ReNeuron

ReNeuron Group plc
Annual Report and Accounts 2020

Developing stem cell technologies to improve patients' lives

Leading the development of vital stem cell therapies ...

Our vision is to improve patients' lives through our proprietary stem cell technologies.

As a leader in cell-based therapeutics, we develop allogeneic stem cell technology platforms, stem cell derived exosomes and induced pluripotent stem cells.

INSIDE OUR REPORT

Introduction

A year of progress	02
Financial Highlights	03
Group at a glance	04
Chairman's statement	06

Strategic Report

Our marketplace	08
Our business model	12
Our competitive advantages	13
Our process for developing life-changing therapies	14
Our progress towards improving patients' lives	16
Chief Executive Officer's review of performance	24
Financial review	27
Directors' duties	28
Sustainability	29
Risks and uncertainties	30

Governance

Board of directors	34
Senior management	36
Directors' report	38
Corporate governance	40
Audit committee report	46
Directors' remuneration report	48

Financial Statements

Independent auditors' report	57
Group statement of comprehensive income	61
Group and Parent Company statements of financial position	62
Group and Parent Company statements of changes in equity	63
Group and Parent Company statements of cash flows	64
Notes to the financial statements	65

Annual general meeting

Notice of annual general meeting	91
Explanatory notes to the business of the annual general meeting	94

Other Information

Advisers	95
Shareholder information	95
Glossary of scientific terms	96

... improving patients' lives

hRPCs for retinal diseases

Exosome nanomedicine platform

iPSCs: expanding our therapeutic platform

CTX stem cell therapy for stroke

Our hRPC technology is in a Phase 1/2a trial in retinitis pigmentosa

- Retinitis pigmentosa (RP) is a degenerative eye disease.
- It is an inherited medical condition.
- Patients usually lose night vision in teenage years.
- Side vision is lost in middle age and central vision in later years.
- Currently, there is no treatment for most types of RP.

Our exosomes are a potential drug delivery vehicle

- There are many conditions that are difficult to treat because enough active drug is unable to reach its target.
- Our exosomes could provide that delivery system to enable drugs to more effectively treat these conditions.
- Our nanosomes are also potential therapeutics.

Our iPSCs can potentially expand our therapeutic platform

- New data show that our CTX stem cell line can be reprogrammed into induced pluripotent stem cells (iPSCs) and differentiated into other cell types.
- New cell lines can be rapidly created as cell therapy candidates or exosomes, targeting a broad range of diseases.

Our CTX cells have shown clinical potential in stroke disability

- There are 80 million stroke survivors worldwide.
- Out of this, 50 million patients are permanently disabled.
- Patients are dependent on social care for the rest of their lives.
- There are currently no treatments for stroke disability after the early phase.

Many patients suffer from medical conditions where their needs are unmet, impacting on the quality of their lives.

Our stem cell technologies have the potential to improve the lives of patients with unmet medical needs.

A year of progress towards improving patients' lives

Our progress to date

hRPC stem cell therapy candidate for retinal diseases

Positive interim efficacy data from patients treated in the Phase 2a segment of the ongoing Phase 1/2 study were announced in October 2019.

Subsequent long-term efficacy data from the study continue to show a meaningful clinical effect from the therapy at all time points post-treatment.

Clinical trial protocol amendment approved by the FDA and MHRA to expand the Phase 1/2a study.

Application approval received from the MHRA to open a site in Oxford, UK with Professor Robert MacLaren, a world-renowned leader in the treatment of retinal diseases, as Principal Investigator.

Read more about our progress with **hRPC stem cell therapy** on pages 16 to 17

Exosome nanomedicine platform

Expansion of intellectual property estate via the grant of a number of key patents covering our exosome technology platform. Patents were granted in China, Korea, Japan and Europe.

Grant-funded collaboration initiated with European Cancer Stem Cell Research Institute to develop novel systems to enable the delivery of therapeutic nucleic acids across the blood brain barrier using our exosomes.

In April and June 2020, we announced separate commercial collaboration agreements to explore the potential of our exosomes to deliver therapeutic agents to the brain.

Read more about our progress with **Exosomes** on pages 18 to 19

What's coming up

hRPC stem cell therapy candidate for retinal diseases

The Group expects to commence treating patients shortly in both the US and the UK under the revised approved study protocol, subject to a continued easing of COVID-19 related restrictions at the relevant clinical sites.

On this basis, the Company expects to present further data from the expanded Phase 1/2a clinical trial during the next twelve months and expects to have sufficient data from the study to enable it to seek approval in the second half of 2021 to commence a single pivotal clinical study with its hRPC cell therapy candidate in RP.

Exosome nanomedicine platform

Targeting our exosome technology programme towards value-generating business partnerships in which exosomes may be exploited as a potential third-party drug delivery vehicle.

The group is developing an exosome displaying proteins characteristic of the SARS-CoV-2 coronavirus with the objective of the exosome being used to deliver a vaccine against COVID-19.

Financial Highlights

Loss for the period of
£11.4m
(2019: £14.3m)

Cash used in operating activities
£14.3m
(2019: £11.9m)

Cash, cash equivalents and bank deposits
£12.6m
(2019: £26.4m)

Our progress to date

iPSCs: expanding our therapeutic platform

New data presented, supporting use of iPSCs to develop new immortalised cell lines as potential therapeutic agents for subsequent licensing to third parties.

Read more about our progress with **iPSCs** on pages 20 to 21

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.

Positive data from PISCES II Phase 2a clinical trial of CTX in stroke disability was published in a peer reviewed journal.

Patient recruitment in the US based PISCES III Phase 2b study was put on hold due to COVID-19 related restrictions, will remain suspended in the US for the foreseeable future; clinical trial sites will be kept open and patients already treated will be followed up over time in line with the clinical trial protocol.

Exclusive licensing partner in China, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharma"), continues to pursue development of CTX cell therapy in the licensed territory (Greater China including Hong Kong, Macao and Taiwan).

Clinical trial applications have recently been filed by Fosun Pharma to open clinical sites in the licensed territory.

Read more about our progress with **CTX stem cell therapy** on pages 22 to 23

Business development

Signing of an exclusive out-licence agreement with Fosun Pharma to commercialise hRPC and CTX programmes in the People's Republic of China ("Greater China").

Fosun Pharma is a leading healthcare group in China with extensive healthcare business interests worldwide.

We received £6.0m (before withholding tax) on signing and will receive up to £6.0m in near-term operational milestones and up to £8.0m in future regulatory milestone payments as well as post-launch profit threshold milestone payments and tiered royalties on sales.

What's coming up

iPSCs: expanding our therapeutic platform

The Group's iPSC platform enables the derivation of different stem cell populations that can be utilised for the production of exosomes with specific tissue targeting, or as new cell-based therapeutic candidates, thus providing further scope for a wide range of industry-based partnerships.

CTX stem cell therapy candidate for stroke disability

Clinical sites to be opened, by Fosun Pharma, in the licensed territory to build on the clinical data generated in the US.

The CTX cell therapy candidate will be made available for licensing in stroke disability outside China and will also be made available for licensing in other indications such as Huntington's disease.

For **scientific terms** see the glossary on pages 96 to 97

Business development

Discussions will continue with other commercial third parties regarding potential out-licence deals across all therapies.

We will continue to work closely with Fosun Pharma as it pursues the development, manufacture and commercialisation of our cell therapy programmes in Greater China, with the CTX programme for stroke disability being the initial focus of activities.

Group at a glance

Our stem cell-based therapies ...

hRPCs

Our hRPC stem cell therapy could change the lives of patients suffering from retinitis pigmentosa (RP) and also has potential utility in other eye diseases.

What are hRPCs?
Human retinal progenitor cells (hRPCs) are an allogeneic, cryopreserved cell-based therapy for treatment of retinal diseases.

What can they do?
hRPCs have demonstrated the ability to differentiate into functional photoreceptors and integrate into retinal layers in pre-clinical models; integration may also enable durable trophic support.

How it is used
Our therapy is initially targeting the inherited retinal degenerative disease, retinitis pigmentosa, by implantation of hRPCs into the retina.

Exosome platform

Our exosomes could change the lives of patients where current treatment options are limited.

What are exosomes?
These are nano-sized packages of information released by our neural stem cells.

What can they do?
Therapeutic agents can be loaded onto our exosomes and potentially be used to treat a host of medical conditions.

How it is used
Our exosomes can be delivered either locally or systemically depending upon the desired final destination.

iPSCs

Our iPSCs could expand our therapeutic portfolio, targeting a broad range of diseases.

What are iPSCs?
Induced pluripotent stem cells (iPSCs) are reprogrammed proprietary neural stem cells that are in an embryonic-like state.

What can they do?
iPSCs can be made to develop into any other type of stem cell.

What this means
iPSCs can be utilised as new cell-based therapeutic candidates or for the production of exosomes with specific tissue targeting.

CTX cells

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

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, as well as provide support for already present cells.

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

... could improve the lives of patients

Key facts about retinitis pigmentosa

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

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

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

Read more about the marketplace for our **hRPC stem cell therapy** on page 09

Key facts about exosomes

Our studies have identified the potential of our exosome candidate 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 exosomes is that they can cross the blood brain barrier.

Read more about the marketplace for our **Exosomes** on page 10

Key facts about iPSCs

There is a potential to expand our therapeutic portfolio by developing further therapeutic candidates for subsequent out-licensing.

There is a potential to produce exosomes with the ability to target specific tissues within the body.

Our iPSCs research platform provides further scope for a wide range of industry partnerships.

Read more about the marketplace for our **iPSCs** on page 10

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 survive and are left suffering[3].

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

Read more about the marketplace for our **CTX stem cell therapy** on page 11

Key facts

40
patents worldwide covering cell-based therapies and exosome technology

4
key grant-funded collaborations with research institutes globally

For **scientific terms** see the glossary on pages 96 to 97

[1] RP Fighting Blindness

[2] Centers for Disease Control and Prevention

[3] National Institutes of Health

Chairman's statement

The year ended 31 March 2020 was a year of significant progress in both clinical and strategic development, providing growing confidence in the short and long term potential of the Company's programmes.

> We look forward to reporting further Phase 2a data from the ongoing study with our hRPC cell therapy candidate for retinitis pigmentosa over the next 12 months.

John Berriman
Non-executive Chairman

12 August 2020

Read more on our **hRPC stem cell therapy** on pages 16 to 17

Read more on our **exosomes and iPSCs** on pages 18 to 21

I am pleased to introduce the Group's results for the year ended 31 March 2020. It was a year of significant progress in both our clinical and strategic development, providing growing confidence in the short and long term potential of the Company's programmes.

We are increasingly encouraged by the positive interim data and duration of therapeutic response from the Phase 2a patients treated in the ongoing US Phase 1/2 clinical trial with our hRPC cell therapy candidate for retinitis pigmentosa. We are also pleased to have received regulatory approval from both the FDA and MHRA to expand the ongoing Phase 2a part of the study to treat patients with RP at a higher dose level, at clinical sites in both the US and the UK. We look forward to reporting further Phase 2a data from the study over the next 12 months.

