2019
CTX cells	Stroke Disability				PISCES III, pivotal, multi-centre U.S. Phase 2b study, data read out expected Q4 2020
Exosomes	Drug Delivery / Therapy				Collaboration / Partnering deals targeted

Our progress towards changing patients' lives

hRPCs for retinitis pigmentosa therapy

Pre-clinical data

- A rodent model of retinal degeneration was used to study the effects of our hRPC therapy. These hRPCs were injected subretinally (just beneath the photoreceptor layer of the retina).
- The results from this study demonstrated that these cells can treat retinal degeneration.

They are able to . . .

1. Preserve retinal structure and function.
2. Differentiate into components of the retina.

Phase 1 element of combined Phase 1/2a trial

- This study was a single centre, open-label, dose escalation trial to assess the safety of hRPCs in patients with established retinitis pigmentosa.
- Three different doses of hRPCs were tested.
- Patients received a single, subretinal injection of one dose and were followed up for one year.
- It was determined that subretinal injections of hRPCs at the three doses tested were safe and well tolerated.
- We successfully developed a cryopreserved formulation of our hRPC stem cell therapy.
- This will enable cells to be frozen for shipping/storage and be easily thawed at the point of clinical use.
- The success of this stage means that we were able to progress into the Phase 2a element of the combined Phase 1/2a study.

Phase 2a element of combined Phase 1/2a study

- We progressed into the Phase 2a element of the combined Phase 1/2a study.
- We were able to expand our assessment of efficacy into RP patients that have a greater baseline level of visual acuity (clarity of vision).
- **First cohort:** As seen on Figure 2, all three of the first cohort of subjects in the Phase 2a part of the study reported a rapid and significant improvement in vision, on average equivalent to reading an additional three lines of five letters on the Early Treatment Diabetic Retinopathy Study (ETDRS) eye chart, the standardised eye chart used in clinical trials to measure visual acuity, as seen in Figure 1.
- **Second cohort:** In March 2019, the dosing of the second cohort of three Phase 2a patients commenced. This dosing is now complete and dosing of the remaining two cohorts is in progress.
- These later cohorts comprise patients with a greater baseline level of visual acuity than those treated earlier in the study as we seek to assess preliminary efficacy in patient groups with differing levels of remaining vision. The clinical protocol allows for up to 12 patients to be treated in the Phase 2a element.

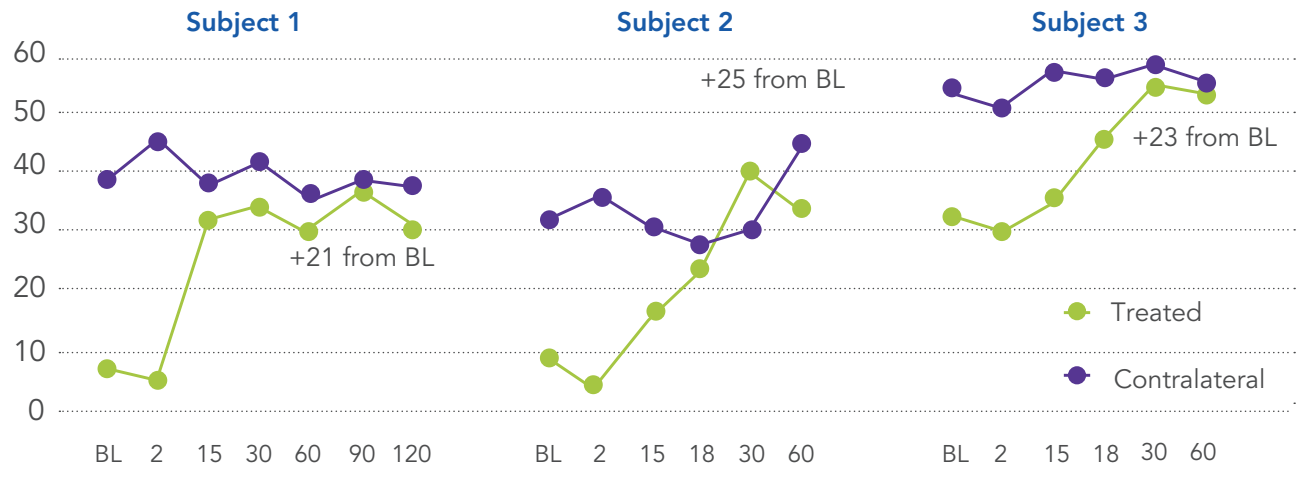
What does this mean for future development?

- If the Phase 1/2a data continue to be positive, this will enable us to progress into a Phase 2b clinical trial in RP and potentially other retinal diseases.

Figure 1

Figure 2

Cohort 5 efficacy results* – changes in letters read (ETDRS chart)



Subject 1 treated at Mass Eye & Ear Subjects 2 and 3 treated at Retinal Consultants of Arizona

* Sixth annual Retinal Cell and Gene Therapy Innovation Summit, Vancouver, Canada – April 2019

Our progress towards changing patients' lives

CTX cells for stroke disability

Pre-clinical data

- A well-established rodent model of stroke was used to study the effects of our CTX cell therapy.
- The CTX cells were directly injected into the brain.
- Our results were particularly positive given that restricted blood supply to the brain, following a stroke, results in nerve cell death.
- The effects of our CTX cell therapy included the formation of new blood vessels, new nerve cells and new connections between nerve cells.

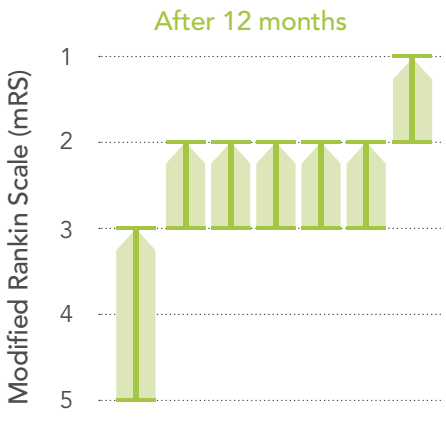
Clinical trials: Phase 1 study

- In this study, we included 11 stable, disabled stroke patients who were between 6 months and 5 years post-stroke.
- This study was a single centre, open-label, ascending dose trial to assess safety.
- The CTX cells were directly injected into the putamen (an area of the brain), and patients were followed up for over two years post-implantation.
- It was determined that these CTX cell injections at the doses tested were safe and well tolerated.

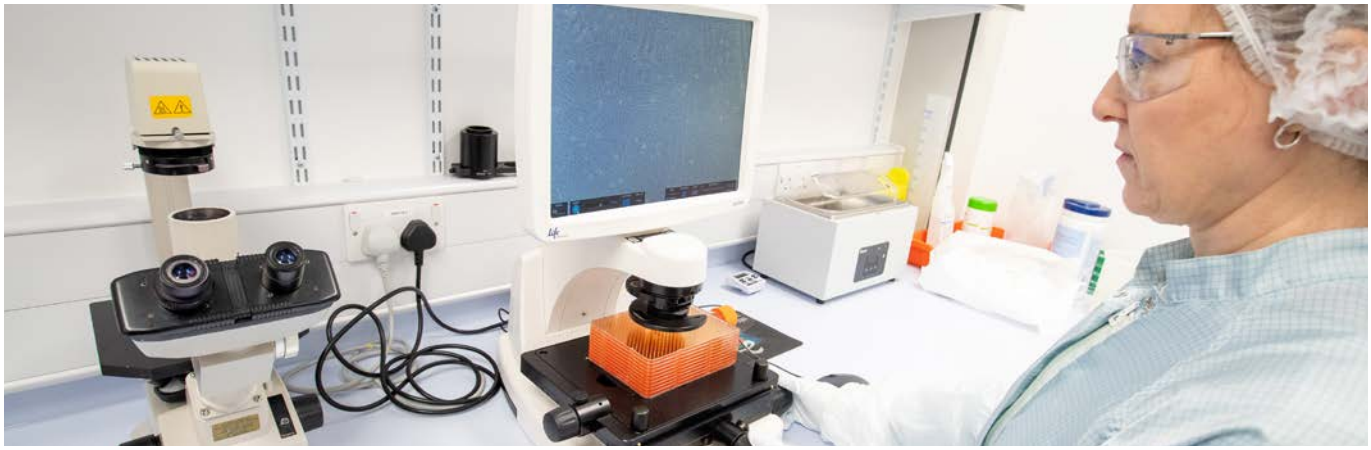
Clinical trials: Phase 2a study

- In this study, we included 23 disabled, stable stroke patients, who were between 2 and 13 months post-stroke.
- This study was a single arm, open-label trial using the highest dose tested in Phase 1. This trial was 'single arm' because all the patients were administered the same dose.
- CTX cells (20 million cells) were directly injected into the putamen, and patients were followed up for 12 months post-implantation.
- No cell-related safety issues were identified.
- The Modified Rankin Scale (or mRS, a globally used measure of functional disability and dependence in stroke sufferers) was used as a secondary end-point for this study.
- As shown by the figure to the left, 7 out of 20 (35%) patients demonstrated a clinically meaningful improvement at 12 months post-implantation. An even higher response rate (50%; 6/12) was observed in pre-specified patients who had some residual upper limb movement at time of treatment.

Modified Rankin Scale (mRS)



0 No symptoms at all
1 No significant disability despite symptoms
2 Slight disability; unable to carry out all previous activities, but able to look after own affairs without assistance
3 Moderate disability; requiring some help, but able to walk without assistance
4 Moderately severe disability; unable to walk and attend to own bodily needs without assistance
5 Severe disability; bedridden, incontinent and requiring constant nursing care and attention



Clinical trials: Phase 2b study

- Patient dosing commenced in the study PISCES III, a randomised, placebo-controlled clinical trial in 110 patients.
- We are seeking a one point or more improvement in the mRS scoring, at six months post surgery, in CTX-treated patients that have a mRS score of 3 or 4 at baseline.
- The study will be conducted in up to 40 sites of which 15 surgical sites and 22 assessment sites have been approved by the end of June 2018.
- Subject to relevant regulatory approvals, the ongoing PISCES III study may be expanded to include clinical sites in China.
- Top-line data from PISCES III is expected in late 2020.

What does this mean for future development?

- If the Phase 2b results are positive, our intention is to seek a partner to progress the programme through late clinical development and to commercialisation.

Our progress towards changing patients' lives

CTX-derived exosomes as a novel drug delivery vehicle

Potential as a novel drug delivery vehicle

- Our studies have identified the potential of our exosome technology platform as both a novel therapeutic candidate and as a drug delivery vehicle. Our focus has been on the potential of our exosomes as a drug delivery vehicle.
- We have signed a collaboration agreement with a US-based pharmaceutical company to explore use of exosome technology as a novel delivery vehicle in gene therapy. The initial feasibility stage will optimise the process of loading molecules called oligonucleotides into exosomes. If successful, exosomes could be able to deliver these molecules to targeted parts of the body.

Scaleability

- We have tested the production of exosomes through our grant-funded collaboration between University College London and the Cell and Gene Therapy Catapult.
- The new data demonstrate the feasibility of scaling up the production of our CTX-derived exosomes utilising state-of-the-art bioreactor systems.
- This represents a significant advance towards an industrial scale production process without affecting the quality and consistency of the final product.

What does this mean for future development?

- We will continue to develop our CTX-derived exosomes as a novel vector for delivering third party biological drugs.
- We intend to pursue opportunities to capitalise on the significant scientific and life sciences industry interest in exosomes. We will do this by forming further value-generating business partnerships covering this exosome technology.

CTX-derived exosomes explained

What are exosomes?

The exosomes released by our CTX cells are nano-sized packages of signalling molecules.

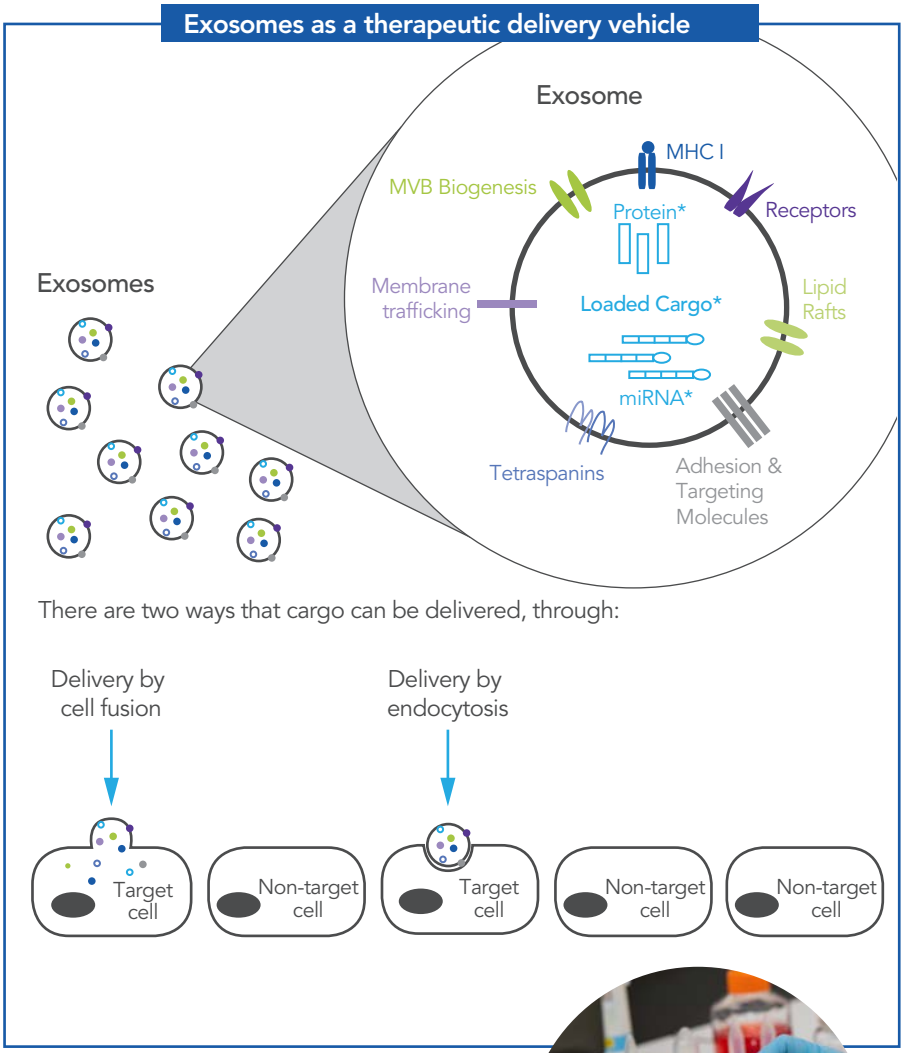
Therapeutic agents can be attached to exosomes as cargo. Exosomes have the ability to deliver this cargo to specifically targeted cells in the body.