We have successfully refocused our exosome technology programme towards value-generating business partnerships, in which our exosomes are being exploited as a potential novel vector for delivering third parties' biological drugs. This refocusing has culminated in the signing of two collaboration agreements post year-end with major pharmaceutical/biotechnology companies to explore the potential of our neural stem cell derived exosomes to deliver therapeutic agents to the brain. During the period, we also presented new data supporting the use of the Group iPSCs (induced pluripotent stem cells) to derive new immortalised cell lines as potential therapeutic agents for subsequent licensing to third parties.

We recently announced a strategic decision to focus the Group's resources on our retinal disease programme and our exosome and iPSC research platforms. Consequently, our stroke disability programme will continue through regional partnerships. In April 2019, we were delighted to sign 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. Fosun Pharma is a leading healthcare group in China with extensive healthcare business interests worldwide. Clinical trial applications have recently been filed by Fosun Pharma to open clinical sites in the licensed territory to build on the Phase 2b clinical data already generated with the CTX cell therapy candidate for stroke disability in the US.

In addition to making our CTX cell therapy candidate available for licensing in stroke disability outside China, we further announced that the candidate is available for licensing in other indications. In support of this licensing strategy, we were pleased to have recently published positive data from the PISCES II Phase 2a clinical trial of CTX in stroke disability in the Journal of Neurology, Neurosurgery, and Psychiatry.

> ReNeuron has a clear focus to deliver value-generating data across its programmes over the next twelve months.

John Berriman
Non-executive Chairman

Additionally, we recently announced the publication of new positive non-clinical data relating to our CTX cell therapy candidate in Huntington's disease.

During the ongoing COVID-19 pandemic, the safety of employees, suppliers, clinical trial participants and all other people with whom the Group interacts has been of over-riding importance to us. The Group continues to comply with governmental advice and requirements across its operations in the UK and US, without significant impact on our priority internal research projects. In response to COVID-19, we also initiated a research programme focused on the potential utility of our proprietary exosomes as a delivery vehicle for SARS-CoV-2 coronavirus vaccines.

ReNeuron now has a clear focus on delivering value-generating data across its programmes over the next twelve months. Consistent with this new sharper focus and as a consequence of long-serving Non-executive Directors indicating their intention to retire from the Board (having served for nine years and thereby become non-independent under the QCA code of corporate governance), the non-executive membership of the Board will be progressively reconfigured, reducing the number of Non-executive Directors from six to four. This rationalised Board has the expertise necessary to support the Group's new emphasis on retinal diseases and commercial partnerships. I shall therefore not be seeking re-election at the coming AGM (along with my colleague Simon Cartmell) and Dr Claudia D'Augusta is also stepping down. The company is now stronger and more diversified than when I joined nine years ago and I am particularly pleased to be leaving it in the able hands of my successor chairman, Dr Tim Corn. Furthermore in recognition of the significant shareholding of Obotritia Capital KGaA and their ongoing support for the Company we have approved in principle their request to nominate a non-executive director for election to the Board.

Finally on behalf of the Board I would like to thank our employees for their commitment and determination, especially in the face of the COVID-19 pandemic. On behalf of all Directors and employees I would also like to thank our shareholders for their support as we continue to strive to make ReNeuron a great success.

On page 91 of this report is the Notice of the 2020 annual general meeting (AGM) to be held at 10.00 a.m. on 10 September 2020. A short explanation of the resolutions to be proposed at the AGM is set out on page 94. 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

12 August 2020

Our marketplace

Meeting market needs with our therapeutic candidates

$0.5bn – $1.6bn
Market potential for RP therapy[1]

Retinal diseases

Market need:

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

Market characteristics:

RP is an inherited, degenerative eye disease causing severe vision impairment and often blindness.

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

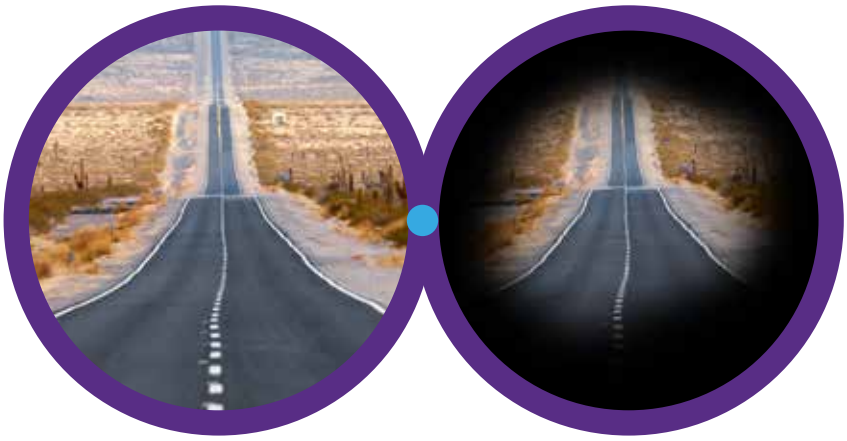
Current treatments target specific genes and therefore are only appropriate for a limited number of the RP population as there are over 100 gene defects causing RP.

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.

Other retinal diseases include Cone Rod Dystrophy (CRD), which frequently affects patients in childhood and has no cure.

CRD is an inherited orphan disease that affects roughly one in 40,000 people.



Normal vision

Retinitis pigmentosa

Our response

Our hRPC cell therapy candidate offers a number of potential advantages over alternative approaches to the treatment of RP.

Our cell therapy candidate is independent of the many specific genetic defects that collectively define RP as a disease, thereby allowing a much broader potential patient population to be eligible for the treatment.

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

Our therapy is cryopreserved, enabling on-demand shipment and use at local surgeries and hospitals.

Our hRPC therapy doesn't require immunosuppressants. The cells are injected directly to the site of retinal degeneration, allowing a greater chance of anatomic restoration of photoreceptor function.

(1) Analysts' estimates: Stifel March 2018, N+1 Singer April 2017, Edison May 2017.

Our marketplace

Drug delivery technologies

One of our primary objectives is the development of exosomes as a delivery vehicle targeting areas of significant unmet or poorly met medical need.

Exosomes have the potential to overcome the limitations of current delivery technologies.

Advantages of exosomes:

A key advantage of exosomes is their low immunogenicity, which means they do not provoke immune responses in the body. In comparison, delivery technologies such as Lipid Nanoparticles (LNP), are known for inducing a significant inflammatory response.

Other delivery technologies (e.g. Lipid Nanoparticles) 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 to the cell membrane, its cargo will be directly released into the cell to have its desired functional effect.

There is a potential for exosomes to deliver medicine to specifically targeted areas. In comparison to other delivery technologies, such as GalNac conjugates, which can only delivery siRNA to the liver.

Crossing the blood brain barrier

Very few therapies successful 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, systemic administration (I.V.) is ruled out. Very high doses will need to be given to an efficacious dose to the brain.

If I.V. is ruled out, then local administration is an option, which is much more complex, expensive and less accessible. If higher doses are given I.V., the chance of off-target effects (side effects) increases significantly.

References: Vader et al. 2016 – Extracellular vesicles for drug delivery;

Ha et al. 2016 – Exosomes as therapeutic drug carriers and delivery across biological barriers.

Our response

Our exosomes can cross the blood brain barrier. We believe exosomes can do this due to the neural nature of their cell of origin.

This neural stem cell line produces exosomes with specific surface markers that allow the exosomes to cross the BBB and communicate with other cells within the brain.

For **scientific terms** see the glossary on pages 96 to 97

New cell-based therapeutic candidates

Human pluripotent stem cells offer huge potential for the entire field of regenerative medicine and cell therapy. Their capacity for unlimited expansion through self-renewal and ability to differentiate into any cell type within the body has the potential to produce an inexhaustible source of different cell types to treat a variety of indications.

A number of issues have so far impeded the clinical development of pluripotent stem cells.

More often than not, pluripotent stem cells require differentiating to adult stem cells or tissue progenitor prior to use as a drug product. However these cell types are extremely unstable and are difficult to manufacture at scale.

Our response

ReNeuron's iPS cells however, have a conditional immortalisation technology inserted which requires no further manipulation and increases the stability of the subsequent therapeutic cell lines for the rapid production of 'off-the-shelf' stem cell therapies.

Stroke disability

Market need:

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

Market characteristics:

Stroke is the single largest cause of adult disability in the developed world.

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].

China

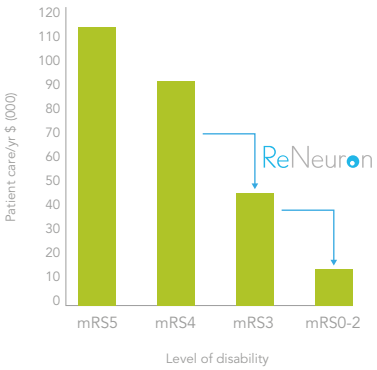
Stroke has the highest single-disease disability rate and is a financial and social burden in China. From 1993 to 2003, the average growth rate for the direct cost of stroke care was 18.04% per year.

In 2010, the average cost per capita of patients with a high risk of stroke was estimated to be US$517.8 per year. This heavy financial burden to the Chinese healthcare system will likely increase in the next 20 years because of the ageing population[5].

[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.
[5] Chinese Stroke Association, World Stroke Organisation.

Swedish study

The graph on the right shows the results from a 2017 Swedish study which demonstrated that patient care cost can be reduced in proportion to a reduction in stroke disability. 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 response

Our stroke therapy is the first cell-based therapy of its kind. Our CTX cell therapy aims to treat patients months or even years 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.

Our exclusive licensing partner in Greater China, Fosun Pharma, continues to pursue development of our CTX cell therapy.

$3.4bn
spent each year in the UK on stroke disability[1]

$34bn
spent each year in the US on stroke disability[1]

Our business model

Key resources

Intellectual
We use proprietary technology to produce our life-changing therapies.

Human
Our researchers and academic collaborators have industry-leading knowledge and this drives the therapy development process.

Physical
Our contract manufacturing organisations are instrumental in the production of our therapeutic candidates.

Financial
Funds are raised by commercial partnerships, the issues of shares and from grant funding bodies. These financial resources enable us to advance the development of our therapies.

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

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.

Exosomes
We are developing strong relationships with academic and clinical key opinion leaders in the area of neurology to oncology and beyond.

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

We have established relationships with pharmaceutical companies to explore the use of our exosomes as a novel drug delivery vehicle.

We are working on a collaboration which focuses on loading gene silencing sequences into exosomes.

iPSCs
We continue to develop strong relationships with academic leaders in all areas of cell therapy to understand where the technology will have the biggest impact.

CTX cells
As part of the clinical trials for the CTX cell therapy for stroke disability, we develop strong relationships with the neurologists and rehabilitation doctors who care for the patients and the neurosurgeons who will administer the therapy.

Our exclusive licensing partner in China, Fosun Pharma, continues to pursue development of our CTX cell therapy for stroke disability.

Our relationships with academic institutions and other pharmaceutical companies enables us to explore the use of our CTX sell therapy to treat other indications such as Huntington's disease.