Advantages of exosomes as a delivery vehicle

- Natural carrier of nucleic acids and proteins, amenable for loading complex, hard-to-deliver therapeutic agents.
- Ease of bioengineering.
- Low immunogenicity.
- Intrinsically durable.

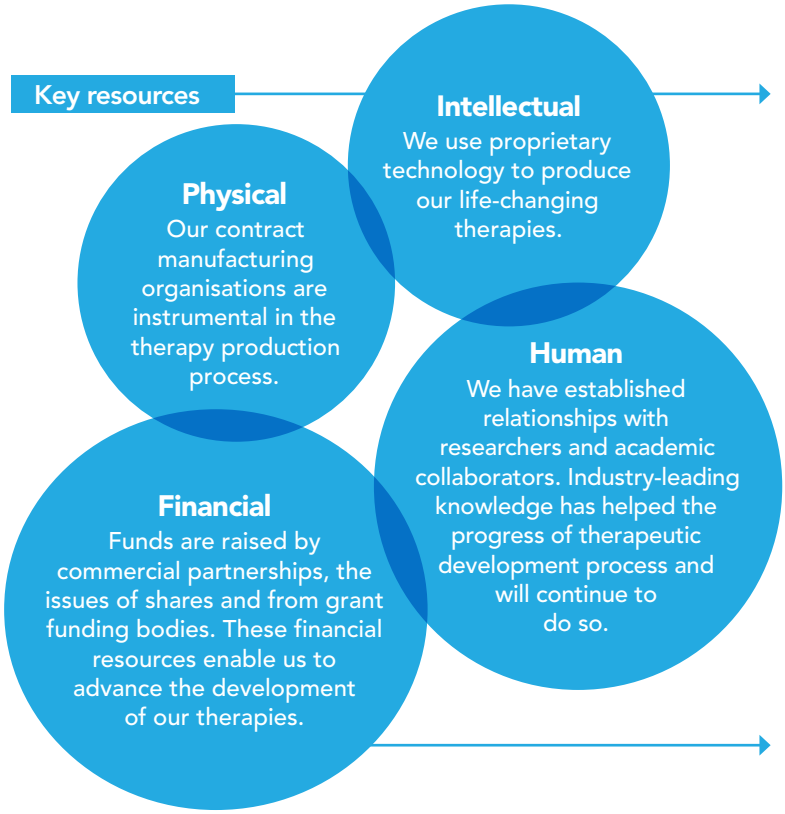
Advantages of ReNeuron's exosome technology

- Stable, consistent, high-yield.
- Proven ability to load miRNA and proteins.
- There is a potential for exosomes to work as a therapeutic in gene therapy.
- Able to cross the blood brain barrier.
- Could be engineered to target particular tissues.



Our business model

Key resources



Value chain

Develop best-in-class cell-based therapies for life-changing high-value products.

Gain clinical validation for our therapeutic programmes, via robust clinical trials in well regulated territories.

Realise value for our technologies and therapeutic programmes, via direct sales or substantial licence deals.

Our relationships

CTX cells

As part of the clinical trials for the CTX cell therapy for stroke disability, we develop strong relationships with the sites and neurosurgeons who administer the therapy.

This will support our value proposition in the long run, once our therapy has been reviewed and approved, because we will have already developed a relationship with a number of the sites and neurosurgeons who will be administering the therapy to patients.

We signed an exclusive licence agreement with Fosun Pharma to develop our CTX cell therapy programme in China.

hRPCs

We are developing good relationships with inherited retinal disease specialists, who administer the hRPC therapy to study participants.

This will support the clinical development to advance this potential therapy to patients with inherited retinal disease.

Our licence agreement with Fosun Pharma for China also includes our hRPC therapy programme.

CTX-derived exosomes

We are developing strong relationships with academic and clinical key opinion leaders.

We also have relationships with commercial organisations who we will be collaborating with as we broaden our therapeutic pipeline.

We have established a relationship with a US-based biopharmaceutical company to explore the use of our exosome technology to create delivery vehicles for gene therapy.

Our competitive advantages

With our proprietary technology…

- CTX drug product is a proprietary allogeneic cell therapy produced by our well-established, scalable manufacturing process. (Allogeneic: recipients from cells are immunologically different from cell donor).
- The same proprietary CTX cell line is used to produce our exosome product.
- A different, highly efficient, patented process is used to produce hRPCs on a large scale.

With our flexible cryopreservation process…

- Our CTX cells and hRPCs can be cryopreserved, which provides flexibility in terms of scheduling patient treatment.
- This makes our product similar to conventional 'off-the-shelf' pharmaceuticals/biologics.
- Our cryopreservation process allows us to develop the therapies and transport them globally.

With our development pipeline…

- Our therapy development pipeline spans the pre-clinical and clinical development process.
- We have seen positive early Phase 2a data with our hRPC therapy showing sustained improvements in vision in our first cohort of patients.
- We are continuing to progress with the clinical development of our CTX cell therapy with the treatment of our first patient in January 2019 in PISCES III.
- There are significant clinical validation milestones due in the next 18 months across both clinical programmes.
- The exosomes we are harnessing for use are a by-product of our CTX cells, which means they are likely to be safe in patients, are derived from a cGMP compliant process, and can be produced at an industrial scale without affecting the quality and consistency of the final product.

We are positioned for success

Our marketplace

How do our therapies address the market need?

Retinal diseases

Market need

No approved treatment for vast majority of patients with retinitis pigmentosa (RP).

Key facts

$0.5bn – $1.6bn

Market potential for RP therapy[1]

Market characteristics

There is currently no general cure and limited treatment options for RP and sufferers remain reliant on both health and social care services.

As with all forms of blindness, the quality of the patient's life is significantly diminished.

Given that this condition is inherited it can affect every part of the patient's life; from their career to decisions around starting a family.

Current treatments target specific genes and therefore are only appropriate for a limited number of the RP population as there are over 100 gene defects causing RP.

Our response

Our hRPC therapy is non-gene specific, so it can target the entire patient population.

Our research suggests that hRPC therapy may be able to slow the progression of RP through its ability to differentiate into components of the retina and its ability to maintain existing photoreceptors.

Our hRPC therapy doesn't require immunosuppressants.

(1) Analysts' estimates: Stifel March 2018, N+1 Singer April 2017, Edison May 2017. (2) Benjamin et al (2017) Circulation 135, e146-e603. (3) Centers for Disease Control and Prevention. (4) Stroke Association.

Stroke disability

Market need

Treatment options are limited, and they are only available within 4.5 hours of stroke onset.

Key facts

$34bn
Spent each year in the US on stroke disability

$3.4bn
Spent each year in the UK on stroke disability

Market characteristics

Stroke disability significantly affects a patient's quality of life, and the treatment and care of these patients is a burden on health and social care as well as family and caregivers.

There are currently no treatments for stroke disability after the early phase.

US

Stroke is the leading cause of morbidity and long-term disability in the US[2]. In the US, $34 billion is spent each year on stroke disability (this includes health care services, medications and lost productivity)[3].

UK

In the UK, the NHS spends £3.4 billion each year on stroke disability and the social care spend is £5.2 billion annually[4].

Our response

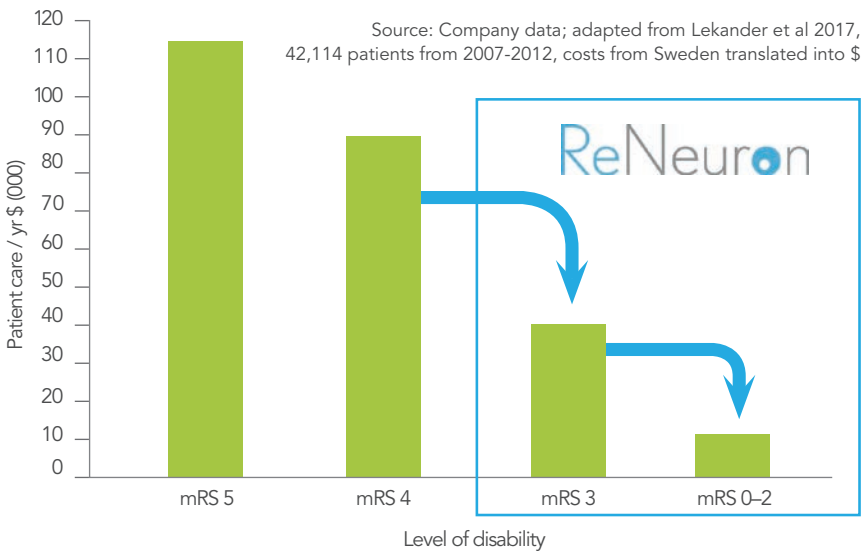
Our CTX cell therapy aims to treat patients months after their stroke.

The Phase 2a clinical trial (PISCES II) for our CTX cell therapy demonstrated that it can reduce a patient's global disability post stroke as assessed by mRS.

In our Phase 2b study, we are seeking a one point or more improvement in mRS scoring, at six months post surgery, in CTX-treated patients that are mRS score of 3 or 4 at baseline.

Swedish study

The graph on the right shows the results from a 2017 Swedish study which demonstrated that patient care cost is proportionate to their level of stroke disability (as measured by the mRS). Our Phase 2b study targets patients with a mRS score of 3 or 4 and will be looking for an improvement of one or more points.



Our marketplace

Drug delivery vehicles

One of our primary objectives is the development of novel stem cell derived exosomes as a delivery vehicle targeting areas of significant unmet or poorly met medical need. There are drawbacks with the current delivery technologies.

Limitations of current delivery technologies	Advantages of exosomes
Lipid Nanoparticles (LNP) induce a significant inflammatory response.	An advantage of exosomes are their low immunogenicity, which means they do not provoke immune responses in the body.
Less than 5% of LNPs deliver their cargo to the correct cellular compartment.	LNPs are generally taken up by a certain type of pathway in the body which results in lysosomal destruction. Exosomes however have the ability to be taken up by a number of different pathways, including cell fusion. If the exosome fuses with the cell membrane, its cargo will be directly released into the cell to have its desired functional effect.
It has been demonstrated that current available delivery technologies can deliver siRNA but primarily only to the liver.	There is a potential for exosomes to deliver molecules to specifically targeted areas.

Why ReNeuron's exosomes?

Limitations of current exosome delivery technologies:

Very few therapies successfully cross the blood brain barrier (BBB), making central nervous system disorders difficult to treat.

Why does it make it difficult to treat?

If drugs do not cross the BBB easily, it either rules out systemic administration via intravenous injection (IV) or very high doses are needed to get an efficacious dose to the brain. If IV is ruled out, then local administration is your only option which will be much more complex, expensive and less accessible. If higher doses are given via IV, the chance of off-target effects (side-effects) increases significantly.

Our response:

Our CTX-derived exosomes can cross the BBB. We believe our exosomes can do this because of their cell of origin.

The CTX producer cell line is derived from the cortical region of the brain. This cell line produces exosomes with specific surface markers that allow the exosomes to cross the BBB and communicate with other cells within the brain.

References: Vader et al 2016 – *Extracellular vesicles for drug delivery*; Ha et al 2016 – *Exosomes as therapeutic drug carriers and delivery across biological barriers.*


ReNeuron

Chief Executive Officer's review of performance

Commenting on the results, Olav Hellebø, Chief Executive Officer, said:

"The past year has been a transformational one for ReNeuron. During the period, we commenced patient dosing in the US placebo-controlled Phase 2b clinical trial of our CTX cell therapy candidate in chronic stroke disability. This was followed shortly afterwards by the announcement of strongly positive preliminary efficacy data from the first three Phase 2a patients in the ongoing US Phase 1/2a clinical trial of our hRPC cell therapy candidate in retinitis pigmentosa. We look forward to delivering further significant clinical data in our stroke and retinitis pigmentosa programmes over the next 18 months.

We are pleased to be working with Fosun Pharma as our partner for China, following the signing of the exclusive licence agreement for both our CTX and hRPC programmes in that territory. We are also encouraged by the level of interest other potential collaborators are showing in all of our programmes, including our exosome technology which is being developed as a novel system for delivering third party drugs.

We look forward to providing further updates on our clinical and commercial progress in the months ahead."

Review of clinical programmes

hRPC for retinal disease

During the period under review, and subsequent to it, we have made significant progress advancing the clinical development of our human retinal progenitor cell (hRPC) therapy candidate in the blindness-causing disease, retinitis pigmentosa (RP). A Phase 1/2a open-label clinical trial is ongoing to evaluate the safety, tolerability and preliminary efficacy of our hRPC stem cell therapy candidate in patients with advanced RP. The Phase 2a element of the study, which uses a cryopreserved hRPC formulation, enrols subjects with some remaining retinal function and is being conducted at two clinical sites in the US: Massachusetts Eye and Ear in Boston and Retinal Research Institute in Phoenix, Arizona.

In February 2019, we reported positive preliminary data in the first cohort of three patients in the Phase 2a element of the study, with all three subjects in the cohort demonstrating a rapid improvement in vision compared with their pre-treatment baseline.

In April 2019, further data from the first patient cohort in the study were presented at the sixth annual Retinal Cell and Gene Therapy Innovation Summit in Vancouver, Canada, which preceded the 2019 annual meeting of the Association for Research in Vision and Ophthalmology. In the presentation, it was reported that the first cohort of patients in the Phase 2a element of the study had demonstrated a sustained and further improvement in vision compared with baseline, with a mean improvement from baseline in visual acuity of + 23 letters on the ETDRS eye chart in the treated eye (the untreated control eyes did not show meaningful improvement). An improvement of + 23 letters is equivalent to reading an additional four lines of letters on the ETDRS eye chart, the standardised eye chart used to measure visual acuity in clinical trials.

Olav Hellebø
Chief Executive Officer

An improvement of at least + 15 letters from baseline is considered to be clinically meaningful by the US Food and Drug Administration (FDA), as stated in their recent guidance on gene therapy for retinal disorders. In addition to these objective measurements, all three subjects had also noted a subjective improvement in vision in their treated eye.

Dosing of the second cohort of three subjects in the Phase 2a element of the study is complete and dosing of the remaining two cohorts is in progress. These later cohorts comprise patients with a greater baseline level of visual acuity than those patients earlier in the study, as we seek to assess preliminary efficacy in patient groups with differing levels of remaining vision. The clinical protocol for the study allows for up to 12 patients (four cohorts of three patients each) to be treated in the Phase 2a element of the study.

We expect to treat the remaining patients in the study shortly and to report preliminary data from all treated Phase 2a subjects in October at the American Academy of Ophthalmology 2019 Annual Meeting in San Francisco. These results will form the basis of our future interactions with the European and US regulatory authorities regarding the future clinical development path of hRPC for the treatment of RP. Our clinical programme in RP benefits from Orphan Drug Designation in both Europe and the US, as well as Fast Track designation from the US Food and Drug Administration (FDA).

CTX for stroke disability

During the period, we have continued to progress the clinical development of our CTX cell therapy candidate for stroke disability. In January 2019, we announced that patient dosing had commenced in PISCES III, a randomised, placebo-controlled, Phase 2b clinical trial in 110 patients at up to 40 clinical trial sites in the US.

Patients in the study are treated between 6 and 12 months after their stroke and are randomised to receive either CTX therapy or placebo treatment.

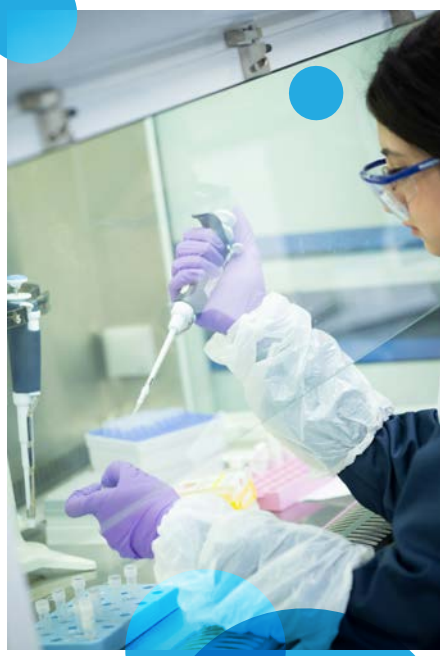
The primary end-point of the PISCES III study is the proportion of patients showing a clinically important improvement (at least one point) on the modified Rankin Scale (mRS) at six months post treatment compared with baseline. The mRS is a global measure of disability or dependence upon others in carrying out activities of daily living and is accepted by regulatory authorities as an appropriate end-point for marketing approval in stroke disability.

Based on current patient recruitment and resource planning, we expect to report top-line data from the PISCES III study in late 2020. We expect the PISCES III clinical trial, if positive, to be one of two pivotal studies required to support marketing authorisations for CTX in stroke disability.

Exosome technology

During the period, we reassessed how best to exploit our CTX cell-based exosome platform to maximise potential near-term commercial opportunities. We are pursuing opportunities to capitalise on the significant scientific and life sciences industry interest in exosomes by forming value-generating business partnerships covering our exosome technology. In this regard, ExoPr0, our first CTX-derived exosome candidate arising from this technology, is being developed as a novel vector for delivering third party biological drugs.

In January 2019, we signed a collaboration agreement with a US-based biopharmaceutical company to explore the use of our exosome technology to create delivery vehicles for synthetic oligonucleotides used in gene therapy. We are in active early discussions with other commercial third parties regarding potential collaboration agreements for our exosome technology.



Chief Executive Officer's review of performance continued

Also in January 2019, new data were presented in conference from a grant-funded collaboration between ReNeuron, University College London and the Cell and Gene Therapy Catapult. The new data demonstrated the feasibility of scaling up the production of our CTX-derived exosomes utilising state-of-the-art bioreactor systems, representing a significant advance towards an industrial scale production process without affecting the quality and consistency of the final product.

Business development activities

Our technologies and therapeutic programmes have increasingly attracted the interest of commercial third parties. During the period, a non-refundable exclusivity fee of US$2.5 million was received from one such third party relating to a potential out-license of our hRPC retinal stem cell technology. As previously announced, this potential licensee ultimately withdrew from the deal for reasons unrelated to ReNeuron's technology.

In April 2019, we announced the signing of an exclusive licence agreement with Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharma") for the development, manufacture and commercialisation of both our CTX and hRPC cell therapy programmes in the People's Republic of China.

Under the terms of the licence agreement, Fosun Pharma will fully fund the development of our CTX and hRPC cell therapy programmes in China, including clinical development and subsequent commercialisation activities. Fosun Pharma has also been granted rights to manufacture the licensed products in China. In return, ReNeuron received £6.0 million (before withholding tax) on entering into the agreement and will receive up to £6.0 million in near-term operational milestones and up to £8.0 million in future regulatory milestone payments.

In addition, ReNeuron will receive estimated post-launch profit threshold milestone payments of £80.0 million provided all milestones and profit thresholds relating to the licensed products are successfully met, as well as tiered royalties at rates between 12% and 14% on sales of the licensed products in the Chinese market.

We remain in discussions with other commercial third parties regarding potential collaboration and/or out-licensing deals across our programmes.

Other activities

In October 2018, we presented data demonstrating for the first time that our lead CTX cell line can be successfully reprogrammed to an embryonic stem cell-like state and then differentiated along a different path from the original cell line. Importantly, ReNeuron's immortalisation technology remained functional in the reprogrammed cells. These results demonstrate that our CTX cell line could be used to produce new conditionally immortalised allogeneic (i.e. non-donor-specific) cell lines from any of the three germ layers: ectoderm, mesoderm and endoderm. We are now working to develop further new allogeneic cell lines, including NK and T-cells (the cells that can be modified to attack cancer cells), as potential therapeutic agents for out-licensing to third parties.

Summary and outlook

The last year has been a transformational one for ReNeuron. During the period, we commenced patient dosing in the US placebo-controlled Phase 2b clinical trial of our CTX cell therapy candidate in chronic stroke disability. This was followed shortly afterwards by the announcement of strongly positive preliminary efficacy data from the first three Phase 2a patients in the ongoing US Phase 1/2a clinical trial of our hRPC cell therapy candidate in retinitis pigmentosa.

We look forward to delivering further significant clinical data in our stroke and retinitis pigmentosa programmes over the next 18 months.

We are pleased to be working with Fosun Pharma as our partner for China, following the signing of the exclusive licence agreement for both our CTX and hRPC programmes in that territory. We are also encouraged by the level of interest other potential collaborators are showing in all of our programmes, including our exosome technology which is being developed as a novel system for delivering third party drugs.

We look forward to providing further updates on our clinical and commercial progress in the months ahead.

Olav Hellebø
Chief Executive Officer
18 July 2019

Financial review

Revenues in the year amounted to £49,000 (2018: £43,000), being royalties from non-therapeutic licensing activities. Grant income of £0.8 million (2018: £0.85 million) was also recognised in other income. In addition, £1.9 million (2018: £Nil) was recognised in other income relating to an exclusivity fee received during out-licensing negotiations.

Research and development costs were slightly reduced at £16.3 million (2018: £16.7 million) and accounted for 77% of operating expenses (2018: 78%). The higher cost in the prior period reflects increased manufacturing and process development activity ahead of the commencement of the ongoing clinical trials in retinitis pigmentosa and stroke disability.

General and administrative expenses have increased by £0.1 million (2%) to £4.7 million (2018: £4.6 million). This increase is primarily explained by higher legal and professional fees driven by an increase in business development and contracting activities.

Finance income represents income received from the Group's cash and investments and gains from foreign exchange with losses from foreign exchange shown in finance costs. Finance income was £1.1 million in the period (2018: £0.3 million). In 2019, finance income included foreign exchange gains of £0.8 million (2018: £Nil). In 2018, foreign exchange rate movements led to a foreign exchange loss of £0.91 million. The Group holds cash and investments in foreign currencies in order to hedge against operational spend in those currencies. The strengthening of sterling against the US dollar during the period has resulted in a relative appreciation of the Group's foreign currency deposits.

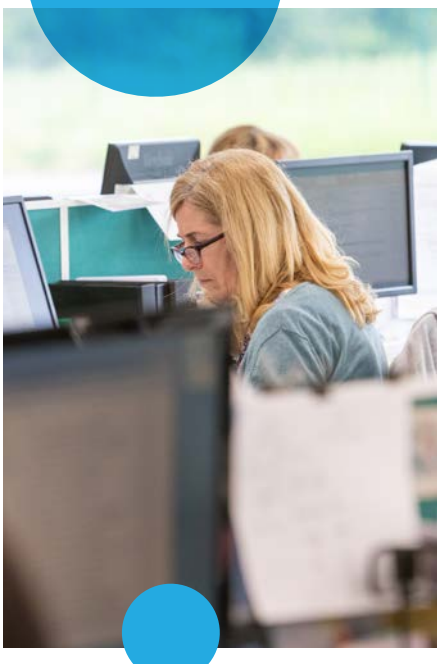
The total tax credit for the period was £2.9 million (2018: £3.35 million). The 2018 figure included £0.35 million received relating to 2017. The reduction in the accrual on the previous year reflects the reduction in applicable costs.

As a result of the above, the total comprehensive loss for the year reduced to £14.3 million (2018: £17.6 million).

Cash used in operating activities was £12.0 million (2018: £14.9 million), largely reflecting the operating costs incurred during the period, net of tax credits received. The Group had cash, cash equivalents and bank deposits totalling £26.4 million at the year end (2018: £37.4 million). Post year end, the Group has received £5.4 million, net of withholding tax, pertaining to the licence agreement with Fosun Pharma.

Michael Hunt ACA
Chief Financial Officer
18 July 2019

Michael Hunt ACA
Chief Financial Officer



Risks and uncertainties

Risk	Potential impact	Mitigation action/control
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. The regulatory process is both complex and multi-jurisdictional.	**Clinical potential impact** The Group may fail to develop a drug candidate successfully because we cannot demonstrate in clinical trials that it is safe and efficacious. Delays in achieving regulatory approval may impose substantial costs on the business. 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. Once approved, the product and its manufacture will continue to be reviewed by the regulators and may be withdrawn or restricted. **Regulatory potential impact** Reduction of an income stream through regulation could adversely affect the commercial viability of a drug product. Withdrawal of a drug product by a particular regulatory agency would prevent sale in that particular territory and may be followed by regulators in other territories.	The Group's internal development expertise and knowledge in its targeted clinical areas will enable it to develop therapeutic products in a manner which will substantially mitigate, but which cannot eliminate this risk in the future. The Group looks to employ suitably qualified and experienced staff. It also consults, where necessary, with regulatory advisers and regulatory approval bodies to ensure that regulatory requirements are met. Additionally, the Group seeks to foster a culture where quality is a key priority. Both it and its clinical and manufacturing partners comply with Good Clinical Practice and Good Manufacturing Practice and employs rigorous processes in its research and development of therapeutic products. The Group uses experienced and reputable clinical research organisations in its clinical trials.
Intellectual property risk Intellectual property protection remains fundamental to the Group's strategy of developing novel drug candidates. The Group's 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. The Group manages a portfolio of patents and patent applications which underpin its research and development programmes.	There is a risk that intellectual property may become invalid or expire before, or soon after, commercialisation of a drug product and the Group may be blocked by other companies' patents and intellectual property.	The Group invests significantly in maintaining and protecting this intellectual property through the use of expert lawyers and patent agents to reduce the risks over the validity and enforceability of our patents. The protection of the Group's intellectual property is a significant consideration throughout the Group's contracting activity.
Manufacturing and supply risk The Group's ability to successfully scale up production processes to viable clinical trial or commercial levels is vital to the commercial viability of any product.	**Manufacturing potential impact** Inability to sell a drug product on a commercially viable scale. 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. Availability of raw materials is extremely important to ensure that manufacturing campaigns are performed on schedule. **Supply potential impact** Substantial cost increases and delays in production which could adversely impact on the Group's financial results and cash liquidity.	The Group utilises reputable contract manufacturing organisations, experienced in meeting the requirements of Good Manufacturing Practice. The Group maintains contractual relationships with key manufacturers and suppliers to ensure availability of supply and sufficient notice of disruption. Additionally, the Group seeks to avoid reliance upon any single supplier or manufacturer.

Risk	Potential impact	Mitigation action/control
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.	These risks may adversely affect the Group's financial results and cash liquidity.	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.
Fundraising risk The Group has incurred considerable losses since its inception and is dependent upon equity and public grant financing. It does not currently have any approved or revenue generating products.	The Group may not be able to raise additional funds that will be needed to support its product development programmes or commercialisation efforts. Any new funds raised may lead to dilution of existing investors.	The Group is continually seeking business development opportunities which enable it to support the future costs of development of its drug products and commercialise them successfully. Additionally, the Board places considerable emphasis on communication with shareholders and potential investors, to maximise the chances of successful future fundraising.
Cyber risk There is risk that third parties may seek to disrupt the Group's business, or perpetrate acts of fraud using digital media.	Loss of IT systems for a significant period may result in delays in the development and commercialisation of drug product. Fraud may result in financial loss.	The Group is focused on maintaining a robust and secure IT environment that protects its corporate data and systems. IT systems are continuously monitored and employees are trained to be aware of cyber security and the associated risks.
Site and system disruption risk Unexpected events could disrupt the business by affecting its key facility, critical equipment, IT systems or a number of employees.	Loss of IT systems for a significant period or key employees may result in delays in the development and commercialisation of drug product.	The Group has developed a business continuity plan to ensure that it can respond effectively to identified risks. All critical equipment will have active service contracts in place. Business continuity insurance is in place.
Staff turnover risk The Group is dependent upon its ability to attract and retain highly qualified and skilled staff.	Loss of key staff could delay the development and commercialisation of drug product.	The Group offers attractive employment packages, including share incentive plans, and actively encourages employee engagement in the business. Employees also have significant opportunities for learning and development as well as promotion opportunities born out of the Group's staff appraisal and succession planning processes.

Risks and uncertainties continued

Risk	Potential impact	Mitigation action/control
Risks associated with the departure of the United Kingdom from the EU ("Brexit")		
SME and Orphan Drug status Within the EU, the Group holds SME status, together with Orphan Drug Designation in respect of its hRPC product.	Loss of SME status and Orphan Drug Designation within the EU upon the United Kingdom's exit would expose the Group to increased costs of development and commercialisation of drug product within the EU.	The Group has incorporated ReNeuron Ireland Limited to enable it to maintain a presence within the EU and to manage and mitigate the risks and uncertainties surrounding the final outcome of exit negotiations between the United Kingdom and the EU.
Regulatory risks After Brexit, regulatory requirements for the development and approval of drug products and medical devices may diverge between the EU and the UK.	The EU is seen as a major future market for the Group's products and regulatory divergence may complicate and slow the process of developing and commercialising drug product in the EU.	The Group has considerable experience of dealing with major overseas regulators including both the EU and the USA and will monitor changing requirements and adapt accordingly.
Currency risks The Group makes purchases of supplies and services overseas, notably in the EU and the USA.	Currency volatility or a post-Brexit depreciation of Sterling may increase costs.	The Group will monitor the situation and will utilise the methods described under financial risk above to mitigate the risks.

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; and
- its reliance on consultants, contractors and personnel at third-party research institutions.

Pages 8 to 28 of this Annual Report and Accounts comprise the Strategic Report for the Group which has been prepared in accordance with chapter 4A of part 15 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Michael Hunt
Director
18 July 2019

Governance

Board of Directors

John Berriman
Non-executive Chairman

Appointed
John Berriman was appointed to the Board in July 2011 and became Chairman in March 2015.

External appointments
He is currently also chairman of Confo Therapeutics NV, Autifony Therapeutics Ltd and Depixus SAS, and Deputy Chairman (non-executive) of Autolus Therapeutics Ltd.