Our competitive advantages

We are positioned for success ...

1

With our proprietary technologies

- Our patent estate consists of over 40 patents worldwide covering our cell-based therapies, exosome and iPSCs technologies.
- A highly efficient, patented process is used to produce hRPCs on a large scale.
- Our CTX drug product is a proprietary allogeneic cell therapy produced by our well-established, scalable manufacturing process. (Allogeneic: recipients of cells are immunologically different from cell donor.)
- Our high-yielding human neural stem cell derived exosomes have proven ability to be loaded with siRNA, miRNA and proteins, and are able to cross the Blood Brain Barrier.
- Our iPSC platform technology engineers CTX neural stem cells into other forms of stem cell.

2

With our flexible cryopreservation process

- Our hRPCs and CTX cells 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.

3

With our efficient development pipeline

- Our therapy development pipeline spans the pre-clinical and clinical development process.
- We have seen positive top-line efficacy data presented from Phase 2a patients in ongoing US Phase 1/2a clinical trial in retinitis pigmentosa. The ongoing Phase 2a study is to be expanded to allow for subsequent potential single pivotal clinical study and shorter route to market.
- There are significant clinical validation milestones due in the next 18 months in our ongoing clinical trial in retinitis pigmentosa.
- The exosomes we are harnessing for use are a by-product of our CTX cells and are derived from a GMP compliant process. They can be produced at an industrial scale without affecting the quality and consistency of the final product. They have potential as both a drug load/delivery vehicle and as a therapeutic.
- Our iPSC platform has potential for new targeted cell therapeutics and for exosomes based on non neural stem cells.

Our process for developing life-changing therapies

The clinical trial process

Pre-clinical trials	Clinical trials	Review and approval
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.	**Phase 1** We carefully assess the safety of a biologically active substance in a small, select group of subjects. **Phase 2** We evaluate the efficacy and safety of our therapy in selected groups of patients. We further evaluate the efficacy and safety of our therapy in patients in a controlled, rigorous trial. **Phase 3** Once our therapy has shown preliminary efficacy and safety (in Phase 1 and Phase 2) we carry out larger-scale clinical trials.	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.

Development Pipeline

Programme	Indication	Pre-clinical	Phase 1	Phase 2	Next Milestones
hRPC	Retinitis Pigmentosa				Further data read-outs from expanded UK/US Phase 2a study in 2020 and 2021
CTX cells	Stroke Disability				Future clinical development with Fosun and other potential partnerships
Exosomes platform	Neurodegeneration, Oncology, Vaccines (e.g. COVID-19)				Proof of concept data from pharma/biotech research collaborations
iPSC platform	Oncology, Diabetes				Validation of technology and publication of pre-clinical proof-of-concept data in 2020

Progress in the last 12 months

hRPCs

Positive interim efficacy data from patients treated in the Phase 2a segment of the ongoing Phase 1/2 study were announced.

A total of 22 patients have now been treated in the Phase 1/2a study and a good safety profile has been established.

Subsequent long-term efficacy data from the study continue to show a meaningful clinical effect from the therapy at all time points post-treatment.

Read more on page 16

Exosome platform

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 grant-funded collaboration agreement with European Cancer Stem Cell Research Institute to enable delivery of therapeutic nucleic acids, such as small interfering RNA (siRNA), across the blood brain barrier using our exosomes.

A number of key patents were granted in regions such as China, Korea, Japan and Europe.

In April and June 2020, we announced separate commercial collaboration agreements to explore the potential of our exosomes to deliver therapeutic agents to the brain. The first of these agreements, with a major pharmaceutical company, focuses on the use of our exosomes for the delivery of novel gene silencing therapeutics. The second, with a major US biotechnology company, focuses on the use of the exosomes to deliver the US biotechnology company's neuroscience therapeutic candidates.

Read more on page 18

iPSCs

New data was presented, supporting use of iPSCs to develop new immortalised cell lines as potential therapeutic agents for subsequent licensing to third parties.

Further, it has been demonstrated that the mesenchymal stem cell lines generated can be grown at scale by virtue of our conditional immortalisation technology, enabling the efficient production of clinical-grade cell therapy candidates.

Read more on page 20

CTX cells

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

The protocol was amended which, amongst other changes, increases the number of patients to receive CTX therapy as opposed to placebo procedure.

Overall size of Phase 2b study increased from 110 to 130 patients across up to 40 sites.

Exclusive licensing partner in China, Fosun Pharma, continues to pursue development of CTX cell therapy in the licensed territory (Greater China including Hong Kong, Macao and Taiwan).

Clinical trial applications have recently been filed by Fosun Pharma to open clinical sites in the licensed territory.

Read more on page 22

Our progress towards improving patients' lives

hRPCs for retinal 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.

Initial 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 enables 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.

Figure 1 Long-term efficacy data from the phase 2a portion of the study.

Months post-treatment	**Mean change from baseline in visual acuity in treated eye***	Mean change from baseline in visual acuity in untreated eye*	Difference in mean change between treated eye and untreated eye*
1	**+7.9 letters (n=9)**	+0.2 letters (n=9)	+7.7 letters (n=9)
2	**+8.0 letters (n=9)**	+1.2 letters (n=9)	+6.8 letters (n=9)
3	**+10.8 letters (n=9)**	+4.4 letters (n=9)	+6.4 letters (n=9)
6	**+9.6 letters (n=9)**	+3.4 letters (n=9)	+6.2 letters (n=9)
9	**+7.1 letters (n=8)**	+1.2 letters (n=8)	+5.9 letters (n=8)
12	**+11.9 letters (n=5)**	+4.3 letters (n=5)	+7.6 letters (n=5)
18	**+17.0 letters (n=1)**	+1.0 letters (n=1)	+16.0 letters (n=1)

* Data as announced 29 June 2020, excluding one patient who experienced surgical complications and whose vision has not recovered to at least the baseline level of vision in the treated eye.

Initial 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).
- 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 2.
- Later cohorts comprised patients with a greater baseline level of visual acuity than those treated earlier in the study to assess preliminary efficacy in patient groups with differing levels of remaining vision.
- A total of 22 patients have now been treated in the Phase 1/2a study and a good safety profile has been established, with no patients experiencing product-related serious adverse events and two patients experiencing surgical procedure-related loss of vision (one of whom has now recovered their vision and is back to at least baseline at one year post treatment).
- In February 2020, interim efficacy data from the study continued to show a meaningful clinical effect from the therapy at all time points out to 12 months post-treatment.
- In June 2020, further long-term data from the study have been gathered from patients at six, nine, twelve and now, for the first patient treated, eighteen months follow-up. The Company is pleased to report that the latest data continue to demonstrate the efficacy of the therapy, with a clinically meaningful benefit being observed at all time-points. These results are particularly encouraging as RP is characterised by inexorable progression to blindness, with no therapy currently available for the vast majority of patients.
- The degree of efficacy varies between patients, with mean results in a group of subjects who had a successful surgical procedure, set out in Figure 1.
- An application approval has been received from the MHRA to expand the ongoing trial to a UK site.

Figure 2

What does this mean for future development?

Milestones in the next two years

Regulatory approval has recently been received from both the FDA and MHRA for the expanded Phase 2a study in RP patients. We expect to commence treating patients shortly in both the US and the UK under the revised approved study protocol, subject to a continued easing of COVID-19 related restrictions at the relevant clinical sites. On this basis, we expect to present further data from the expanded Phase 2a clinical trial during the next twelve months and expect to have sufficient data from the study to enable us to seek approval in the second half of 2021 to commence a single pivotal clinical study with our hRPC cell therapy candidate in RP.

At this point, other indications will be assessed alongside retinitis pigmentosa, such as cone rod dystrophy.

Our progress towards improving patients' lives

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.
- In April 2020, we signed a collaboration agreement with an experienced pharmaceutical company to explore the potential use of exosomes to deliver novel therapeutics. The collaboration will focus on the use of exosomes for the delivery of gene silencing sequences created by the pharmaceutical company.
- In June 2020, we signed a research evaluation agreement with a major US biotechnology company. This collaboration will focus on the use of our exosomes for the delivery of the US biotechnology company's neuroscience therapeutic candidates.
- We are developing an exosome displaying proteins characteristic of the SARS-CoV-2 coronavirus with the objective of the exosome being used to deliver a vaccine against COVID-19.

Scalability

- We have tested the production of exosomes through our grant-funded collaboration between University College London and the Cell and Gene Therapy Catapult.
- The data demonstrated the feasibility of scaling up the production of our 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.
- As part of the collaboration agreement to use exosomes to deliver gene silencing sequences, ReNeuron will be paid by the pharmaceutical company for manufacturing and loading the exosomes in the initial phase of the collaboration.

What does this mean for future development?

- We will continue to develop our 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.

> We are progressing in the development of our exosomes platform, focusing on its use as a novel vector for delivering third party drugs.

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.

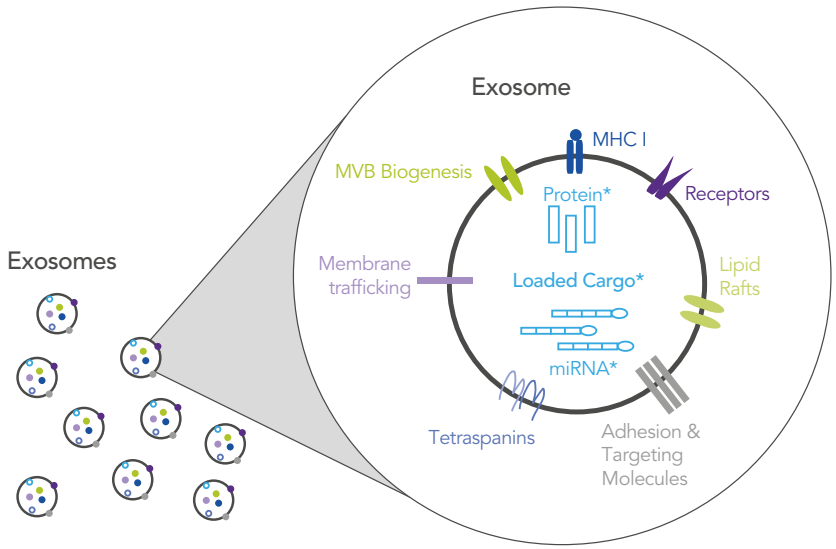
Advantages of exosomes as a delivery vehicle

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

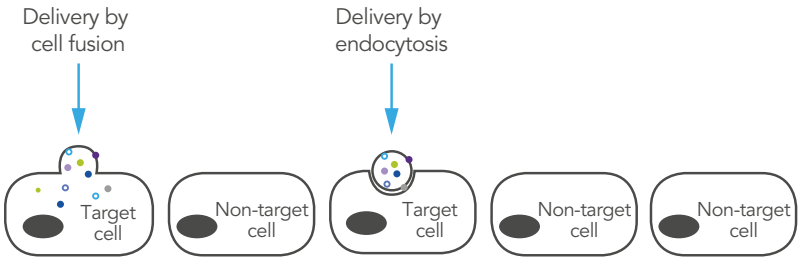
Advantages of ReNeuron's exosome technology

- 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.