Experience and skills
He is past chairman of Heptares Therapeutics Ltd (sold to Sosei in February 2015) and Algeta ASA (sold to Bayer AG in 2014) and was a director of Micromet Inc. until its sale to Amgen in 2012. Previously he was a director of Abingworth Management, an international healthcare venture capital firm.

Olav Hellebø
Chief Executive Officer

Appointed
Olav Hellebø was appointed to the Board in September 2014.

Experience and skills
Prior to ReNeuron, he held the role of CEO at Clavis Pharma ASA, a Norwegian, oncology-focused, listed biotechnology company. He joined Clavis from UCB where he built the global organisation responsible for the successful registration and launch of the anti-TNF Cimzia®. Mr Hellebø was COO of Novartis UK and prior to that held a series of senior roles at Schering Plough, including US marketing director for Claritin and head of the Biotech Oncology Business Unit in the USA.

Michael Hunt ACA
Chief Financial Officer

Appointed
Michael Hunt joined ReNeuron in 2001. Between 2005 and 2014 he served as its 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.

External appointments
He sits on the Board and Executive Committee of the US-based Alliance for Regenerative Medicine (ARM) and is a founding member and co-chair of ARM's European Section. He sits on the UK BioIndustry Association's Cell & Gene Therapy Advisory Committee and its Finance and Tax Advisory Committee and is a member of the Cell & Gene Therapy Catapult's Advisory Panel.

Experience and skills
Prior to ReNeuron, he spent six years at Biocompatibles International plc (sold to BTG plc) where he held a number of senior financial and general management positions. His early industrial career was spent at Bunzl plc. He qualified as a chartered accountant with Ernst & Young.

Simon Cartmell OBE
Non-executive Director

Appointed
Simon Cartmell OBE was appointed to the Board in July 2011.

External appointments
He is an experienced non-executive director currently chairing OssDsign AB, Oviva AG and Ieso Digital Health Ltd. He is also non-executive director of BoneSupport Holding AB and is active in charitable educational activities through the Worshipful Company of Haberdashers.

Experience and skills
As CEO of ApaTech Ltd, he built a world leader in orthobiologics and led its sale to Baxter International Inc. in March 2010. Prior to ApaTech he was CEO of Celltech Pharmaceuticals and a director of Celltech Group plc before which he was COO 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. Most recently he has served as an operating partner for Imperial Innovations plc, latterly IP Group plc after its acquisition, a leading UK bioscience venture capital firm.

Key: Committees

- A Audit
- R Remuneration
- N Nominations and Corporate Governance
- ○ Committee Chair

Dr Tim Corn
Non-executive Director

Appointed
Dr Tim Corn was appointed to the Board in June 2012.

External appointments
He serves as a non-executive director on the Board of Neurocentrx Pharma Ltd, as chairman of the Board of Trustees of The Neuro Foundation and as Chief Medical Officer of Izana Bioscience.

Experience and skills
He was formerly Chief Medical Officer at EUSA Pharma International, a division of Jazz Pharmaceuticals, at EUSA Pharma Inc and at Zeneus Pharma, as well as non-executive director at Circassia Pharmaceuticals plc and HRA Pharma.

He has held senior medical, clinical and regulatory positions in both big and small pharma as well as in the UK regulatory agency and has played a key role in more than 20 regulatory approvals in the USA and Europe for products in the fields of neurology and oncology.

Fellowships
He is a Fellow of both the Faculty of Pharmaceutical Medicine and the Royal College of Psychiatrists.

Dr Claudia D'Augusta
Non-executive Director

Appointed
Dr Claudia D'Augusta was appointed to the Board in September 2017.

External appointments
She is the CFO of VectivBio AG, a global biotechnology company created in July 2019 as a spin-out of Therachon, recently acquired by Pfizer for up to $810 million.

Experience and skills
She has over 20 years' experience in corporate finance, capital markets and M&A. Before joining Therachon in January 2019, she was CFO, then general manager at Tigenix (now Takeda) where she led the company's IPO on NASDAQ in 2016. She also served as CFO of Cellerix and led its merger with Tigenix. She was also finance director of Aquanima (Santander Group). Previous experience includes roles in corporate finance and M&A at Deloitte & Touche in Milan and Apax Partners in Madrid.
She holds a degree in Economics and a Ph.D. in Business Administration from the University of Bocconi, Italy.

Professor Sir Chris Evans OBE
Non-executive Director

Appointed
Professor Sir Chris Evans OBE was appointed to the Board in August 2013.

External appointments
He was the founder of Chiroscience, Celsis, Biovex, Merlin Biosciences, Vectura, Piramed, Excalibur Group, Arthurian Life Sciences, Arix Bioscience plc and Proton Partners. He is also currently Founder and Chairman of Ellipses Pharma, a new cancer medicines company.

Experience and skills
He has built over 50 medical companies from scratch, many from his own ideas and inventions, and floated 20 new medical businesses on stock markets in six different countries. He has created companies worth over $7 billion employing over 4,000 scientists, built hundreds of complex medical laboratories and facilities around the world and positively impacted many millions of lives with his work. He has also raised $2 billion for cancer research projects. He has received numerous prestigious awards and medals for his work and was knighted in the year 2000.

Dr Mike Owen
Non-executive Director

Appointed
Dr Mike Owen was appointed to the Board in December 2015.

External appointments
He currently serves as a director of Zealand Pharma, Ossianix Inc. (chairman), Avacta plc, GammaDelta Therapeutics, Sareum plc and Glythera Ltd and is a member of the scientific advisory board at Avacta.

Experience and skills
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. He has also previously served as a director for BLINK Biomedical SAS. For many years he held a research position at the Imperial Cancer Research Fund (now CR-UK) and he has previously served on the scientific advisory board of the CRT Pioneer Fund LP.

He is also a member of the European Molecular Biology Organisation.

Fellowships
He is a Fellow of the Academy of Medical Sciences.

Senior management

Nicholas Adams VP, Business Development & Alliance Management

Appointed

Nicholas Adams was appointed VP, Business Development & Alliance Management in July 2019.

Experience and skills

Nick Adams has considerable experience leading a range of international deal types including in- and out-licensing, divestments, spin-outs, and mergers and acquisitions.

After graduating from the University of Hertfordshire with a B.Sc. in Biology, he started his career in clinical development working for Ciba-Geigy (now part of Novartis), Cephalon and Eisai. He then studied Law full-time at the College of Law, London before moving into Business Development at Antisoma where he started as In-Licensing Manager but later became VP, Business Development. During his time at Antisoma more non-dilutive income was generated through licensing deals/divestments (>US$160 million) than through the capital markets – primarily through deals with Novartis and Sanofi. More recently he has worked as Chief Business Officer at both Clavis Pharma and Redx Pharma.

Dr Richard Beckman Chief Medical Officer

Appointed

Dr Richard Beckman was appointed Chief Medical Officer in April 2018.

Experience and skills

Prior to joining ReNeuron, Dr Beckman was the Chief Medical Officer of several innovative biotech and device firms, including Clearside, Ophthotech and Neurotech. Prior to that, he had leadership roles at Alcon, Lux Bio, Becton Dickinson and Allergan.

Dr Beckman received his MD from the University of Michigan, completed a residency in ophthalmology at Henry Ford Hospital, and a glaucoma fellowship at the Mass. Eye and Ear Infirmary/Harvard University. Prior to joining the industry, he practised in academic medicine for three years at Cornell University Medical College and was in private practice for ten years.

Dr Randolph Corteling Head of Research

Appointed

Dr Randolph Corteling was appointed Head of Research in April 2015 having been a senior member of the research team since 2007.

Experience and skills

Prior to joining ReNeuron, Dr Corteling started his scientific career as a Research Associate at Novartis, before undertaking a PhD in Medical and Surgical Sciences at The University of Nottingham. He then spent three years in Canada as a Heart and Stroke Foundation Fellow before joining ReNeuron in 2007. During his career Dr Corteling has developed a number of new discoveries along with a thorough understanding of cell and stem cell biology, with a particular interest and expertise in the role of extracellular vesicles and exosomes.

Sharon Grimster General Manager, Wales

Appointed

Sharon Grimster joined ReNeuron in 2013 and was appointed as VP Development & General Manager, Wales in April 2015.

Experience and skills

Sharon Grimster 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 business operations. She started her pharmaceutical career at Celltech, where she led teams in project management, manufacturing and research.

Shaun Stapleton Vice President Regulatory Affairs and Pharmacovigilance

Appointed

Shaun Stapleton was appointed Head of Regulatory Affairs in June 2015.

Experience and skills

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, the EU and internationally in the neurology, endocrinology and oncology therapeutic areas.

Directors' report

for the year ended 31 March 2019

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 March 2019.

Presentation of financial statements

The Group accounts include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2019.

Future developments

Future developments are set out in the Strategic Report on pages 08 to 28.

Results and dividends

The results for the year are given in the Group statement of comprehensive income set out on page 54. The Directors do not recommend the payment of a dividend (2018: £nil).

Research and development

During the year the Group incurred research and development costs of £16,255,000 (2018: £16,657,000) all charged to the statement of comprehensive income.

Events after the reporting period

On 9 April 2019 ReNeuron Limited signed an exclusive licensing agreement with Shanghai Fosun Pharmaceutical Development Co. Ltd. Further details are set out in note 29 to the financial statements.

Financial risk management

Financial risk management is set out in note 21 to the financial statements and also in risks and uncertainties on pages 26 to 28.

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

Simon Cartmell OBE,
Non-executive Director

Dr Tim Corn,
Non-executive Director

Dr Claudia D'Augusta,
Non-executive Director

Professor Sir Chris Evans OBE,
Non-executive Director

Dr Mike Owen,
Non-executive Director

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.

Going concern

The Group is expected to incur significant further costs as it continues to develop its therapies and technologies through clinical development. The operation of the Group is currently being financed from funds that have been raised from share placings, commercial partnerships and grants and the Directors are currently considering a number of options for further funding of the Company's ongoing clinical programmes.

After making enquiries, the Directors expect that the Group's current financial resources can, where appropriate, be managed such that they will be sufficient to support operations for at least the next 12 months from the date of these financial statements. The Group therefore continues to adopt the going concern basis in the preparation of these financial statements.

Statement of Directors' responsibilities

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

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

Directors' report

view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Parent 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 reappointment 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 12 September 2019 at 10.00 a.m. The Notice of the Annual General Meeting is enclosed on page 78 of this document.

By order of the Board

Michael Hunt
Director
18 July 2019

Corporate governance

This report provides general information on the Group's adoption of corporate governance principles. As an AIM-listed company, ReNeuron intends to adopt as far as possible the principles of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long-term shareholder value, encompassing an efficient, effective and dynamic management framework accompanied by good communication to promote confidence and trust.

The sections below set out the ways in which the Group applies the ten principles of the QCA Code in support of the Group's medium to long-term success. The Investor Centre (Corporate Governance Section) on the Group's website also contains an index setting out the locations of relevant disclosures on the website and/or in the Group's Annual Report pertaining to the Group's application of the QCA Code.

1. Establish a strategy and business model which promote long-term value for shareholders

The strategy and business operations of the Group are set out in the Strategic Report on pages 08 to 28.

The Group's strategy and business model, and amendments thereto, are developed by the Chief Executive Officer and his senior management team, and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group's overall strategic objective is to develop best-in-class cell-based therapies in its areas of therapeutic focus.

The Group has a balanced portfolio of cell-based platform technologies and therapeutic programmes targeting significant, unmet or poorly met areas of medical need. The Group deploys its financial and other resources towards gaining clinical validation for its therapeutic programmes, via well-designed clinical trials in well-regulated territories. Ultimately, the Directors believe that this approach will deliver significant long-term value for shareholders if the resulting clinical trial data are compelling.

At the appropriate stage of development, the Group may choose to realise monetary value in a therapeutic programme via high-value out-licensing deals with pharmaceutical or biotechnology companies with interests in the relevant therapeutic field and/or geographical territories.

The out-licensing in April 2019 of the development and commercialisation of the Group's hRPC and CTX products to Fosun Pharma in China represents a successful manifestation of this strategy. Alternatively, and if resources permit, the Group may choose to advance a therapeutic candidate through late-stage clinical development unpartnered in order to retain the full value of the programme within the Group.

The Group has adopted a portfolio approach to its strategic assets and is not dependent on one particular platform technology, having developed therapeutic programmes around its CTX neural and hRPC retinal stem cell assets, as well as its CTX-derived exosome nanomedicine platform. The Directors believe that this approach helps to mitigate the risk of failure in any one particular programme.

The Group operates in an inherently high-risk and heavily regulated sector and this is reflected in the principal risks and uncertainties set out on pages 26 to 28. In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with these key risks and uncertainties, and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.

Corporate governance

2. Seek to understand and meet shareholder needs and expectations

The Group seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and to understand the needs and expectations of shareholders.

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.

The Group's investor relations activities encompass dialogue with both institutional and private investors. The Company is a regular presenter at private investor events, providing an opportunity for those investors to meet with representatives from the Group in a more informal setting.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, partners, suppliers, regulatory authorities and the patients involved in the Group's clinical development activities. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer term strategy.

The Group takes due account of any impact that its activities may have 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.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are appropriate to a business of this size and complexity and 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. Key elements of the system of internal control include:

- setting and communicating clear strategic goals;
- 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 on a monthly basis;
- the Group reforecasts the budget as necessary during the financial year, with the results reviewed and approved by the Board;
- working within a defined set of delegated authorities, approved by the Board; and
- all material contracts are reviewed by an Executive Director of the Company and external legal advice is taken as appropriate.

The Group's regulated activities are governed by appropriate Standard Operating Procedures. Staff behaviour is governed by appropriate policies including an Anti-Bribery Policy.

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.

The senior management team meet at least twice monthly to consider new risks and opportunities presented to the Group, making recommendations to the Board and/or Audit Committee as appropriate.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 26 to 28.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

As at 31 March 2019, the Board comprised six Non-executive Directors, and two Executive Directors.

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.

Directors' biographies are set out on pages 30 and 31.

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. A schedule of Matters Reserved for the Board may be found in the Corporate Governance Policies on the Group's website.

Eight formal Board meetings were held in the year ended 31 March 2019.

A summary of Board and Committee meetings attended in the year ended 31 March 2019 is set out below:

	Board meetings		Nominations and Corporate Governance Committee		Audit Committee		Remuneration Committee	
Director	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
J Berriman	8	8	2	2	2	2	4	4
O Hellebø	8	8	0	0	0	0	0	0
M Hunt	8	8	0	0	0	0	0	0
S Cartmell	8	8	2	2	2	2	5	5
T Corn	7	8	0	0	0	0	5	5
C D'Augusta	8	8	2	2	2	2	0	0
C Evans	6	8	0	0	0	0	0	0
M Owen	7	8	0	0	0	0	1	1

The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-executive Directors. All of the Non-executive Directors who currently sit on the Board of the Company are regarded as independent under the QCA Code's guidance for determining such independence.