Exosomes as a therapeutic delivery vehicle



There are two ways that cargo can be delivered, through:



Our progress towards improving patients' lives

iPSCs: expanding our therapeutic platform

A step towards developing further therapies in key areas of unmet need

Engineering CTX neural stem cells

- New data shows that our CTX neural stem cell line can be reprogrammed into induced pluripotent stem cells (iPSCs) and differentiated into other cell types.
- In essence, this means that the CTX neural stem cells can be reprogrammed back to being embryonic like cells that can be engineered into any other type of stem cell.

What is pluripotency?

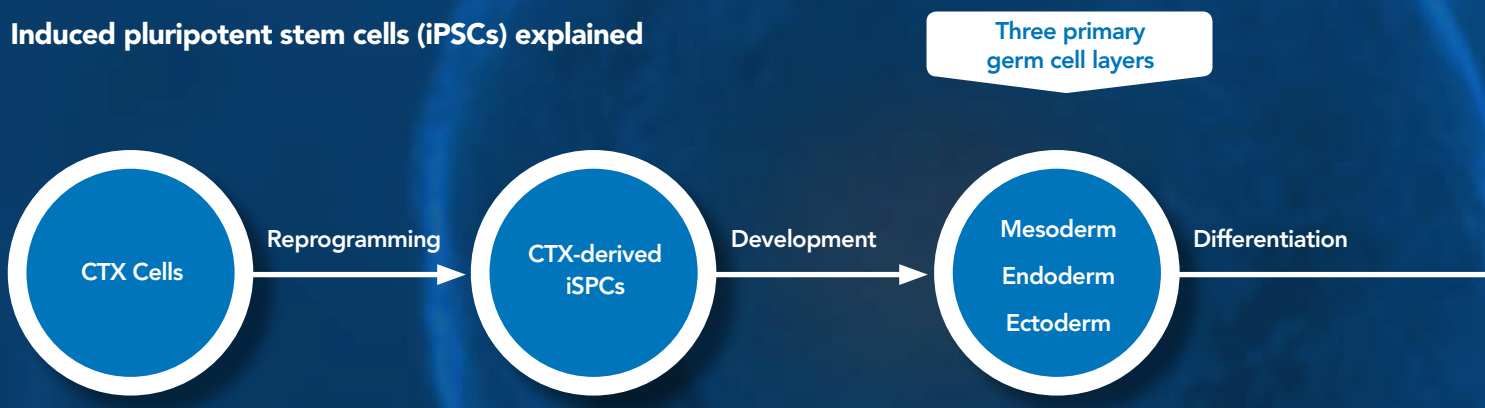
- Pluripotent stem cells are cells that have the capacity to self-renew by dividing and to develop into the three primary germ cell layers of the early embryo and therefore into all cells of the adult body.
- The new data demonstrate that CTX cells could be used to produce new conditionally immortalised allogeneic cell lines from any of the three primary germ cell layers which form during embryonic development. See below.

What does this mean for future development?

- Potential new cell lines can be efficiently created as cell therapy candidates targeting a broad range of diseases. A number of different cell lines are currently being developed.
- As a result, there is a potential to expand our therapeutic portfolio by developing further therapeutic candidates for subsequent out-licensing.
- There is a potential to produce exosomes with the ability to target specific tissues within the body.
- The maintenance of the immortalisation technology within these new cell lines may allow for the scaled production of 'off-the-shelf' allogeneic stem cells.

For **scientific terms** see the glossary on pages 96 to 97

Induced pluripotent stem cells (iPSCs) explained



> There is potential to expand our therapeutic portfolio by developing further therapeutic candidates for subsequent out-licensing.

Different cell lineages can be generated

New conditionally immortalised allogeneic (i.e. non-donor-specific) cell lines produced)

Potential for therapeutic agents used to treat diseases of unmet medical need

Scalability

Our immortalisation technology is retained which enables the efficient production of clinical-grade cell therapy candidates for subsequent licensing to third parties

Our progress towards improving 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 six months and five 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 (6/12; 50%) 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

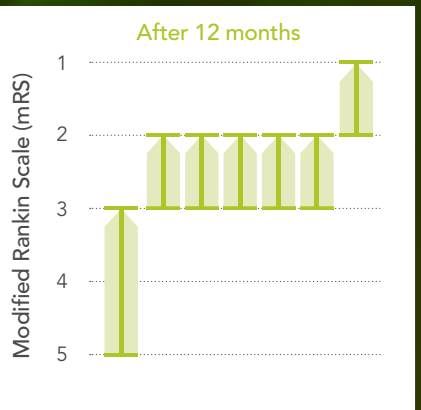
1 No significant disability despite symptoms

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 is being conducted in up to 40 sites, of which 12 surgical sites and 22 assessment sites have been activated.
- The protocol was amended which, amongst other changes, increases the number of patients to receive CTX therapy as opposed to placebo, with the size of the Phase 2b study increasing from 110 to 130 patients.
- Patient recruitment which was put on hold due to COVID-19 related restrictions, will remain suspended in the US for the foreseeable future; clinical trial sites will be kept open and patients already treated will be followed up over time in line with the clinical trial protocol.

What does this mean for future development?

Future milestones

- The CTX cell therapy candidate will continue through regional partnerships. Our exclusive licensing partner in China, Fosun Pharma, will develop the Company's CTX cell therapy candidate for stroke disability in the licensed territory (Greater China) where we have the potential to benefit from future operational and regulatory milestones under this out-license agreement.
- Clinical trial applications have recently been filed by Fosun Pharma to open clinical sites in the licensed territory to build on the clinical data already generated in the US.
- In May 2020, we announced the publication of new positive non-clinical data relating to our CTX cell therapy candidate in Huntington's disease (HD). The CTX cell therapy candidate will be available for licensing in HD and other indications.

Chief Executive Officer's review of performance

The decision we have recently taken to focus our in-house activities on our retinal disease and exosome-based programmes provides the Company with significant near-term opportunities to deliver value-enhancing data and commercial partnerships.

> During the period under review, and subsequent to it, we have continued to generate encouraging positive efficacy data from the ongoing US Phase 2a clinical trial of our hRPC cell therapy candidate in retinitis pigmentosa.

Olav Hellebø
Chief Executive Officer

12 August 2020

Review of clinical programmes

hRPC (human retinal progenitor cells) for retinal disease

During the period under review, and thereafter, we have made significant progress with our ongoing clinical programme targeting retinitis pigmentosa (RP). RP is a group of hereditary diseases of the eye that lead to progressive loss of sight due to cells in the retina becoming damaged and eventually dying.

The ongoing Phase 1/2a clinical trial is an open-label study to evaluate the safety, tolerability and preliminary efficacy of our hRPC stem cell therapy candidate in patients with advanced RP. The Phase 2a segment of the study, which uses a cryopreserved hRPC formulation, enrols subjects with some remaining retinal function and, thus far, has been conducted at two clinical sites in the US – Massachusetts Eye and Ear in Boston and Retinal Research Institute in Phoenix, Arizona.

In April 2019, initial data from the first cohort of three patients in the Phase 2a segment of the study were presented at the sixth annual Retinal Cell and Gene Therapy Innovation Summit in Vancouver, Canada. The data demonstrated a sustained improvement in visual acuity compared with baseline in these patients, as measured by the number of letters read on the ETDRS chart (the standardised eye chart used to measure visual acuity in clinical trials).

In October 2019, further positive efficacy data from the study were presented at the American Academy of Ophthalmology Annual Meeting (AAO) in San Francisco. At this point, 22 patients had been treated in the study, consisting of 12 patients in the Phase 1 segment of the study and 10 patients in the Phase 2a segment of the study. Eight out of the ten Phase 2a patients treated had reached at least the one month follow up time point. The visual acuity data presented at the AAO conference from the patients treated in the Phase 2a segment of the study continued to show the hRPC therapy's ability to deliver clinically meaningful signals of efficacy in a patient population where inexorable disease progression is the norm.

We announced further updates regarding the Phase 2a study in February 2020 and, more recently, in June 2020. This latest update summarised data gathered from patients at six, nine, twelve and, for the first patient treated, 18 months follow-up. The latest data continue to demonstrate the efficacy of the therapy, with a clinically meaningful benefit being observed at all time-points. The results announced in February 2020 excluded two subjects who experienced sight loss in the treated eye as a result of complications arising from the surgical procedure. In the June update, we reported that one of these two patients has now recovered their vision and is back to at least baseline at one year post treatment.

Also in June 2020, we announced that the Group had received regulatory approval from both the FDA and MHRA to expand the ongoing Phase 2a clinical

study to treat patients with RP at a higher dose level, at clinical sites in both the US and the UK. We intend to open the ongoing study to a highly experienced UK clinical site, the Oxford Eye Hospital, with Professor Robert MacLaren, a world-renowned leader in the treatment of retinal diseases, as Principal Investigator. These approvals will enable the treatment of up to a further nine patients in the Phase 2a extension segment of the study (beyond the ten Phase 2a patients already treated).

We expect to commence treating patients shortly in both the US and the UK under the revised approved study protocol, subject to a continued easing of COVID-19 related restrictions at the relevant clinical sites. On this basis, and as announced in June, we expect to present further data from the expanded Phase 2a clinical trial during the next twelve months and we expect to have sufficient data from the study to enable the Group to seek approval in the second half of 2021 to commence a single pivotal clinical study with our hRPC cell therapy candidate in RP.

Our hRPC cell therapy candidate offers a number of potential advantages over alternative approaches to the treatment of RP. Firstly, our cell therapy candidate is independent of the many specific genetic defects that collectively define RP as a disease, thereby allowing a much broader potential patient population to be eligible for the treatment. Secondly, the cells are cryopreserved, enabling on-demand shipment and use at local surgeries and hospitals. Finally, the cells are injected directly to the site of retinal degeneration, allowing a greater chance of anatomic restoration of photoreceptor function.

Our RP clinical programme has been granted Orphan Drug Designation in both Europe and the US, as well as Fast Track designation from the FDA in the US. Orphan Drug Designation provides the potential for a significant period of market exclusivity once the therapy is approved in those territories. Fast Track designation provides eligibility for an accelerated approval and priority review process by the FDA.

Exosome and iPS cell technologies

Our exosome technology is being exploited as a novel vector for delivering third party biological drugs. We have developed exosomes derived from our CTX human neural stem cell line that have a natural ability to cross the blood brain barrier and can thus be used to deliver therapeutics for diseases of the brain. These exosomes can be produced through a fully qualified, xeno-free, scalable process and the clinical-grade source cell-line ensures consistent exosome product. The exosomes can be loaded with a diverse range of potential therapeutics, such as siRNA/mRNA/miRNA, CRISPR/Cas9, antibodies, peptides and small molecules.

In July 2019, we announced the grant of a number of key patents in Europe, Japan, China and South Korea covering our exosomes and their methods of production. In August 2019, we announced a new grant-funded collaboration with the European Cancer Stem Cell Research Institute at Cardiff University to develop novel systems to enable the delivery of therapeutic nucleic acids across the blood brain barrier using our exosomes.