Until 19 February 2019, Professor Sir Chris Evans sat on the board of Arix Bioscience plc who, by virtue of its ownership of Arthurian Life Sciences Limited, has an interest in 9.5% of the share capital of the Company. This is beneath the 10% threshold the UK Corporate Governance Code suggests when determining independence.

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 Directors' independence, these share options vest over three years on a straight-line basis and are not subject to performance conditions. The option grants concerned are not deemed to be significant, either for any individual Non-executive Director or in aggregate. The current remuneration structure for the Board's Non-executive Directors is deemed to be proportionate and was subject to a shareholder consultation process prior to its implementation.

6. Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers 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.

The Directors' biographies are set out on pages 30 and 31. The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisers on a number of corporate governance matters.

Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board has a process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman. This process is conducted biennially and last took place in May 2019. The Board utilises the services of an independent third party organisation to manage the evaluation process, analyse the results and report back to the Board for subsequent follow-up. Evaluation criteria include Controls and Procedures, Strategic Aims, Entrepreneurial Leadership and Communications and Relationships.

The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning.

Corporate governance continued

8. Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. There is an Employee Engagement Group and a Staff Engagement Survey has been introduced which has delivered positive feedback. The Executive Committee regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

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.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-executive Directors are responsible for bringing independent and objective judgement to Board decisions.

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 Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nominations and Corporate Governance Committee. 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 Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

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

The Audit Committee normally meets twice a year, which the Board deems to be sufficiently frequent in order for the Committee to discharge its responsibilities in the normal course of annual events. It 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 Audit Committee Report is set out on page 40.

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 incentive schemes and sets performance conditions for share options granted under the schemes.

During the year ended 31 March 2019, the Remuneration Committee met five times. The Committee reviewed and approved:

i) the degree of achievement of objectives for the year ended 31 March 2018 and consequent bonus awards and other adjustments to remuneration for Executive Directors and senior management;

ii) the corporate and personal objectives for the Group and Executive Directors for the year ended 31 March 2019;

iii) new share incentive plans for the Executive Directors and other staff in both the UK and the USA;

iv) the award of stock options to Directors, senior management and staff under the Group's share incentive schemes and the treatment of existing share option awards to staff made redundant during the year;

v) the remuneration package for Dr Rick Beckman (appointed as Chief Medical Officer during the year);

vi) staff retention and succession planning;

vii) departure arrangements in respect of Dr John Sinden who ceased to serve as Chief Scientific Officer on 30 April 2019, and;

viii) the Executive Directors' salaries and benefits.

The Directors' Remuneration Report is set out on pages 41 to 48. The Directors believe that this, together with the above summary of the work of the Remuneration Committee, constitutes sufficient disclosure to meet the QCA Code's requirement for a Remuneration Committee Report. Consequently, a separate Remuneration Committee Report is not presented.

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

During the year ended 31 March 2019, the Nominations and Corporate Governance Committee met twice. The Committee reviewed and approved:

i) the format of the Board evaluation exercise undertaken in May 2019; and

ii) the amendment of the Group's Corporate Governance Policies and Share Dealing Code.

The terms of reference of the above Committees are set out in the Company's Corporate Governance Policies document, which is regularly updated and can be found in the Investor Centre (Corporate Governance Section) on the Group's website. The Corporate Governance Policies document also contains a schedule of matters specifically reserved for Board decision or approval and sets out the Company's share dealing code and its public interest disclosure ('whistle-blowing') policy and procedures.

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

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's website is regularly updated and users can register to be alerted when announcements or details of presentations and events are posted onto the website.

Historical annual reports and other governance-related material can be found on the Group's website in the relevant sections in the Investor Centre section of the site.

The results of voting on all resolutions in future general meetings will be posted on the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20% of independent shareholders.

By order of the Board

John Berriman
Non-executive Chairman
18 July 2019

Audit Committee report

for the year ended 31 March 2019

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 March 2019.

The Audit Committee is a subcommittee of the Board and is responsible for ensuring effective governance over financial reporting and internal controls. The Committee represents the interests of the shareholders in relation to the integrity of information and the effectiveness of audit processes in place.

The Audit Committee consists of three Non-executive Directors. It is chaired by me and its other members are Simon Cartmell OBE and Dr Tim Corn, who has replaced John Berriman as a member of the Audit Committee during the year. I would like to thank John for his work as an Audit Committee member. I am an independent Director and have relevant financial experience. Audit Committee meetings are also attended, by invitation, by the Chief Financial Officer, Financial Controller and, where appropriate, other members of the Board. Representatives of the external auditor also attend by invitation and meet with the Audit Committee at least twice a year, with time allowed for discussion without any members of the executive team being present, to allow the external auditor to raise any issues of concern.

The Audit Committee acts independently of management to ensure that the interests of shareholders are protected in relation to the financial reporting and internal controls.

The principal duties of the Committee are to:

- monitor the integrity of the Group's financial reporting including the review of significant financial reporting issues and judgements;
- review and challenge whether appropriate accounting policies have been adopted, in particular for significant or unusual transactions where different approaches are possible;
- where requested by the Board, review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced, understandable and provides the information for shareholders to assess the Group's performance, business model and strategy;
- keep under review the adequacy and effectiveness of the internal financial controls and internal control and risk management systems;
- review and challenge, if appropriate, any significant related party transactions;
- oversee the external audit process including monitoring the external auditor's independence, objectivity, effectiveness and performance;
- review the Group's systems and controls for detecting fraud and preventing bribery; and
- monitor and review the Group's whistleblowing arrangements.

The Audit Committee has primary responsibility for the relationship between the Group and the external auditor.

This includes:

- considering and recommending to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Group's external auditors;
- considering the auditor's independence, objectivity, qualifications and effectiveness;
- reviewing the audit plan presented by the auditor and considering the risks identified therein;
- reviewing the auditors' findings reports on the Group's Annual Report and Accounts; and
- approving the level of fees paid to the auditors for audit and non-audit services.

During the year ended 31 March 2019, the Audit Committee met twice. The Committee reviewed and approved the financial statements for the year ended 31 March 2018, the interim results for the six months to 30 September 2018 and the external auditor's plan and fee for the 2019 external audit.

The Audit Committee considers risk areas in the financial statements throughout the year and before the audit commences. The Committee considered the following items to be areas of risk.

The Group incurs research and development expenditure from third parties. The Group recognises this expenditure in line with the management's best estimation of the stage of completion of each research and development project. This includes the calculation of accrued costs at each period end to account for expenditure that has been incurred. This requires management to estimate full costs to complete for each project and also to estimate its current stage of completion. The Committee pays particular attention to management's estimates of these items, its analysis of any unusual movements and their impact on cost recognition.

The Committee reviews the going concern basis that the accounts are prepared. The Group is in clinical-stage development and suffers significant operating losses from expenses incurred in research and development of its therapeutic programmes, as well as from general and administrative costs that have been incurred building our business infrastructure. The Group expects to continue to incur significant operating losses for the foreseeable future as it furthers its therapeutic programmes.

The Committee has reviewed cash balances and short and long term cashflow forecasts as well as plans to raise funding and is confident the going concern basis is appropriate.

The Audit Committee has satisfied itself that the external auditor is independent. The Audit Committee has concluded that the external audit process was effective, that the scope of the audit was appropriate and that significant judgements have been robustly challenged. No significant issues have been reported by the auditor.

The Audit Committee does not believe it necessary at this time to propose re-tendering of the audit contract.

A resolution for the reappointment of PricewaterhouseCoopers LLP as the statutory auditor will be proposed at the forthcoming Annual General Meeting.

No formal recommendations other than the approval of the Interim Statement and Annual Report and Accounts have been made to the Board by the Audit Committee and no external reports have been commissioned on financial control processes during the year ended 31 March 2019.

By order of the Board

Dr Claudia D'Augusta
Chair – Audit Committee
18 July 2019

Directors' remuneration report

for the year ended 31 March 2019

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 12 months. The basic contractual working week is 37.5 hours but contracts stipulate that Executive Directors are required to work whatever hours are necessary in order for them to fulfil their executive responsibilities.

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, payable in nominal price share options under the Company's Long Term Incentive 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 tables and notes on pages 43 to 48 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 active Share Option schemes subject to a cap 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 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, and a car allowance of £10,000 per annum to each Executive Director (disclosed as part of Salaries and fees in the remuneration table below). During the year, the Company paid a living allowance of £50,000 (2018: £42,000) to the Chief Executive Officer pertaining to the relocation of the Group to the Pencoed, South Wales site (also 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. Appointment letters stipulate that the Non-executive Director is expected to commit sufficient time to the role to meet the Company's expectations.

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.

Directors' remuneration report continued

for the year ended 31 March 2019

Directors' emoluments

The Directors received the following remuneration during the year:

Audited	Salaries and fees £'000	Bonuses £'000	Benefits in kind £'000	**2019 Total £'000**	**2019 Pension contributions £'000**	2018 Total £'000	2018 Pension contributions £'000
John Berriman	52	–	–	**52**	**–**	53	–
Olav Hellebø	358	149	2	**509**	**30**	413	27
Michael Hunt	217	104	2	**323**	**21**	280	19
Simon Cartmell OBE	38	–	–	**38**	**–**	38	–
Dr Tim Corn	30	–	–	**30**	**–**	25	–
Dr Claudia D'Augusta	37	–	–	**37**	**–**	21	–
Professor Sir Chris Evans OBE	26	–	–	**26**	**–**	26	–
Dr Mike Owen	27	–	–	**27**	**–**	26	–
Total	785	253	4	**1,042**	**51**	882	46

Bonuses disclosed above represent a cash element paid as a percentage of base salary, being 50% in both cases, based on achievement of corporate and personal performance objectives in the financial year ended 31 March 2019.

In addition to the above cash bonus, and in line with the above stated remuneration policy, the Executive Directors earned a non-cash bonus based on achievement of corporate and personal performance objectives in the financial year ended 31 March 2019, paid in the form of nominally priced share options awarded under the Group's Long-term Incentive Plan. The estimated gain on these options at the date of grant was £72,000 for Olav Hellebø (2018: £Nil) and £56,000 for Michael Hunt (2018: £Nil).

The Executive Directors elected to take some of their pension benefit as a cash alternative.

The Non-executive Directors also received an equity-based fee in the year which took the form of nominal price share options under the Company's Non-executive Share Option Scheme. The estimated gain on these options at the time of grant was £11,859 (2018: £3,500) to each of the Non-executive Directors.

Directors' emoluments include amounts payable to third parties in respect of fees as described in note 28 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. The date of 8 July 2019 is the latest practicable date for amendment prior to publication of results.

	Ordinary shares of 1p each		
	8 July 2019 Number	**31 March 2019 Number**	31 March 2018 Number
John Berriman	**90,434**	**10,434**	10,434
Olav Hellebø	**21,630**	**21,630**	6,694
Michael Hunt	**30,036**	**27,546**	20,084
Simon Cartmell OBE	**15,633**	**7,875**	7,875
Dr Tim Corn	**2,000**	**2,000**	2,000
Dr Claudia D'Augusta	**–**	**–**	–
Professor Sir Chris Evans OBE	**254,605**	**240,105**	240,105
Dr Mike Owen	**4,237**	**–**	–

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 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – unapproved	3	4,800	–	–	4,800	£3.75	September 2014 – September 2021
Options – unapproved	5	5,752	–	–	5,752	£2.87	September 2015 – September 2022
Options – unapproved	7	6,000	–	–	6,000	£3.60	September 2016 – September 2023
Options – unapproved	9	6,000	–	–	6,000	£3.45	September 2017 – September 2024
Options – unapproved	14	3,000	–	–	3,000	£1.00	August 2016 – July 2026
Options – unapproved	15	5,000	–	–	5,000	£1.00	October 2017 – September 2027
Options – unapproved	17	–	–	17,700	17,700	£0.01	October 2018 – September 2028
		30,552	–	17,700	48,252		

Olav Hellebø

	Note	At 1 April 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – approved	10	72,463	–	–	72,463	£1.00	September 2017 – September 2024
Options – unapproved	10	83,091	–	–	83,091	£1.00	September 2017 – September 2024
Options – unapproved	11	181,236	–	–	181,236	£1.00	October 2018 – October 2025
Options – unapproved	12	190,666	–	–	190,666	£1.00	July 2019 – July 2026
Options – unapproved	13	25,000	–	–	25,000	£1.00	July 2018 – July 2026
Options – unapproved	16	97,666	–	–	97,666	£1.00	July 2020 – September 2027
Options – unapproved	18	–	–	155,738	155,738	£0.01	September 2021 – September 2028
		650,122	–	155,738	805,860		

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed in the following notes.

Directors' remuneration report continued

for the year ended 31 March 2019

Michael Hunt

	Note	At 1 April 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – approved	1	3,478	–	–	3,478	£1.00	August 2011 – August 2019
Options – unapproved	2	10,355	–	–	10,355	£1.00	August 2013 – August 2020
Options – unapproved	4	14,583	–	–	14,583	£1.00	September 2014 – September 2021
Options – approved	6	31,818	–	–	31,818	£1.00	September 2015 – September 2022
Options – approved	8	6,945	–	–	6,945	£1.00	September 2016 – September 2023
Options – unapproved	8	32,638	–	–	32,638	£1.00	September 2016 – September 2023
Options – approved	10	17,153	–	–	17,153	£1.00	September 2017 – September 2024
Options – unapproved	10	23,471	–	–	23,471	£1.00	September 2017 – September 2024
Options – unapproved	11	70,909	–	–	70,909	£1.00	October 2018 – October 2025
Options – unapproved	12	82,916	–	–	82,916	£1.00	July 2019 – July 2026
Options – unapproved	13	12,500	–	–	12,500	£1.00	July 2018 – July 2026
Options – unapproved	16	68,000	–	–	68,000	£1.00	July 2020 – September 2027
Options – unapproved	18	–	–	33,334	33,334	£0.01	September 2021 – September 2028
Options – parallel	19	–	–	44,117	44,117	£0.01 or £0.68	September 2021 – September 2028
		374,766	–	77,451	452,217		

Simon Cartmell OBE

	Note	At 1 April 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – unapproved	3	4,800	–	–	4,800	£3.75	September 2014 – September 2021
Options – unapproved	5	5,752	–	–	5,752	£2.87	September 2015 – September 2022
Options – unapproved	7	6,000	–	–	6,000	£3.60	September 2016 – September 2023
Options – unapproved	9	6,000	–	–	6,000	£3.45	September 2017 – September 2024
Options – unapproved	14	3,000	–	–	3,000	£1.00	August 2016 – July 2026
Options – unapproved	15	5,000	–	–	5,000	£1.00	October 2017 – September 2027
Options – unapproved	17	–	–	17,700	17,700	£0.01	October 2018 – September 2028
		30,552	–	17,700	48,252		

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed in the following notes.

Dr Tim Corn

	Note	At 1 April 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – unapproved	5	5,752	–	–	5,752	£2.87	September 2015 – September 2022
Options – unapproved	7	5,000	–	–	5,000	£3.60	September 2016 – September 2023
Options – unapproved	9	5,000	–	–	5,000	£3.45	September 2017 – September 2024
Options – unapproved	14	3,000	–	–	3,000	£1.00	August 2016 – July 2026
Options – unapproved	15	5,000	–	–	5,000	£1.00	October 2017 – September 2027
Options – unapproved	17	–	–	17,700	17,700	£0.01	October 2018 – September 2028
		23,752	–	17,700	41,452		

Dr Claudia D'Augusta

	Note	At 1 April 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – unapproved	15	5,000	–	–	5,000	£1.00	October 2017 – September 2027
Options – unapproved	17	–	–	17,700	17,700	£0.01	October 2018 – September 2028
		5,000	–	17,700	22,700		

Professor Sir Chris Evans OBE

	Note	At 1 April 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – unapproved	7	5,000	–	–	5,000	£3.60	September 2016 – September 2023
Options – unapproved	9	5,000	–	–	5,000	£3.45	September 2017 – September 2024
Options – unapproved	14	3,000	–	–	3,000	£1.00	August 2016 – July 2026
Options – unapproved	15	5,000	–	–	5,000	£1.00	October 2017 – September 2027
Options – unapproved	17	–	–	17,700	17,700	£0.01	October 2018 – September 2028
		18,000	–	17,700	35,700		

Dr Mike Owen

	Note	At 1 April 2018 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2019 Number	Exercise price	Exercise period*
Options – unapproved	14	3,000	–	–	3,000	£1.00	August 2016 – July 2026
Options – unapproved	15	5,000	–	–	5,000	£1.00	October 2017 – September 2027
Options – unapproved	17	–	–	17,700	17,700	£0.01	October 2018 – September 2028
		8,000	–	17,700	25,700		

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed in the following notes.

Directors' remuneration report continued

for the year ended 31 March 2019

Note 1:

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 2019 these options were exercisable.

Note 2:

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 2019, 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 3:

These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a third clinical trial; at 31 March 2019 these options were exercisable.

Note 4:

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 2019, 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 5:

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 2019 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 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 2019, 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 7:

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 2019 these options were exercisable.

Note 8:

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 2019, 50% of these options were 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 9:

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 2019 these options were exercisable.

Note 10:

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 2019, 50% of these options were 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 11:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below; at 31 March 2019, 66.66% of these options were 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.

Note 12:

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 2019 these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in a seventh clinical trial;

ii) 33.3% vest on completion of the fifth 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.

Note 13:

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 2016 and carry no further performance conditions; at 31 March 2019 these options were exercisable.

Note 14:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2019, 88.88% of these options were exercisable.

Note 15:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2019, 50.0% of these options were exercisable.

Note 16:

These options were issued subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in an eighth clinical trial;

ii) 33.3% vest on completion of the sixth 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 FTSE AIM Healthcare Index in any three-year period from the date of grant of the option.

Note 17:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2019, 16.66% of these options were exercisable.

Note 18:

These options were issued subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 33.3% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products;

ii) 33.3% vest when the sixth clinical trial of a ReNeuron cell therapy completes;

iii) 33.4% vest if the Total Shareholder Return (TSR) of the Company meets or exceeds that of the FTSE AIM Healthcare Index in any three-year period from the date of grant of the option.

Note 19:

These are parallel options which may be exercised either as an unapproved option at an exercise price of 1p, or alternatively, at the choice of the option holder, as approved CSOP options at an exercise price of 68p. These options were issued subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 33.3% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products;

ii) 33.3% vest when the sixth clinical trial of a ReNeuron cell therapy completes;

iii) 33.4% vest if the Total Shareholder Return (TSR) of the Company meets or exceeds that of the FTSE AIM Healthcare Index in any three-year period from the date of grant of the option.

By order of the Board

Simon Cartmell OBE
Chair – Remuneration Committee
18 July 2019

Financial Statements

Independent auditor's report

to the members of ReNeuron Group plc

Report on the audit of the financial statements

Opinion

In our opinion, ReNeuron Group plc's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's loss and the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Parent Company statements of financial position as at 31 March 2019; the Group statement of comprehensive income, the Group and Parent Company statements of cash flows, and 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 description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £859,000 (2018: £1,048,000), based on 5% of loss before tax.
- Overall Parent Company materiality: £677,000 (2018: £800,000), based on 1% of total assets.
- The UK audit team performed an audit of the complete financial information of the one operating entity in the UK (ReNeuron Limited) as well as the parent company based in the UK (ReNeuron Group Plc), which comprise over 99% of the Group's loss before tax and over 99% of the Group's total assets.
- Accounting for research and development expenditure.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Accounting for research and development expenditure Research and development expenditure has decreased in the year. Due to the nature of the clinical trials and general research it is often difficult to estimate the amount of time a particular trial is going to take. ReNeuron outsources most of its research and development to third parties which restricts visibility and the ability to monitor the progression of a piece of research, or a trial's stage of completion. As a result it can be difficult for ReNeuron to measure what costs have been incurred in relation to a trial at a particular point in time and as such, based on billings received, whether project accruals and prepayments recorded are reasonably estimated. Our audit risk is focussed on whether the relevant expenditure has been appropriately included in the income statement and whether prepayments and accruals are appropriately calculated and recognised.	We performed the following procedures: • We verified the status of projects through a meeting with the Chief Medical Officer where the progress and status of each project was discussed. • We obtained management's calculations that support the research and development costs incurred during the year and verified the mathematical formulae used. • We obtained the contracts register and for a sample of contracts agreed that management had recognised costs in line with the underlying terms of the contract. • We sampled invoices detailed in management's calculations and tested back to invoice and verified that the cost description in the invoice matched costs included in management's schedule. • We obtained management's calculation of the accrual and prepayment position and verified the mathematical formulae. • We sampled the accrual position and tested back to either contract or invoice and verified the accuracy and existence of the accrual included in management's schedule. • We reviewed invoices received post 31 March 2019 to identify any costs not included in management's schedules.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

ReNeuron Group plc is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and its principal activities are research and clinical development of cell-based therapeutics.

The Group's accounting process is structured around a local finance function based in the United Kingdom. There are three active entities in the group; ReNeuron Group plc (which raises the equity to support the principal activity of the Group), ReNeuron Limited (which records the majority of Group activity) and ReNeuron Inc. (which incurs the costs of supervising the Group's clinical trials in the United States of America and recharge these back to ReNeuron Limited). There are three dormant entities in the Group: ReNeuron (UK) Limited, ReNeuron Holdings Limited and ReNeuron Ireland Limited.

For each active entity we determined whether we required an audit of their complete financial information ("full scope") or whether specified procedures addressing specific risk characteristics of particular financial statement line items would be sufficient.

It was assessed that ReNeuron Group plc and ReNeuron Limited required full scope audit procedures whilst ReNeuron Inc., which contributes less than 1% of the loss before tax and 1% of Group total assets, and contained no financial statement items that comprised more than 15% of the Group total, did not.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report continued

to the members of ReNeuron Group plc

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	£859,000 (2018: £1,048,000).	£677,000 (2018: £800,000).
How we determined it	5% of loss before tax.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, loss before tax is the most relevant measure in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets is the most appropriate measure since this entity is a holding company, and is a generally accepted auditing benchmark. This has been restricted to c. 50% of the benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £677,000 and £859,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £43,000 (Group audit) (2018: £50,000) and £34,000 (Parent Company audit) (2018: £40,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent 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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The Parent Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The Directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Parent Company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Jason Clarke BSc ACA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

18 July 2019

Group statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue: royalty income	5	**49**	43
Other income	6	**2,671**	854
Research and development costs	7	**(16,255)**	(16,657)
General and administrative costs	7	**(4,747)**	(4,616)
Operating loss		**(18,282)**	(20,376)
Finance income	8	**1,103**	320
Finance expense	9	**–**	(911)
Loss before income tax		**(17,179)**	(20,967)
Income tax credit	12	**2,887**	3,352
Loss and total comprehensive loss for the year		**(14,292)**	(17,615)
Loss and total comprehensive loss attributable to equity owners of the Company		**(14,292)**	(17,615)
Basic and diluted loss per Ordinary share	13	**(45.2p)**	(55.7p)

Group and Parent Company statements of financial position

as at 31 March 2019

		Group		Company	
	Note	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Assets					
Non-current assets					
Property, plant and equipment	14	**632**	726	**–**	–
Intangible assets	15	**186**	186	**–**	–
Investment in subsidiaries	16	**–**	–	**112,625**	103,225
		818	912	**112,625**	103,225
Current assets					
Trade and other receivables	17	**875**	1,285	**20**	73
Income tax receivable		**2,768**	3,010	**–**	–
Investments – bank deposits	18	**5,954**	9,500	**5,954**	9,500
Cash and cash equivalents	19	**20,432**	27,911	**19,083**	25,026
		30,029	41,706	**25,057**	34,599
Total assets		**30,847**	42,618	**137,682**	137,824
Equity					
Equity attributable to owners of the Company					
Share capital	22	**316**	316	**316**	316
Share premium account		**97,704**	97,704	**97,704**	97,704
Capital redemption reserve		**40,294**	40,294	**40,294**	40,294
Merger reserve		**2,223**	2,223	**1,858**	1,858
Accumulated losses					
At 1 April		**(103,868)**	(87,380)	**(7,838)**	(6,037)
Loss for the year attributable to the owners		**(14,292)**	(17,615)	**(1,182)**	(2,928)
Other changes in accumulated losses		**1,040**	1,127	**1,040**	1,127
At 31 March		**(117,120)**	(103,868)	**(7,980)**	(7,838)
Total equity		**23,417**	36,669	**132,192**	132,334
Liabilities					
Current liabilities					
Trade and other payables	20	**7,430**	5,949	**5,490**	5,490
		7,430	5,949	**5,490**	5,490
Total liabilities		**7,430**	5,949	**5,490**	5,490
Total equity and liabilities		**30,847**	42,618	**137,682**	137,824

The financial statements on pages 54 to 77 were approved by the Board of Directors on 18 July 2019 and were signed on its behalf by:

Michael Hunt
Director

Company registered number: 05474163

Group and Parent Company statements of changes in equity

for the year ended 31 March 2019

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 2017	31,646	97,704	8,964	2,223	(87,380)	53,157
Effect of share consolidation	(31,330)	–	31,330	–	–	–
Credit on share-based payment	–	–	–	–	1,127	1,127
Loss and total comprehensive loss for the year	–	–	–	–	(17,615)	(17,615)
As at 31 March 2018	316	97,704	40,294	2,223	(103,868)	36,669
Credit on share-based payment	–	–	–	–	1,040	1,040
Loss and total comprehensive loss for the year	–	–	–	–	(14,292)	(14,292)
As at 31 March 2019	**316**	**97,704**	**40,294**	**2,223**	**(117,120)**	**23,417**

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 2017	31,646	97,704	8,964	1,858	(6,037)	134,135
Effect of share consolidation	(31,330)	–	31,330	–	–	–
Credit on share-based payment	–	–	–	–	1,127	1,127
Loss and total comprehensive loss for the year	–	–	–	–	(2,928)	(2,928)
As at 31 March 2018	316	97,704	40,294	1,858	(7,838)	132,334
Credit on share-based payment	–	–	–	–	1,040	1,040
Loss and total comprehensive loss for the year	–	–	–	–	(1,182)	(1,182)
As at 31 March 2019	**316**	**97,704**	**40,294**	**1,858**	**(7,980)**	**132,192**

Group and Parent Company statements of cash flows

for the year ended 31 March 2019

		Group		Company	
	Note	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Cash flows from operating activities					
Cash used in operations	25	**(15,121)**	(19,244)	**(1,415)**	(1,450)
Income tax credit received		**3,129**	4,357	**–**	–
Net cash used in operating activities		**(11,992)**	(14,887)	**(1,415)**	(1,450)
Cash flows from investing activities					
Capital expenditure		**(188)**	(235)	**–**	–
Loans provided investment in subsidiaries		**–**	–	**(9,230)**	(11,648)
Interest received		**342**	383	**343**	380
Net cash generated from/(used in) investing activities		**154**	148	**(8,887)**	(11,268)
Cash flows from financing activities					
Bank deposit matured		**4,359**	14,525	**4,359**	14,525
Net cash generated from financing activities		**4,359**	14,525	**4,359**	14,525
Net (decrease)/increase in cash and cash equivalents		**(7,479)**	(214)	**(5,943)**	1,807
Cash and cash equivalents at the start of the year		**27,911**	28,125	**25,026**	23,219
Cash and cash equivalents at the end of the year		**20,432**	27,911	**19,083**	25,026

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 the United Kingdom. The address of its registered office is Pencoed Business Park, Pencoed, Bridgend CF35 5HY. 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 (IFRSs) as adopted by the European Union, the interpretations of the 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, as modified by the valuation of certain assets and liabilities at fair value through profit or loss.

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Statement of Comprehensive Income has not been presented in these Financial Statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2019.

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 Group statement of comprehensive income.

Intercompany transactions and 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 preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRS also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

a) Recognition of research and development expenditure

The Group incurs research and development expenditure from third parties. The Group recognises this expenditure in line with the management's best estimation of the stage of completion of each research and development project. This includes the calculation of accrued costs at each period end to account for expenditure that has been incurred. This requires management to estimate full costs to complete for each project and also to estimate its current stage of completion. Costs relating to clinical research organisation expenses in the year were £2.5 million. The related accruals were £1.0 million.

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 Group 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.

Other income

Other income represents government grants, together with transactions that do not arise in the course of an entity's normal activities and outside the definition of revenue above. Government grants related to expenses are recognised in the same period as the relevant expense. Other items are recognised when there is an unconditional right to the income, they fall due, and there is no risk of clawback 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 Group'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 Group 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 Group statement of comprehensive income. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Group and Parent Company statements 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 income within the Group 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 24. 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 Group 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.

Notes to the financial statements 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 Group 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 substantively 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 substantively 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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. The Group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Bank deposits, cash and cash equivalents

Cash and cash equivalents in the Group and Parent Company statements of cash flows and the Group and Parent Company 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 and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are, when correctly submitted, usually paid within 30 days of recognition. Trade

and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Capital redemption reserve

Section 733 of the 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 2019. None of them have any impact on the financial statements of the Group:

- IFRS 9 "Financial Instruments" (effective 1 January 2018);
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2018);
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2018);
- Annual improvements to IFRS Standards 2014-2016 Cycle (effective 1 January 2018);
- Amendments to IFRS 2 "Classification and Measurement of Share Based Payment Transactions" (effective 1 January 2018); and
- IFRIC Interpretation 22 "Foreign Currency Translation and Advance Consideration" (effective 1 January 2018).

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, with the exception of IFRS 16 Leases is not expected to have a material impact on the financial statements of the Group.