In April and June 2020, we announced separate commercial collaboration agreements to explore the potential of our exosomes to deliver therapeutic agents to the brain. The first of these agreements, with a major pharmaceutical company, focuses on the use of our exosomes for the delivery of novel gene silencing therapeutics. The second, with a major US biotechnology company, focuses on the use of the exosomes to deliver the US biotechnology company's neuroscience therapeutic candidates.

Further collaborations with pharmaceutical/biotechnology companies are anticipated to commence over the coming months. In response to COVID-19, we have also developed a proprietary exosome displaying the SARS-CoV-2 spike protein with the objective of out-licensing it for the potential delivery of COVID-19 vaccines.

In October 2019, we presented new data demonstrating the stability and scalability of new stem cell lines derived from our CTX human neural stem cells following re-programming to an embryonic stem cell-like state (induced pluripotent stem cells, or iPSCs). This means that we are able to take our CTX neural stem cells back to being stem cells that are able to differentiate into any other type of stem cell, including bone, nerve, muscle and skin. Further, we showed that the new stem cell lines generated could be grown at scale by virtue of the Group's conditional immortalisation technology, enabling the efficient production of clinical-grade, allogeneic ("off-the-shelf") cell therapy candidates.

As a result of the above findings, we are exploring the potential of our iPSC technology to be utilised to develop further new, immortalised allogeneic cell lines of varying types as potential therapeutic agents in diseases of unmet medical need for subsequent licensing to third parties. For example, the production of allogeneic haematopoietic stem cells from our iPSCs could potentially provide an alternative approach to those cancer immunotherapies currently in development that rely on the use of the patient's own T-cells. The iPSC-derived cell populations can also be utilised for the production of exosomes with specific tissue targeting, thus providing further scope for a wide range of industry partnerships.

CTX for stroke disability

During the period, we continued to progress the clinical development of our CTX cell therapy candidate for stroke disability, via our PISCES III clinical study, a randomised, placebo-controlled, Phase 2b clinical trial being undertaken in the US. Patients in the study are treated between six and 24 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

Chief Executive Officer's review of performance

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.

In February 2020, we announced that positive data from the PISCES II Phase 2a clinical trial of CTX in stroke disability had been published in the Journal of Neurology, Neurosurgery, and Psychiatry. PISCES II was a single arm, open-label study in patients living with significant disability resulting from ischaemic stroke. A total of 23 stable stroke patients with moderate to severe disability were treated with a single dose of 20 million CTX cells a median of seven months post-stroke. Clinically meaningful improvements in disability scales were measured out to 12 months post-implantation.

In June 2020, we announced that, following a review of programme priorities and resource requirements, we intended to focus the Group's resources on our retinal disease programme and our exosome and induced pluripotent stem cell (iPSC) research platforms. Consequently, we have suspended the PISCES III clinical trial in the US and our stroke disability programme will now continue through regional partnerships. Fosun Pharma, our exclusive licensing partner in China, will develop the CTX cell therapy candidate for stroke disability in the licensed territory (Greater China including Hong Kong, Macao and Taiwan) where the Company has the potential to benefit from future operational and regulatory milestones under this out-license agreement. Clinical trial applications have recently been filed by Fosun Pharma to open clinical sites in the licensed territory to build on the clinical data already generated in the US. Patient recruitment in the PISCES III study, which has been on hold due to COVID-19 related restrictions, will remain suspended in the US for the foreseeable future; clinical trial sites will be kept open and patients already treated will be followed up over time in line with the clinical trial protocol.

As part of the June 2020 programme update, we announced that our CTX cell therapy candidate would be made available for licensing in stroke disability outside China. We further announced that the CTX cell therapy candidate would be available for licensing in other indications where the candidate might have the potential to address the deficits in those indications. As an illustration of this potential, in May 2020 we announced the publication of new positive data relating to our CTX cell therapy candidate in the journal Stem Cells. The new data showed for the first time that our CTX human neural stem cell line can rescue deficits associated with an accepted animal model of Huntington's disease, a progressive genetic brain disorder.

Other activities

In April 2019, we announced the signing of an exclusive licence agreement with 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 post-launch profit threshold milestone payments derived from the licensed products, leading to total estimated milestone payments of £80.0 million provided all milestones and profit thresholds 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 continue to work closely with Fosun Pharma as it pursues the development, manufacture and commercialisation of our cell therapy programmes in the People's Republic of China, with the CTX programme for stroke disability being the initial focus of activities.

Summary and outlook

During the period under review, and subsequent to it, we have continued to generate encouraging positive efficacy data from the ongoing US Phase 2a clinical trial of our hRPC cell therapy candidate in retinitis pigmentosa. We are pleased to have recently received regulatory approvals in both the US and the UK to pursue this study in further patients at a higher dose level and we look forward to presenting further data from this extended study in due course.

Additionally, we have been very encouraged to see the potential of our exosome and iPS cell technologies emerge during the period, with further collaboration agreements expected in the near term to complement the agreements we have already signed with major pharmaceutical/biotechnology companies regarding our exosome programme.

The decision we have recently taken to focus our in-house activities on our retinal disease and exosome-based programmes provides the Group with significant near-term opportunities to deliver value-enhancing data and commercial partnerships. Our stroke disability programme will continue through regional partnerships and 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 during the period.

Olav Hellebø
Chief Executive Officer

Financial review

Michael Hunt ACA
Chief Financial Officer

12 August 2020

Revenues in the year amounted to £6.1 million (2019: £0.05 million), being an upfront licence fee of £6.0 million received from Fosun Pharma in respect of the license agreement signed with that company in April 2019, together with £0.1 million (2019: £0.05 million) of royalties from non-therapeutic licensing activities. Grant income of £0.1 million (2019: £0.8 million) has been recognised in other income. In 2019, other income also included £1.9 million relating to an exclusivity fee received during out-licensing negotiations.

Research and development costs in the year were £16.3 million (2019: £16.2 million) and accounted for 79% of operating expenses (2019: 77%). General and administrative expenses were £4.2 million (2019: £4.8 million), the decrease in costs being primarily due to reductions in staff costs and reductions in legal and professional fees over the prior year.

Finance income represents income received from the Group's cash and investments and gains from foreign exchange, with lease interest arising from the application of IFRS 16 shown in finance costs. Finance income was £0.6 million in the year (2019: £1.1 million), primarily reflecting reduced foreign exchange gains. The Group holds cash and investments in foreign currencies in order to hedge against operational spend in those currencies.

The total tax credit for the year was £3.0 million (2019: £2.9 million). This was offset by overseas taxation of £0.6 million (2019: £Nil).

As a result of the above, the total comprehensive loss for the year reduced to £11.4 million (2019: £14.3 million).

Net cash used in operating activities was £14.3 million (2019: £11.9 million), largely reflecting the operating costs incurred during the period, net of the Fosun Pharma licence fee of £5.4 million (net of withholding tax). The Group had cash, cash equivalents and bank deposits totalling £12.6 million at the year-end (2019: £26.4 million).

Directors' duties

The Directors of ReNeuron Group plc and its subsidiary companies are required to act in accordance with a set of general duties which are detailed in the Companies Act 2006.

As part of their induction, Directors are briefed on their duties and they are regularly updated by both the Company Secretary or external advisers. Directors may also seek advice on their duties at any time, either via the Company Secretary or externally. More details are set out in the Corporate Governance section on page 43.

Section 172 Statement

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its shareholders as a whole and in doing so, are required to have regard to the following:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relations with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The Company's reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

In 2018, the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the "QCA Code"). The QCA code is an appropriate code of conduct for the Group's size and stage of development. Details of how the Group applies the ten principles of the QCA Code are set out on pages 40 to 45.

The Chairman's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects including considerations for long-term decision making on pages 06 and 24.

The Board considers the Group's major stakeholders to be its shareholders, its employees and its suppliers.

Overview as to how the Board performed its duties

Shareholders

The Board is committed to openly engaging with the Company's shareholders and recognising the importance of an effective dialogue. It is important that shareholders understand the Group's strategy and objectives, so these must be explained clearly and feedback received and issues raised carefully considered. Details of shareholder engagement are set out in sections 2 and 10 of the Corporate Governance Report on pages 41 and 45.

Employees

The Group is a relatively small organisation and Executive Directors have regular day-to-day contact with employees at all levels, both formal and informal. The CEO regularly briefs employees on developments in the business and conducts question and answer sessions at these times. An Employee Engagement Group provides a more formal means of consultation with staff, and a Staff Engagement Survey is carried out annually.

Suppliers

The Board takes a close interest in relations with key suppliers whose performance is crucial to the Group's success. The Group endeavours to maintain good relationships with its suppliers and seeks to pay them promptly in accordance with the contracted terms. Where appropriate, the activities of suppliers are subject to audit.

Community and environment

The Board is mindful of the potential social and environmental impacts of the Group's activities. The Board is committed to minimising the environmental effect of the Group's activities wherever possible and seeks rigorous compliance with relevant legislation.

Business reputation

The Group operates in a highly regulated sector and the Board is committed to maintaining the highest standards of conduct. Staff behaviour is governed by appropriate policies, including anti-bribery policies, supported by a whistle-blowing process. There were no reported incidents in relation to this policies in the year ended 31 March 2020.

Sustainability

The Directors believe that operating the business responsibly is key to its long-term future and success.

People

The Group relies for its success on the intellectual qualities of its employees. Therefore it seeks to recruit and retain highly skilled and well-qualified employees.

Reward

The Group recognises the importance of a fair and competitive reward package which seeks to incentivise high performance and align the interests of the employees and the Group. Salaries are competitive, and the bonus scheme is based upon the attainment of both personal and corporate objectives. The Group also offers pension entitlement and health insurance or gym membership. Details of the Group's employee share schemes are set out in note 27 to the Financial Statements.

Diversity

The Board believes in a diverse and gender balanced workforce and the Group's Equal Opportunities Policy ensures the provision of equal opportunities in all areas of employment.

At 31 March 2020 the Group employed 29 men and 33 women.

Employee engagement

Employee engagement is described in the Section 172 report above.

Development

Employees have significant opportunities for learning and development, often identified from the annual appraisal process. Examples include PhD studies, process management and quality management skills such as six sigma black belt, as well as soft skill courses and various formal training courses identified as part of employees' annual personal development plans.

Health and safety

Keeping its employees safe is a priority for the Group. A Health and Safety ("H&S") Committee meets regularly, monitors performance and drives improvements through H&S Committee representatives. A number of employees work in a laboratory environment and are trained and required to comply with the relevant regulations and best practice. The H&S Committee reports to the Group's Senior Management Team and the Board.

The Group also offers Employee Wellbeing support.

During the COVID-19 crisis, the Group has made resources available to support the mental health needs of employees who may feel isolated by working from home.

Policies and procedures

The Group has a comprehensive Employee Handbook and supporting policies which set standards for ensuring that the Group's business activities are conducted in a responsible manner for the benefit of its shareholders, employees, research partners and suppliers. The Board believes that ensuring employees understand their responsibilities and act in an ethical way is vital to the Group's future success.

Patients

As explained earlier in this report, the Group's objective is to produce new stem cell therapies for the treatment of patients whose medical needs are currently unmet. The Group's two clinical stage candidates are in development for the treatment of patients suffering from retinitis pigmentosa and disability as a result of a stroke while research with exosomes has indicated their potential as a drug delivery system which can cross the blood brain barrier.

Exosomes may also have potential for use as a delivery vehicle for viral vaccines.

In April 2019 the Group licensed its hRPC and CTX products to Fosun, covering the Greater China market and will look to further patient access to its stem cell based therapies via future licensing arrangements in other territories.

Clinical trials

ReNeuron has established a standard set of Standard Operating Procedures ("SOPs") and policies which govern the conduct of the clinical trials which it sponsors. These SOPs and policies ensure compliance with internationally recognised and adopted standards together with national and international legislation in the relevant territories. They also ensure consistency across studies and programmes in the way that data is collected, analysed and stored. Compliance with the Group's SOPs and policies is monitored by its internal Quality Assurance department.

Our social impacts

The Group endeavours to maintain links with universities and local schools. University students and schoolchildren have visited the Pencoed site and been given an introduction to practical research based science. The Group has supported PhD research, and placements are provided from time to time.

Environmental impact

Due to the nature of the business, the Board considers that the Group has a low environmental impact. The Group seeks to minimise any environmental impact of its operations and complies with relevant regulations and legislation.

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 the Group 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.

Risk	Potential impact	Mitigation action/control
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.
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.

Risks and uncertainties

Risk	Potential impact	Mitigation action/control
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 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. The 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 in 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.

Risk	Potential impact	Mitigation action/control
Risks associated with the COVID-19 pandemic and associated public health measures		
In common with many businesses world-wide the Group's activities have been disrupted by the economic effects of the public health measures enacted to contain the spread of the coronavirus.	Government measures implemented in the UK and the USA cause the ongoing clinical trials to be subject to delays in patient recruitment. The extent of the delay and the eventual cost implications are unknown. The Group's internal research projects may be delayed.	The Group will monitor the situation and when it is free to do so, will take appropriate action consistent with staff and patient safety. The Group implemented home-working wherever possible from 17 March 2020. Where staff have been required to attend the Group's premises, appropriate social distancing and hygiene practices have been implemented. Laboratory staff continue to work to safely maintain the Group's essential research work. Priority internal research projects are progressing to current timelines. Patient recruitment has been on hold in the Group's clinical trials due to the COVID-19 related restrictions. Wherever possible, follow-up consultations with existing patients are taking place remotely. Patient recruitment will re-commence subject to an easing of these COVID-19 related restrictions at the relevant clinical sites.
The Group's fundraising activities may be constrained by the continuing economic effects of the government measures to contain the spread of the coronavirus.	Loss of economic confidence in financial markets may either reduce the level of future funding available to the Group, or prevent it from raising funds within the necessary timescale.	The Board recognises the need for further fundraising in the near future and will continue its dialogue with shareholders and potential investors. The Board will fully consider all stakeholders' interests during this process.

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 08 to 33 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
Chief Financial Officer

12 August 2020

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 plc.

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
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.

Simon Cartmell OBE
Non-executive Director

A R N

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

A R

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

External appointments
He serves as Chief Medical Officer of both Izana Bioscience and Akasa Bioscience, and Trustee of Nerve Tumours UK.

Experience and skills
He was formerly Chief Medical Officer at EUSA Pharma (sold to Jazz Pharmaceuticals in 2016) and at Zeneus Pharma (sold to Cephalon in 2006), as well as non-executive director at Circassia Pharmaceuticals plc, Neurocentrx Pharma Ltd 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 mainly in the fields of neurology and oncology.

Dr Claudia D'Augusta
Non-executive Director

A N

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, Ossianix UK Ltd, Avacta Group plc, GammaDelta Therapeutics Ltd, Sarium Holdings plc and Ikusda Therapeutics Ltd. He is also 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

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.

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 2020

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 March 2020.

Presentation of financial statements

The Group accounts include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2020.

Future developments

Future developments are set out in the Strategic Report on pages 08 to 33.

Results and dividends

The results for the year are given in the Group statement of comprehensive income set out on page 61. The Directors do not recommend the payment of a dividend (2019: £nil).

Research and development

During the year the Group incurred research and development costs of £16,335,000 (2019: £16,246,000) all charged to the statement of comprehensive income.

Events after the reporting period

During March 2020, the COVID-19 pandemic became increasingly prevalent in the UK and US where the Group's principal operations are conducted. The Group continues to comply with governmental advice and requirements across its operations in the UK and US, without significant impact on our priority internal research projects. Patient recruitment has been on hold in the Group's clinical trials due to the COVID-19 restrictions but we expect to commence treating patients shortly in our Phase 1/2a clinical trial in retinitis pigmentosa, subject to a continued easing of COVID-19 related restrictions at the relevant clinical sites.

The Group and its employees have adapted to new working arrangements, with home-working implemented wherever possible and where it is necessary for staff to attend the Group's premises, appropriate social distancing and hygiene practices have been implemented.

Financial risk management

Financial risk management is set out in note 24 to the financial statements and also in risks and uncertainties on pages 30 to 33.

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 operations of the Group are currently being financed from funds that have been raised from share placings, commercial partnerships and grants.

The Group actively seeks further business development and fundraising opportunities in order to support its ongoing development programmes. The Board places considerable emphasis on communication with shareholders, potential investors and other commercial organisations in order to maximise the chances of success in exploiting these opportunities. Further, it was announced post year-end that the Group's existing resources will be refocused on programmes and activities offering the greatest prospect of value generation in the near to medium term.

Based on the above, the Directors expect that the Group's and Company's current financial resources will be sufficient to support the business until at least mid-2021 and the Directors are considering a number of options to secure further funding sufficient for the future needs of the business beyond mid-2021.

The Directors therefore consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements. However, there is no guarantee that attempts to raise adequate additional funding on a timely basis will be successful and therefore this represents a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and/or Company were unable to continue as a going concern.

Engagement with suppliers, customers and others

The Group and Company's engagement with suppliers, customers and others is detailed in the Strategic Report.

Energy and carbon reporting

The Company and its subsidiaries are low energy users, hence no energy usage information is provided.

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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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 financial statements and IFRSs as adopted by the European Union have been followed for the 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.

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 ReNeuron Group plc, Pencoed Business Park, Pencoed, Bridgend, CF35 5HY on 10 September 2020 at 10.00 a.m.

The Notice of the annual general meeting is enclosed on page 91 of this document. Shareholders should note the provisions set out in the Notice of the annual general meeting relating to the impact on the conduct of the meeting of the UK Government's measures for prevention of the spread of the COVID-19 virus.

On behalf of the Board

Michael Hunt
Director

12 August 2020

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 33.

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 hRPC retinal stem cell therapy, exosome platform, induced Pluripotent Stem Cells as well as its CTX neural stem cell based asset. 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 30 to 33. 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.

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.

Corporate governance

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 30 to 33.

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

As at 31 March 2020, the Board comprised six Non-executive Directors, and two Executive Directors.

Directors' biographies are set out on pages 34 and 35.

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.

John Berriman and Simon Cartmell OBE (having served for nine years and become non-independent under the QCA code of corporate governance) have expressed their intention not to seek re-election at the forthcoming annual general meeting of the Company and they and Dr Claudia D'Augusta will retire with effect from the close of that meeting thereby achieving the planned reconfiguration of the non-executive membership of the Board. Dr Tim Corn will be appointed Chairman of the Company in place of John Berriman. Mark Evans will also be appointed as a representative of substantial shareholder Obotritia Capital KGaA with effect from the close of the Annual General Meeting.

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.

11 formal Board meetings were held in the year ended 31 March 2020.

A summary of Board and Committee meetings attended in the year ended 31 March 2020 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	11	11	2	2	0	0	0	0
O Hellebø	10	11	0	0	0	0	0	0
M Hunt	11	11	0	0	0	0	0	0
S Cartmell	10	11	2	2	2	2	9	9
T Corn	11	11	0	0	2	2	9	9
C D'Augusta	10	11	2	2	2	2	0	0
C Evans	6	11	0	0	0	0	0	0
M Owen	10	11	0	0	0	0	9	9

The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-executive Directors. The Company meets this requirement.

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 34 and 35. 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.

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.

Corporate governance

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.

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 pages 46 to 47.

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 2020, the Remuneration Committee met nine times. The Committee reviewed and approved:

i. the degree of achievement of objectives for the year ended 31 March 2019 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 2020;

iii. the exercise of share options by employees;

iv. non-executive director fees;

v. the remuneration package of the Head of Business Development and Alliance Management; and

vi. the Executive Directors' salaries and benefits.

The Directors' Remuneration Report is set out on pages 48 to 56. 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 2020, the Nominations and Corporate Governance Committee met twice. The Committee reviewed and approved:

i. the outcomes of the Board evaluation exercise undertaken in May 2019;

ii. the continuation of the appointment of Professor Sir Chris Evans OBE as a Non-executive Director;

iii. the independence of long serving Non-executive Directors; and

iv. potential future recruitment of a US based Non-executive Director.

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 Investors (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 ('whistleblowing') 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 Investors 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

12 August 2020

Audit committee report

for the year ended 31 March 2020

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 March 2020.

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.

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 2020, the Audit Committee met twice. The Committee reviewed and approved the financial statements for the year ended 31 March 2019, the interim results for the six months to 30 September 2019 and the external auditor's plan and fee for the 2020 external audit. The Committee also considered the impact of IFRS 15 "Revenue" and IFRS 16 "Leasing" and approved management proposals.

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 considers the going concern basis to be appropriate. However, there is no guarantee that attempts to raise adequate additional funding on a timely basis will be successful and therefore this represents a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern.

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 2020.

By order of the Board

Dr Claudia D'Augusta

Chair – Audit Committee

12 August 2020

Directors' remuneration report

for the year ended 31 March 2020

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 50 to 56 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 £47,000 (2019: £50,000) 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' emoluments

The Directors received the following remuneration during the year:

Audited	Salaries and fees £'000	Bonuses £'000	Benefits in kind £'000	2020 Total £'000	2020 Pension contributions £'000	2019 Total £'000	2019 Pension contributions £'000
John Berriman	46	–	–	**46**	**–**	52	–
Olav Hellebø	364	–	2	**366**	**31**	509	30
Michael Hunt	224	–	2	**226**	**21**	323	21
Simon Cartmell OBE	38	–	–	**38**	**–**	38	–
Dr Tim Corn	33	–	–	**33**	**–**	30	–
Dr Claudia D'Augusta	37	–	–	**37**	**–**	37	–
Professor Sir Chris Evans OBE	26	–	–	**26**	**–**	26	–
Dr Mike Owen	30	–	–	**30**	**–**	27	–
Total	798	–	4	**802**	**52**	1,042	51

Directors' bonuses comprise 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.