- IFRS 16 Leases (effective 1 January 2019);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019);
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019); and
- Annual improvements to IFRS 2015-17 cycle (effective 1 January 2019).

IFRS 16 "Leases" is effective for accounting periods commencing on or after 1 January 2019. The Group will apply the standard for the first time for the year ending 31 March 2020. IFRS 16 represents a fundamental change in lease accounting for lessees, because, with the exception of leases of less than 12 months duration and leases of low value assets, all leases are brought on balance sheet. The impact of this, had the Group applied IFRS 16 for the year ended 31 March 2019, is as follows:

	2019 £'000
Right of use asset	**696**
Accruals	**170**
Lease creditor	**(1,030)**
Reduction in reserves	**(164)**

The right of use asset represents the economic value of the Group's enjoyment of the assets and is amortised over the life of the lease. The lease creditor is the value of the minimum lease payment, discounted at the rate implicit in the lease. The adjustment to accruals reflects the reversal of the existing treatment under IAS 17.

Notes to the financial statements continued

The estimated impact of the depreciation charge in respect of the right of use asset and the interest charge on the lease creditor is as follows:

	2019 £'000
Depreciation charge	**101**
Interest charge	**39**

The operating lease costs relative to the above for 2018-19 were £89,000. Under IFRS 16 these are no longer charged to the Statement of Comprehensive Income.

3. Going concern

The Group is expected to incur significant further costs as it continues to develop its therapies and technologies through clinical development. The operation of the Group is currently being financed from funds that have been raised from share placings, commercial partnerships and grants and the Directors are currently considering a number of options for further funding of the Company's ongoing clinical programmes.

After making enquiries, the Directors expect that the Group's current financial resources can, where appropriate, be managed such that they will be sufficient to support operations for at least the next 12 months from the date of these financial statements. The Group therefore continues to adopt the going concern basis 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 activities and assets are predominantly 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: royalty income

Revenue represents income received from royalties arising from collaborations with third parties. The Group's revenue derives wholly from assets in the UK. All revenue is derived from customers in the US.

6. Other income

	2019 £'000	2018 £'000
Government grants	**778**	854
Exclusivity fee	**1,893**	–
Total	**2,671**	854

The non-refundable exclusivity fee was received from an interested party relating to the potential out-licensing of the Group's hRPC retinal technology.

7. Operating expenses

	2019 £'000	2018 £'000
Loss before income tax is stated after charging:		
Research and development costs:		
Employee benefits (note 11)	**4,712**	4,795
Depreciation of property, plant and equipment (note 14)	**208**	154
Operating lease charges – computer equipment	**16**	–
Other expenses	**11,319**	11,708
Total research and development costs	**16,255**	16,657
General and administrative costs:		
Employee benefits (note 11)	**2,300**	2,071
Legal and professional fees	**1,304**	949
Depreciation of property, plant and equipment (note 14)	**74**	78
Operating lease charges – land and buildings	**163**	176
Other expenses	**906**	1,342
Total general and administrative costs	**4,747**	4,616
Total research and development costs and general and administrative costs	**21,002**	21,273

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	2019 £'000	2018 £'000
Fees payable to the Group's auditors:		
– for the audit of the Parent Company and consolidated financial statements	**22**	20
– for the audit of the Company's subsidiaries pursuant to legislation	**23**	23
– audit related assurance services	**3**	30
– advisory services	**65**	48
Total	**113**	121

8. Finance income

	2019 £'000	2018 £'000
Interest receivable on short-term and investment bank deposits	**291**	320
Foreign exchange gains	**812**	–
Total	**1,103**	320

9. Finance expenses

	2019 £'000	2018 £'000
Foreign exchange losses	**–**	911

Notes to the financial statements continued

10. 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'.

	2019 £'000	2018 £'000
Aggregate emoluments of Directors:		
Salaries and other short-term employee benefits	**1,042**	902
Pension contributions	**51**	46
	1,093	948
Share-based payments	**570**	525
Directors' emoluments including share-based payments	**1,663**	1,473

Two Directors (2018: two) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

None of the Directors exercised share options during the year nor in the previous year.

For detailed disclosure of Directors' emoluments, including highest paid Director, please refer to the Directors' Remuneration Report on pages 41 to 48.

Directors' emoluments include amounts payable to third parties as described in note 28.

11. Employee information

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

	2019 Number	2018 Number
By activity:		
Research and development	**49**	52
Administration	**10**	10
	59	62

Group	2019 £'000	2018 £'000
Staff costs:		
Wages and salaries	**5,162**	4,927
Social security costs	**572**	574
Share-based payment charge	**1,040**	1,127
Other pension costs	**238**	238
	7,012	6,866

The Company holds the employment contracts for the two Executive Directors (2018: two) but all employee costs relating to these individuals are incurred by ReNeuron Limited.

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 £238,000 (2018: £238,000). There were no prepaid or accrued contributions to the scheme at the year end (2018: £Nil).

12. Income tax credit

	2019 £'000	2018 £'000
UK research and development tax credit at 14.5% (2018: 14.5%)	**2,887**	3,352

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% (2018: 14.5%) on 230% (2018: 230%) of qualifying expenditure for the year to 31 March 2019.

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

	2019 £'000	2018 £'000
Loss before income tax	**17,179**	20,967
Loss before income tax multiplied by the main rate of corporation tax of 19% (2018: 19%)	**3,264**	3,984
Effects of:		
– difference between depreciation and capital allowances	**(2)**	20
– expenses not deductible for tax purposes	**(197)**	(220)
– losses not recognised	**(302)**	(774)
– overseas losses utilised	**5**	–
– adjustments in respect of prior year	**119**	342
Tax credit	**2,887**	3,352

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 2019 £'000	Amount not recognised 2018 £'000
Tax effect of timing differences because of:		
Accelerated capital allowances	**10**	6
Short-term timing differences not recognised	**–**	85
Losses carried forward	**16,058**	14,408
	16,068	14,499

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

	Amount not recognised 2019 £'000	Amount not recognised 2018 £'000
Tax effect of timing differences because of:		
Losses carried forward	**921**	868

13. Basic and diluted loss per Ordinary share

The basic and diluted loss per share is calculated by dividing the loss for the financial year of £14,292,000 (2018: £17,615,000) by 31,646,186 shares (2018: 31,646,186 shares), being the weighted average number of 1 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

14. Property, plant and equipment

Group	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2017	955	250	1,205
Additions	185	49	234
At 31 March 2018	1,140	299	1,439
Accumulated depreciation			
At 1 April 2017	309	172	481
Charge for the year	172	60	232
At 31 March 2018	481	232	713
Net book amount			
At 31 March 2018	659	67	726
Cost			
At 1 April 2018	1,140	299	1,439
Additions	169	19	188
Disposals	(51)	(132)	(183)
At 31 March 2019	1,258	186	1,444
Accumulated depreciation			
At 1 April 2018	481	232	713
Charge for the year	222	60	282
Disposals	(51)	(132)	(183)
At 31 March 2019	652	160	812
Net book amount			
At 31 March 2019	606	26	632

The figures stated above include plant and equipment held under finance leases at cost of £Nil (2018: £3,000), depreciation of £Nil (2018: £2,000) and net book value of £Nil (2018: £1,000).

The Company had no property, plant or equipment at 31 March 2019 (2018: £Nil).

15. Intangible assets

Group	Licence fees £'000	Intellectual property rights not amortised £'000	Total £'000
At 1 April 2018 and 31 March 2019			
Cost	2,070	6,143	8,213
Accumulated amortisation and impairment	(1,884)	(6,143)	(8,027)
Net book amount at 31 March 2018 and 31 March 2019	186	–	186

The Company holds no intangible assets (2018: £Nil).

16. Investment in subsidiaries

Company

Net book amount	2019 £'000	2018 £'000
At the start of the year	**103,225**	91,337
Increased investment in subsidiaries	**9,230**	11,648
Capital contribution arising from share-based payments	**170**	240
Net book amount at 31 March	**112,625**	103,225

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.	ReNeuron Ireland Limited
Country of incorporation	England and Wales	England and Wales		England and Wales	Delaware, USA	Republic of Ireland
Description of shares held	£0.10 Ordinary shares	£0.001 Ordinary shares	£0.10 Ordinary shares	£0.10 Ordinary shares	$0.001 Common stock	€1 Ordinary shares
Proportion of nominal value of shares held by the Company	100%	100%	100%	100%	100%	100%

ReNeuron Limited is the principal trading company in the Group. ReNeuron Inc. employs staff who supervise the Group's clinical trials in the USA. 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. ReNeuron Ireland Limited is held directly by ReNeuron Limited. The registered office address for the UK subsidiaries is Pencoed Business Park, Pencoed, Bridgend CF35 5HY. The registered office addresses of the non-UK subsidiaries are:

- ReNeuron Inc., 155 Federal Street, Suite 700, Boston, MA 02110, USA; and
- ReNeuron Ireland Limited, The Black Church, St Mary's Place, Dublin 7, D07 P4AX, Ireland.

ReNeuron Ireland Limited has been incorporated to enable the Group to maintain a presence in the EU after the United Kingdom's exit, and to mitigate the risks and uncertainties surrounding the final outcome of the exit negotiations.

17. Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Current				
Other receivables	**400**	330	**20**	73
Prepayments and accrued income	**475**	955	**–**	–
Total trade and other receivables	**875**	1,285	**20**	73

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

Notes to the financial statements continued

18. Investments – bank deposits

	Group		Company	
Bank deposits maturing:	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Four to twelve months: current asset investments	**5,954**	9,500	**5,954**	9,500

19. Cash and cash equivalents

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Cash at bank and in hand	**20,432**	27,911	**19,083**	25,026

20. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade payables	**2,546**	1,924	**3**	3
Taxation and social security	**131**	186	**–**	–
Accruals and deferred income	**4,753**	3,839	**–**	–
Amounts owed to Group undertakings	**–**	–	**5,487**	5,487
Total payables falling due within one year	**7,430**	5,949	**5,490**	5,490

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

21. 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 commercial partnerships 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 2019 and 31 March 2018 no current asset receivables were aged over three months. No receivables were impaired or discounted.

Ageing profile of the Group's and the Company's financial liabilities

The Group's and the Company's financial liabilities consist of:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade and other payables due within three months	**7,299**	5,763	**5,490**	5,490

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 2019 cash and bank deposits of £13,216,000 (2018: £15,424,000) were held in these currencies. Creditors of the Group include £1,162,000 (2018: £347,000) denominated in US Dollars and £761,000 (2018: £443,000) denominated in Euros. All of the Group's receivables are denominated in Pounds Sterling.

At 31 March 2019, 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 £414,000 (2018: £728,000) higher/lower.

At 31 March 2019, 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 £21,000 (2018: £6,000) higher/lower.

The Group has not entered into forward currency contracts.

Currency profile of the Group's and the Company's cash and cash equivalents

	Group		Company	
Currency	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Pounds Sterling	**10,481**	12,487	**10,199**	10,566
US Dollars	**9,417**	14,867	**8,539**	13,903
Euros	**534**	557	**345**	557
	20,432	27,911	**19,083**	25,026

Currency profile of the Group's and the Company's bank deposit investments

	Group		Company	
Currency	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Pounds Sterling	**2,500**	9,500	**2,500**	9,500
US Dollars	**3,454**	–	**3,454**	–
	5,954	9,500	**5,954**	9,500

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 and the Company's financial assets and liabilities at 31 March. 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.

Group	2019		2018	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Investments – bank deposits	**5,954**	**5,954**	9,500	9,500
Cash at bank and in hand	**20,432**	**20,432**	27,911	27,911
Trade and other receivables excluding prepayments	**400**	**400**	330	330
Trade and other payables excluding accruals and deferred income	**2,546**	**2,546**	1,924	1,924

Company	2019		2018	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Investments – bank deposits	**5,954**	**5,954**	9,500	9,500
Cash at bank and in hand	**19,083**	**19,083**	25,026	25,026
Receivables: current	**20**	**20**	73	73
Trade and other payables	**5,490**	**5,490**	5,490	5,490

Notes to the financial statements continued

22. Share capital

	2019 £'000	2018 £'000
Authorised	**Unlimited**	Unlimited
Issued and fully paid		
31,646,186 Ordinary shares of 1.0 pence each (2018: 31,646,186 of 1.0 pence each)	**316**	316

During the year to 31 March 2019, no Ordinary shares were issued as a result of the exercise of options awarded under the Group's share option schemes (2018: Nil). However, since the year end, a number of employees have exercised share options and 158,431 new Ordinary shares of 1.0 pence each have been issued. Accordingly, at the date of signature of these financial statements the authorised issued and fully paid share capital was 31,804,617 Ordinary shares of 1.0 pence each with a nominal value of £318,046.

23. Warrants

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 5,823 Ordinary shares of the Company.

24. 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 Incentive (EMI) scheme and Company Share Option Scheme ("CSOP") together with unapproved schemes. Incentive Stock Options are provided to US staff.

Awards to Non-Executive Directors are made in accordance with the Group's Non-Executive Share Option Scheme.

The awards of share options to Executive Directors and employees of the Group are made in accordance with the Group's previous Deferred Share-based Bonus Plan, its Long Term Incentive Plans and US Incentive Stock Option Plan. Total options existing over 1.0 pence Ordinary shares in companies in the Group as at 31 March 2019 are summarised below. At 31 March 2019, the total outstanding options represented 9.54% of the total shares in issue.

Date of grant	Number of options at 1 April 2018	Granted during the year	Lapsed during the year	**As at 31 March 2019**	Note	Exercise price	Date from which exercisable*	Date of expiry†
August 2009	15,967	–	(5,866)	**10,101**	1	£4.22	August 2012	August 2019
August 2009	3,478	–	–	**3,478**	2	£1.00	August 2011	August 2019
August 2009	17,136	–	–	**17,136**	3	£1.00	August 2012	August 2019
August 2010	12,464	–	(3,196)	**9,268**	4	£3.85	August 2013	August 2020
August 2010	39,541	–	(3,319)	**36,222**	5	£1.00	August 2013	August 2020
September 2011	26,400	–	(4,800)	**21,600**	6	£3.75	September 2014	September 2021
September 2011	47,656	–	(3,119)	**44,537**	7	£1.00	September 2014	September 2021
September 2012	32,326	–	(5,752)	**26,574**	8	£2.87	September 2015	September 2022
September 2012	67,761	–	(3,500)	**64,261**	9	£1.00	September 2015	September 2022
September 2013	36,450	–	(5,000)	**31,450**	10	£3.60	September 2016	September 2023
September 2013	79,477	–	(4,090)	**75,387**	11	£1.00	September 2016	September 2023
September 2014	61,250	–	(9,000)	**52,250**	12	£3.45	September 2017	September 2024
September 2014	251,343	–	(4,000)	**247,343**	13	£1.00	September 2017	September 2024
October 2015	44,750	–	(7,500)	**37,250**	14	£1.00	October 2018	October 2025
October 2015	512,324	–	(77,575)	**434,749**	15	£1.00	October 2018	October 2025
July 2016	467,664	–	–	**467,664**	16	£1.00	July 2019	July 2026
July 2016	42,500	–	–	**42,500**	17	£1.00	July 2018	July 2026
July 2016	18,000	–	(3,000)	**15,000**	18	£1.00	August 2016	July 2026
July 2016	67,000	–	(16,500)	**50,500**	19	£1.00	July 2019	July 2026
September 2017	328,332	–	–	**328,332**	20	£1.00	July 2020	September 2027
September 2017	108,500	–	(24,000)	**84,500**	21	£1.00	July 2020	September 2027
September 2017	30,000	–	–	**30,000**	22	£1.00	October 2017	September 2027
September 2018	–	106,200	–	**106,200**	23	£0.01	October 2018	September 2028
September 2018	–	383,339	–	**383,339**	24	£0.01	September 2021	September 2028
September 2018	–	161,582	–	**161,582**	25	£0.68	September 2020	September 2028
September 2018	–	91,000	(4,500)	**86,500**	26	£0.01	September 2021	September 2028
February 2019	–	18,000	–	**18,000**	25	£0.53	February 2021	February 2029
February 2019	–	132,000	–	**132,000**	27	£0.01	February 2022	February 2029
Total	2,310,319	892,121	(184,717)	**3,017,723**				

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

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

Notes to the financial statements continued

Note 1:
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 2019 these options were exercisable.