In addition to the above cash bonus, and in line with the above stated remuneration policy, the Executive Directors may earn a non-cash bonus based on achievement of corporate and personal performance objectives, paid in the form of nominally priced share options awarded under the Group's Long-term Incentive Plan.

In the light of the impact of COVID-19, the Executive Directors have waived all bonuses earned based upon the achievement of personal and corporate objectives for the year ended 31 March 2020. As such no cash bonuses are to be paid and no bonus-related options granted in respect of the year ended 31 March 2020. The estimated gain on options granted in respect of the year ended 31 March 2019 at the date of grant was for Olav Hellebø £72,000 and for Michael Hunt £56,000.

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 £12,900 (2019: £11,859) to each of the Non-executive Directors.

Directors' emoluments include amounts payable to third parties in respect of fees as described in note 33 of the financial statements.

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

	Ordinary shares of 1p each	
	31 March 2020 Number	31 March 2019 Number
John Berriman	**90,434**	10,434
Olav Hellebø	**21,630**	21,630
Michael Hunt	**30,036**	27,546
Simon Cartmell OBE	**15,633**	7,875
Dr Tim Corn	**2,000**	2,000
Dr Claudia D'Augusta	**–**	–
Professor Sir Chris Evans OBE	**254,605**	240,105
Dr Mike Owen	**4,237**	–

Directors' remuneration report

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 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	20	–	–	6,000	**6,000**	£0.01	May 2019 – April 2029
		48,252	–	6,000	**54,252**		

Olav Hellebø

	Note	At 1 April 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	21	–	–	260,861	**260,861**	£0.01	April 2022 – April 2029
Options – unapproved	22	–	–	30,254	**30,254**	£0.01	July 2021 – July 2029
		805,860	–	291,115	**1,096,975**		

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

Michael Hunt

	Note	At 1 April 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	21	–	–	103,785	103,785	£0.01	April 2022 – April 2029
Options – unapproved	22	–	–	23,697	23,697	£0.01	July 2021 – July 2029
		452,217	(3,478)	127,482	576,221		

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed in the following notes.
** These options were issued under the Group Deferred Share-based Bonus Plan. The estimated gain on these options was disclosed in the Directors Remuneration Report in the year that the options were granted.

Directors' remuneration report

Simon Cartmell OBE

	Note	At 1 April 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	20	–	–	6,000	**6,000**	£0.01	May 2019 – April 2029
		48,252	–	6,000	**54,252**		

Dr Tim Corn

	Note	At 1 April 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	20	–	–	6,000	**6,000**	£0.01	May 2019 – April 2029
		41,452	–	6,000	**47,452**		

* 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 Claudia D'Augusta

	Note	At 1 April 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	20	–	–	6,000	**6,000**	£0.01	May 2019 – April 2029
		22,700	–	6,000	**28,700**		

Professor Sir Chris Evans OBE

	Note	At 1 April 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	20	–	–	6,000	**6,000**	£0.01	May 2019 – April 2029
		35,700	–	6,000	**41,700**		

Dr Mike Owen

	Note	At 1 April 2019 Number	Exercised during the year Number	Granted during the year Number	At 31 March 2020 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
Options – unapproved	20	–	–	6,000	**6,000**	£0.01	May 2019 – April 2029
		25,700	–	6,000	**31,700**		

* 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

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 2020 these options have been exercised.

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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 these options were not exercisable.

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

v. 33.3% vest on completion of the fifth clinical trial of a ReNeuron cell therapy;

vi. 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 2020 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 2020 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 2020 83.33% of these options were exercisable.

Note 16:

These options were issued subject to the performance conditions set out below. At 31 March 2020 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 2020 50% of these options were exercisable.

Note 18:

These options were issued subject to the performance conditions set out below. At 31 March 2020 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.

Directors' remuneration report

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 2020 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 20:

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 2020 30.56% of these options were exercisable.

Note 21:

These options were issued subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i. 33% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources, provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products;

ii. 33% vest when the Company's share price has doubled from the price at the date of grant;

iii. 34% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Note 22:

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 2019 and carry no further performance conditions; at 31 March 2020 these options were not exercisable.

By order of the Board

Simon Cartmell OBE

Chair – Remuneration Committee

12 August 2020

Independent auditors' 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 2020 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 2020; 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.

Material uncertainty related to going concern – Group and Parent Company

In forming our opinion on the financial statements, which are not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the group and parent company's ability to continue as a going concern. Based on the Directors' current forecasts and plans the Directors expect the group's and parent company's current financial resources will be sufficient to support the business until at least mid-2021 and the Directors are considering a number of options to secure further funding sufficient for the future needs of the business beyond mid-2021. However, there is no guarantee that attempts to raise adequate additional financing on a timely basis will be successful. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and/or the parent company were unable to continue as a going concern.

Audit procedures performed

In concluding that there was a material uncertainty, we reviewed the Directors' model supporting their going concern assumption, tested mathematical accuracy and considered the reasonableness of the assumptions made and the available headroom throughout the twelve-month period from the date of approval of the financial statements. Our procedures included:

- considering whether the assumptions made indicate that material uncertainty exists in relation to going concern and considering how sensitive the model is to reasonably possible changes in those assumptions;
- reviewing the underlying base year back to supporting documentation (i.e. comparison with costs in current year); and
- considering whether judgements/estimates are appropriately disclosed within the financial statements.

Our audit approach

Overview

- Overall group materiality: £693,000 (2019: £859,000), based on 5% of loss before tax.
- Overall parent company materiality: £628,000 (2019: £677,000), 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.
- Going concern – refer to the Material uncertainty related to going concern above (Group and Parent Company).
- Accounting for research and development expenditure (Group).
- Risks posed by COVID-19 (Group and Parent Company).

Independent auditors' report to the members of ReNeuron Group plc

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. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. 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 (Group) 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 2020 to identify any costs not included in management's schedules.
Risks posed by COVID-19 (Group and Parent Company) The Directors have considered the risks posed by COVID-19, as set out in the Strategic report. Given the nature of the Group's operations, the risks are assessed as being in relation to the potential slowing of Research & Development activities including possible knock-on delays in clinical trial data and sustained fixed costs during periods of relative inactivity.	We read relevant disclosures in the Annual Report and checked for consistency with our knowledge of the business based on our audit. No exceptions were noted from our testing.

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.

Independent auditors' report to the members of ReNeuron Group plc

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 recharges these back to ReNeuron Limited). ReNeuron Ireland Limited is not currently trading but a management charge has been recognised in the year. There are two dormant entities in the group; ReNeuron (UK) Limited and ReNeuron Holdings 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. and ReNeuron Ireland Limited, which contribute 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.

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	£693,000 (2019: £859,000).	£628,000 (2019: £677,000).
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. 72% 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 between £619,000 and £628,000. 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 £35,000 (Group audit) (2019: £43,000) and £31,000 (Parent company audit) (2019: £34,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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.

Independent auditors' report to the members of ReNeuron Group plc

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 2020 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 statement, 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

12 August 2020

Group statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 £'000	2019 Restated[1] £'000
Revenue	5	**6,065**	49
Other income	6	**100**	2,671
Research and development costs	7	**(16,335)**	(16,246)
General and administrative costs	7	**(4,239)**	(4,773)
Operating loss		**(14,409)**	(18,299)
Finance income	8	**593**	1,103
Finance expense	9	**(42)**	(39)
Loss before income tax		**(13,858)**	(17,235)
Taxation	12	**2,446**	2,887
Loss and total comprehensive loss for the year		**(11,412)**	(14,348)
Loss and total comprehensive loss attributable to equity owners of the Company		**(11,412)**	(14,348)
Basic and diluted loss per Ordinary share	14	**(35.9p)**	(45.3p)

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

Group and Parent Company statements of financial position

as at 31 March 2020

		Group			Company		
	Note	2020 £'000	2019 Restated[1] £'000	2018 Restated[1] £'000	2020 £'000	2019 Restated[1] £'000	2018 Restated[1] £'000
Assets							
Non-current assets							
Property, plant and equipment	15	**452**	632	726	**–**	–	–
Right-of-use asset	16	**591**	704	755	**564**	659	755
Intangible assets	17	**186**	186	186	**–**	–	–
Investment in subsidiaries	18	**–**	–	–	**75,000**	112,527	103,195
		1,229	1,522	1,667	**75,564**	113,186	103,950
Current assets							
Trade and other receivables	19	**696**	834	1,282	**7**	20	73
Income tax receivable		**5,826**	2,768	3,010	**–**	–	–
Investments – bank deposits	20	**–**	5,954	9,500	**–**	5,954	9,500
Cash and cash equivalents	21	**12,625**	20,432	27,911	**11,079**	19,083	25,026
		19,147	29,988	41,703	**11,086**	25,057	34,599
Total assets		**20,376**	31,510	43,370	**86,650**	138,243	138,549
Equity							
Equity attributable to owners of the Company							
Share capital	25	**318**	316	316	**318**	316	316
Share premium account	25	**97,890**	97,704	97,704	**97,890**	97,704	97,704
Capital redemption reserve		**40,294**	40,294	40,294	**40,294**	40,294	40,294
Merger reserve		**2,223**	2,223	2,223	**1,858**	1,858	1,858
Accumulated losses							
At 1 April		**(117,293)**	(103,985)	(87,441)	**(8,387)**	(8,112)	(6,179)
Loss for the year attributable to the owners		**(11,412)**	(14,348)	(17,671)	**(47,367)**	(1,315)	(3,060)
Other changes in accumulated losses		**1,203**	1,040	1,127	**1,203**	1,040	1,127
At 31 March		**(127,502)**	(117,293)	(103,985)	**(54,551)**	(8,387)	(8,112)
Total equity		**13,223**	23,244	36,552	**85,809**	131,785	132,060
Liabilities							
Current liabilities							
Trade and other payables	22	**6,280**	7,261	5,819	**3**	5,490	5,490
Lease liabilities	23	**166**	141	31	**135**	130	31
		6,446	7,402	5,850	**138**	5,620	5,521
Non-current liabilities							
Lease liabilities	23	**707**	864	968	**703**	838	968
		707	864	968	**703**	838	968
Total liabilities		**7,153**	8,266	6,818	**841**	6,458	6,849
Total equity and liabilities		**20,376**	31,510	43,370	**86,650**	138,243	138,549

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

The financial statements on pages 61 to 90 were approved by the Board of Directors on 12 August 2020 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 2020

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 2018 (as previously reported)	316	97,704	40,294	2,223	(103,868)	36,669
Change in accounting policy[1]	–	–	–	–	(117)	(117)
As at 1 April 2018 (restated)	316	97,704	40,294	2,223	(103,985)	36,552
Credit on share-based payment	–	–	–	–	1,040	1,040
Loss and total comprehensive loss for the year	–	–	–	–	(14,348)	(14,348)
As at 31 March 2019	316	97,704	40,294	2,223	(117,293)	23,244
Exercise of employee share options	2	186	–	–	–	188
Credit on share-based payment	–	–	–	–	1,203	1,203
Loss and total comprehensive loss for the year	–	–	–	–	(11,412)	(11,412)
As at 31 March 2020	318	97,890	40,294	2,223	(127,502)	13,223