Note 2:
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 2019 these options were exercisable.

Note 3:
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 2019 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 4:
These options were issued subject to a performance condition, being the successful completion of a second clinical trial of a ReNeuron cell therapy. At 31 March 2019, these options were exercisable.

Note 5:
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 2019, 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 6:
These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a third clinical trial; at 31 March 2019 these options were exercisable.

Note 7:
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 2019, 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 8:
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 2019 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 2019, 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 10:

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 2019, 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 2019, 50% of these options were 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 12:

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 2019, these options were 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 2019, 50% of these options were 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 14:

These options were issued subject to the performance conditions set out below; at 31 March 2019, these options were 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 15:

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 2019, 66.6% of these options were 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.

Notes to the financial statements continued

Note 16:

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 2019 these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in a seventh clinical trial.

ii) 33.3% vest on completion of the fifth 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.

Note 17:

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 ended 31 March 2016 and carry no further performance conditions; at 31 March 2019 these options were exercisable.

Note 18:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2019, 88.88% of these options were exercisable.

Note 19:

These options were issued subject to the performance conditions set out below; at 31 March 2019, these options were not exercisable.

i) 50% vest when the first patient is administered with a ReNeuron cell therapy in a seventh clinical trial.

ii) 50% vest on completion of the fifth clinical trial of a ReNeuron cell therapy.

Note 20:

These options were issued subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in an eighth clinical trial.

ii) 33.3% vest on completion of the sixth 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 FTSE AIM Healthcare Index in any three-year period from the date of grant of the option.

Note 21:

These options were issued subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 50% vest when the first patient is administered with a ReNeuron cell therapy in an eighth clinical trial.

ii) 50% vest on completion of the sixth clinical trial of a ReNeuron cell therapy.

Note 22:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2019, 50.00% of these options were exercisable.

Note 23:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2019, 16.66% of these options were exercisable.

Note 24:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 33.3% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to the allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 33.3% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

iii) 33.4% vest if the Total Shareholder Return (TSR) of the Company meets or exceeds that of the FTSE AIM Healthcare Index in any three-year period from the date of grant of the option.

Some of these options (186,145 as at 31 March 2019) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of 68p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Note 25:

These options were issued under the Company's US ISO Scheme and are subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 50% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to the allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 50% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

iii) A maximum of $100,000 across all ISO grants, based upon market value at the date of grant, is exercisable per employee in a calendar year.

Note 26:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 50% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to the allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 50% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

These options will be exercisable at the option holder's choice either as a tax advantaged option with an exercise price of 68p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Note 27:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2019, these options were not exercisable.

i) 50% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to the allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 50% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

These options will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of 53p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

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 £	Share price at date of grant £	Risk-free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option £
September 2014	3.45	3.45	2.54	5	61.3	1.85
September 2014	1.00	3.60	2.54	5	61.3	2.74
October 2015	1.00	4.125	1.74	5	58.3	3.37
July 2016	1.00	3.00	0.80	5	58.4	2.25
September 2017	1.00	1.70	1.34	5	50.4	1.01
September 2018 UK Plan	0.01*	0.68	1.60	5	58.9	0.67
September 2018 US ISO plan	0.68	0.68	1.60	5	58.9	0.35
February 2019 UK Plan	0.01*	0.53	1.18	5	57.7	0.52
February 2019 US ISO Plan	0.53	0.53	1.18	5	57.7	0.26

* Certain of these non-tax advantaged options were issued in parallel with tax advantaged CSOP options, either of which lapses upon the exercise of the other.

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

The weighted average exercise prices for options were as follows:

	2019		2018	
	Number of options '000	**Weighted average exercise price £**	Number of options '000	Weighted average exercise price £
Outstanding at 1 April	**2,310**	**1.20**	2,004	1.58
Granted	**892**	**0.14**	528	1.00
Lapsed	**(185)**	**1.45**	(222)	4.14
Outstanding at 31 March	**3,017**	**0.83**	2,310	1.20
Exercisable at 31 March	**821**	**1.44**	454	1.69

The share price on 31 March 2019 was 102.5 pence (2018: 86 pence).

The pattern of exercise price and life is shown below:

	2019				2018			
			Weighted average remaining life (years)				Weighted average remaining life (years)	
Range of exercise prices	**Weighted average exercise price**	**Number of options**	**Expected**	**Contractual**	Weighted average exercise price	Number of options	Expected	Contractual
£1.00	**0.69**	**2,866,480**	**2.25**	**7.56**	1.00	2,125,462	1.55	7.65
Up to £10.00	**3.50**	**151,243**	**2.71**	**3.88**	3.51	184,857	1.44	4.76
Total		**3,017,723**				2,310,319		

25. Cash used in operations

	Group		Company	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	**Year ended 31 March 2019 £'000**	Year ended 31 March 2018 £'000
Loss before income tax	**(17,179)**	(20,967)	**(1,182)**	(2,928)
Adjustments for:				
Finance income	**(1,103)**	(320)	**(1,103)**	(320)
Depreciation of property, plant and equipment	**282**	232	**–**	–
Share-based payment charges	**1,040**	1,127	**870**	887
Finance expense	**–**	911	**–**	911
Changes in working capital:				
Receivables	**358**	(289)	**–**	–
Payables	**1,481**	62	**–**	–
Cash used in operations	**(15,121)**	(19,244)	**(1,415)**	(1,450)

26. Financial commitments

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

	Group	
	2019 £'000	2018 £'000
Not later than one year	**182**	33
Later than one year and no later than five years	**677**	659
Later than five years	**307**	472
Total lease commitments	**1,166**	1,164

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 and is currently under review. 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 sq ft for offices, laboratories and the GMP production facility at the premises in Pencoed.

The Company had no other financial commitments at 31 March 2019 (2018: £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.

27. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2019 (2018: £Nil).

28. Related party disclosures

The following transactions were carried out with some of the Directors of the Company who are key management personnel as defined by IAS 24 "Related Party Disclosures".

Aesclepius Consulting Limited charged fees of £19,000 (2018: £11,875) in respect of services provided as a Non-executive Director by Dr Tim Corn, together with £2,750 (2018: £Nil) relating to consultancy services provided on an arm's length basis by Dr Tim Corn.

Biomedicon Limited charged fees of £Nil (2018: £15,214) in respect of services provided as a Non-executive Director by Dr Paul Harper.

Parent Company and subsidiaries

The Parent Company is responsible for financing and setting Group strategy. ReNeuron Limited carries out the Group strategy, employs all UK-based staff, excluding the Directors, and owns and manages all of the Group's intellectual property. Funds are passed by the Parent Company when required to ReNeuron Limited and treated as an investment. ReNeuron Limited makes payments including the expenses of the Parent Company. ReNeuron Inc. employs US-based staff who supervise the Group's clinical trials in the USA. ReNeuron Limited finances the activities of ReNeuron Inc. via investments in the US subsidiary.

Company: transactions with subsidiaries	**2019 £'000**	2018 £'000
Purchases and staff:		
Parent Company expenses paid by subsidiary	**1,347**	1,046
Transactions involving Parent Company shares:		
Share options	**170**	240
Cash management:		
Capital contribution to subsidiary	**9,230**	11,648

Company	**2019 £'000**	2018 £'000
Year-end balance of investment in subsidiary	**109,038**	99,638

29. Events after the reporting period

On 9 April 2019, ReNeuron Limited signed an exclusive licensing agreement ("the Agreement") with Shanghai Fosun Pharmaceutical Development Co. Ltd ("Fosun Pharma"), a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for the development, manufacture and commercialisation of ReNeuron's CTX and hRPC cell therapy programmes ("the Licensed Products") in the People's Republic of China ("China").

Under the terms of the Agreement, Fosun Pharma will fully fund the development of ReNeuron's CTX and hRPC cell therapy programmes in China including clinical development and subsequent commercialisation activities. Fosun Pharma has also been granted rights to manufacture the Licensed Products in China.

In May 2019, ReNeuron received an initial Licensing Fee of £6.0 million before withholding tax.

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 12 September 2019 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 2019 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 Chris 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 Mike Owen, who is retiring by rotation in accordance with Article 122 of the Company's articles of association and who, being eligible, is offering himself for reappointment.
5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the Directors to determine the remuneration of the auditors.

Special business

6. That the Directors of the Company be and are hereby generally and unconditionally authorised, pursuant to Section 551 of the Companies Act 2006 (the "2006 Act") to:

   a) allot Ordinary shares and to grant rights to subscribe for or to convert any security into Ordinary shares in the Company (all of which shares and rights are hereafter referred to as "Relevant Securities") representing up to £106,015 in nominal value in aggregate of shares; and

   b) allot Relevant Securities (other than pursuant to paragraph (a) above) representing up to £106,015 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 £106,015 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 £63,609 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 option 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.

18 July 2019
By order of the Board

Michael Hunt
Company Secretary

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

Notice of annual general meeting continued

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 Form of Proxy. 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, by no later than 10.00 a.m. on 10 September 2019 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 2019 and the Directors' Report and the Independent Auditors' Report on those accounts will be presented to shareholders for approval.

Resolutions 2, 3 and 4

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 (or, if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office by rotation and that all Directors holding office at the start of business on the date of this Notice, 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, the following Directors are standing for reappointment by the shareholders at the annual general meeting:

- Simon Cartmell OBE, who is a Non-executive Director of the Company;
- Professor Sir Chris Evans OBE, who is a Non-executive Director of the Company;
- Dr Mike Owen, who is a Non-executive Director of the Company.

Resolution 5

At every annual general meeting at which accounts are presented to shareholders, the Company is required to appoint auditors 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 20% of the existing issued share capital of the Company. The Company is increasingly competing for capital on an international basis against other companies incorporated in the US and elsewhere who are not subject to allotment or pre-emption restrictions such as those applicable to the Company. The Directors consequently consider it important that they have the authority set out in sub-paragraph (1)(ii), which they regard as providing the required flexibility to allow the Company to raise funds at the appropriate time via the issue of such shares as efficiently as possible, on the best terms available and in a timely fashion. The authority set out in sub-paragraph (1)(ii) also enables the Company 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 option schemes and more generally for other purposes.

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WC2R 1BH

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
1 Kingsway
Cardiff
CF10 3PW

Shareholder information

Shareholder enquiries
Any shareholder with enquiries should, in the first instance, contact our registrar, Computershare Services, using the address provided above in the Advisers section.

Share price information
London Stock Exchange Alternative Investment Market (AIM) symbol: RENE

Information on the Company's share price is available on the ReNeuron website at www.reneuron.com

Financial calendar

Financial year end	31 March 2019
Full year end results announced	11 July 2019
Annual General Meeting	12 September 2019

Investor relations
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Glossary of scientific terms

Allogeneic:
Where a tissue donor and recipient of the cells are different individuals.

Cell line:
A well characterised cell culture that has been demonstrated to be consistent. 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.

Cryopreservation:
Maintenance of the viability of cells using agents to protect them from damage that can occur during cooling and storage at very low temperatures.

Differentiation:
Development of a stem cell into a more specialised type.

ETDRS eye chart
This chart is designed to enable a more accurate estimate of visual acuity and is the standardised eye chart used in clinical trials to measure visual acuity.

ExoPr0:
Our first CTX-derived exosome therapeutic candidate which targets cancer.

Exosomes:
These are nanoparticles secreted from many different types of cells, including the Company's proprietary CTX stem cell line. They play a key role in cell-to-cell signalling.

Good Manufacturing Practice (GMP):
Regulations, codes and guidelines to ensure that products are consistently produced and controlled according to quality standards appropriate to their intended use and as required by the product specification (c GMP refers to current good manufacturing practice).

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.

Immunogenicity
Immunogenicity can be stated as the ability of a substance to provoke an immune response or the degree to which it provokes an immune response.

Immunosuppressants :
An agent that can suppress or prevent the body's immune response.

In vitro vs in vivo:
'In vitro' is in an artificial environment whereas 'in vivo' is in a more natural environment (animal model).

Investigational New Drug Application (IND)
First step in the drug review process whereby a request to the Food and Drug Administration (FDA) is made to authorise administration of an investigational drug to humans.

Lipid nanoparticles
Lipid nanoparticles (abbreviated LNPs) are a mixture of lipids manufactured in the laboratory to a specific size and density to mimic low-density lipoproteins which allow them to be taken up into living cells.

Glossary of scientific terms continued

miRNA:
A short segment of RNA that regulates gene expression by binding to complementary segments of messenger RNA to down regulate the subsequent formation of protein.

Modified Rankin Scale:
A well-established, clinician-reported global measure of functional disability in patients and their dependence upon others in carrying out daily activities.

Nano-sized
Between 1-100nm in size.

Oligonucleotides:
Oligonucleotides are short, single-stranded lengths of DNA or RNA. An example would be siRNAs; small RNA molecules that specifically interact with messenger RNA to prevent the translation of a targeted gene.

Open-label:
Type of clinical trial in which the identity of treatment is known by all involved in the trial.

Photoreceptors:
Cells in the retina (rod cells and cone cells) that convert light into electrical impulses.

Proprietary technology:
This technology is the property of a business or an individual.

Regeneration:
The restoration of function in damaged body organs and tissues.

Retinal diseases:
Conditions that lead to damage of the layer of tissue in the back of the eye that senses light and sends images to the brain.

Retinitis pigmentosa:
A group of inherited diseases of the retina that cause damage to the rods leading to a loss of peripheral vision that is progressive over time.

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

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

ReNeuron

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