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 2018	316	97,704	40,294	1,858	(7,838)	132,334
Change in accounting policy[1]	–	–	–	–	(274)	(274)
As at 1 April 2018 (restated)	316	97,704	40,294	1,858	(8,112)	132,060
Credit on share-based payment	–	–	–	–	1,040	1,040
Loss and total comprehensive loss for the year	–	–	–	–	(1,315)	(1,315)
As at 31 March 2019	316	97,704	40,294	1,858	(8,387)	131,785
Exercise of employee share options	2	186	–	–	–	188
Credit on share-based payment	–	–	–	–	1,203	1,203
Loss and total comprehensive loss for the year	–	–	–	–	(47,367)	(47,367)
As at 31 March 2020	**318**	**97,890**	**40,294**	**1,858**	**(54,551)**	**85,809**

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

Group and Parent Company statements of cash flows

for the year ended 31 March 2020

	Note	Group 2020 £'000	Group 2019 Restated[1] £'000	Company 2020 £'000	Company 2019 Restated[1] £'000
Cash flows from operating activities					
Cash used in operations	28	**(13,651)**	(15,037)	**(1,082)**	(1,415)
Overseas taxes paid		**(611)**	–	**–**	–
Income tax credit received		**–**	3,129	**–**	–
Interest paid		**(42)**	(39)	**(34)**	(38)
Net cash used in operating activities		**(14,304)**	(11,947)	**(1,116)**	(1,453)
Cash flows from investing activities					
Capital expenditure		**(119)**	(239)	**–**	–
Investment in subsidiaries		**–**	–	**(13,505)**	(9,162)
Interest received		**300**	342	**299**	343
Net cash generated from/(used in) investing activities		**181**	103	**(13,206)**	(8,819)
Cash flows from financing activities					
Proceeds from the issue of ordinary shares		**188**	–	**188**	–
Bank deposit matured		**6,260**	4,359	**6,260**	4,359
Lease payments		**(144)**	(45)	**(130)**	(30)
Lease finance		**12**	51	**–**	–
Net cash generated from financing activities		**6,316**	4,365	**6,318**	4,329
Net decrease in cash and cash equivalents		**(7,807)**	(7,479)	**(8,004)**	(5,943)
Cash and cash equivalents at the start of the year		**20,432**	27,911	**19,083**	25,026
Cash and cash equivalents at the end of the year		**12,625**	20,432	**11,079**	19,083

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

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 Standards Interpretations Committee (IFRSIC) and the Companies Act 2006 applicable to companies reporting under IFRS.

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

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 2020.

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 judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement 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 £2.9 million. The related accruals were £0.9 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.

Notes to the financial statements continued

Revenue

Revenue is accounted for in line with the principles of IFRS 15 'Revenue from Contracts with Customers'. It is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes.

Licensing agreements may contain a number of elements and provide for varying consideration terms, such as initial fees, sales, development and regulatory milestones together with sales-based royalties and similar payments. Such arrangements are within the scope of IFRS 15 and are assessed under its five-step model to determine revenue recognition. The distinct performance obligations within the contract and the arrangement transaction price are identified. The fair value of the arrangement transaction price is allocated to the different performance obligations based upon the relative stand-alone selling price of those obligations together with the performance obligation activities to which the terms of the payments specifically relate. The allocated transaction price is recognised over the respective performance period of each performance obligation.

Initial fees relating to the immediate transfer of intellectual property are recognised as revenue upon signature of the contract.

Development and regulatory approval milestone payments are recognised as revenue when the respective milestones are achieved.

Sales-based royalty income and related milestone payments are recognised in the period when the related sales occur or when the relevant milestone is achieved.

Income which is related to ongoing development activity or technology transfer is recognised as the activity is undertaken, in accordance with the contract.

Where the Group acts as principal in a transaction it recognises the gross revenue to which it is entitled. If the Group acts as agent in a transaction, it recognises the fee or commission received.

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

IFRS 16 'Leases' replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard applies a single recognition and measurement approach for all applicable leases under which the Group is the lessee.

The Group has lease contracts for property and equipment. Prior to the adoption of IFRS 16, these were classified as operating leases under IAS 17 and the lease payments were recognised as rental costs in the statement of comprehensive income. Any prepayed rent and accrued rent were recognised under prepayments and accruals respectively.

The Group has applied IFRS 16 for the first time for the year ended 31 March 2020 using the fully retrospective method. Therefore, the Group has applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in these financial statements has been restated. The impact of the implementation of IFRS 16 'Leases' is described in note 35 below.

At transition, the Group used the practical expedient allowing IFRS 16 to be applied only to contracts that were previously classified as leases under IAS 17 and IFRIC 4.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets two key evaluations, which are whether:

- the contract contains an identifiable asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost. The Group depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

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 27. 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.

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.

Notes to the financial statements continued

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 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 12 months are disclosed within current assets and those with maturities greater than 12 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 2020. With the exception of IFRS 16 Leases, none of them have any 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);
- Amendments to IAS 28 – 'Long-term Interests in Associates and Joint Ventures' (effective 1 January 2019);
- Amendments to IAS 19 – 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019);
- Annual improvements to IFRS 2015-17 cycle (effective 1 January 2019); and
- IFRS Practice Statement 2 'Making Materiality Judgements' (can be applied immediately).

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

- Amendments to IFRS 9 – IAS 39 and IFRS 7- 'Interest Rate Benchmark Reform' (effective 1 January 2020);
- Amendments to IFRS 3 – 'Definition of a Business' (effective 1 January 2020);
- Amendments to IAS 1 and IAS 8 – 'Definition of Material' (effective 1 January 2020);
- Conceptual Framework for Financial Reporting (effective 1 January 2020);
- IFRS 17 'Insurance Contracts' (effective 1 January 2021); and
- Amendments to IFRS 10 and IAS 28 – 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (deferred indefinitely).

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 operations of the Group are currently being financed from funds that have been raised from share placings, commercial partnerships and grants.

The Group actively seeks further business development and fundraising opportunities in order to support its ongoing development programmes. The Board places considerable emphasis on communication with shareholders, potential investors and other commercial organisations in order to maximise the chances of success in exploiting these opportunities. Further, it was announced post year-end that the Group's existing resources will be refocused on programmes and activities offering the greatest prospect of value generation in the near to medium term.

Based on the above, the Directors expect that the Group's and Company's current financial resources will be sufficient to support the business until at least mid-2021 and the Directors are considering a number of options to secure further funding sufficient for the future needs of the business beyond mid-2021.

The Directors therefore consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements. However, there is no guarantee that attempts to raise adequate additional funding on a timely basis will be successful and therefore this represents a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and/or Company were unable to continue as a going concern.

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

	2020 £'000	2019 £'000
Royalty income	65	49
Initial licence fee	6,000	–
Total	**6,065**	49

Royalty income is derived from customers in the USA. The initial licensing fee was earned in the People's Republic of China.

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. ReNeuron retains the rights to the Licensed Products in the rest of the world.

In May 2019, ReNeuron received an initial licensing fee of £6 million (before withholding tax). Only the initial licensing fee has been included in the transaction price. It has been determined that the development, regulatory and sales milestones should be included in the transaction price when each performance obligation is met.

Under the terms of the Agreement, ReNeuron is entitled to further payments based upon the achievement of development, regulatory and sales milestones. The Agreement also entitles ReNeuron to royalty payments based upon future net sales of the Licensed Products in China.

Notes to the financial statements continued

6. Other income

	2020 £'000	2019 £'000
Government grants	100	778
Exclusivity fee	–	1,893
Total	**100**	2,671

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

	2020 £'000	2019 £'000
Loss before income tax is stated after charging:		
Research and development costs:		
Employee benefits (note 11)	4,502	4,712
Depreciation of property, plant and equipment (note 15)	228	208
Depreciation of right-of-use asset (note 16)	25	6
Other expenses	11,580	11,320
Total research and development costs	16,335	16,246
General and administrative costs:		
Employee benefits (note 11)	2,166	2,300
Legal and professional fees	911	1,304
Depreciation of property, plant and equipment (note 15)	59	74
Depreciation of right-of-use asset (note 16)	100	96
Other expenses	1,003	999
Total general and administrative costs	4,239	4,773
Total research and development costs and general and administrative costs	20,574	21,019

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	2020 £'000	2019 £'000
Fees payable to the Group's auditors:		
– for the audit of the Parent Company and consolidated financial statements	22	22
– for the audit of the Company's subsidiaries pursuant to legislation	25	23
– audit-related assurance services	3	3
– advisory services	–	65
Total	50	113

8. Finance income

	2020 £'000	2019 £'000
Interest receivable on short-term and investment bank deposits	287	291
Foreign exchange gains	306	812
Total	593	1,103

9. Finance expense

	2020 £'000	2019 £'000
Lease interest	42	39

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'.

	2020 £'000	2019 £'000
Aggregate emoluments of Directors:		
Salaries and other short-term employee benefits	**802**	1,042
Pension contributions	**52**	51
	854	1,093
Share-based payments	**660**	570
Directors' emoluments including share-based payments	**1,514**	1,663

Two Directors (2019: two) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

One of the Directors exercised 3,478 share options during the year (2019: none). These options were issued under the Group deferred share-based bonus plan. The estimated gain on these options was disclosed in the Directors' remuneration report in the year of grant.

For detailed disclosure of Directors' emoluments, including highest paid Director, please refer to the Directors' remuneration report on pages 48 to 56.

Directors' emoluments include amounts payable to third parties as described in note 33.

11. Employee information

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

	2020 Number	2019 Number
By activity:		
Research and development	**49**	49
Administration	**12**	10
Total	**61**	59

	2020 £'000	2019 £'000
Staff costs:		
Wages and salaries	**4,698**	5,162
Social security costs	**533**	572
Share-based payment charge	**1,203**	1,040
Other pension costs	**234**	238
Total	**6,668**	7,012

The Company holds the employment contracts for the two Executive Directors (2019: 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 £234,000 (2019: £238,000). There were no prepaid or accrued contributions to the scheme at the year end (2019: £Nil).

Notes to the financial statements continued

12. Taxation

	2020 £'000	2019 £'000
UK research and development tax credit at 14.5% (2019: 14.5%)	3,057	2,887
Overseas taxation	(611)	–
Total	**2,446**	2,887

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% (2019: 14.5%) on 230% (2019: 230%) of qualifying expenditure for the year to 31 March 2020.

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

	2020 £'000	2019 £'000
Loss before income tax	13,858	17,235
Loss before income tax multiplied by the main rate of corporation tax of 19% (2019: 19%)	2,633	3,275
Effects of:		
– difference between depreciation and capital allowances	(22)	(13)
– expenses not deductible for tax purposes	(612)	(197)
– losses not recognised	900	(302)
– overseas losses utilised	–	5
– adjustments in respect of prior year	158	119
Overseas taxes paid	(611)	–
Tax credit	**2,446**	2,887

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 2020 £'000	Amount not recognised 2019 £'000
Tax effect of timing differences because of:		
Accelerated capital allowances	31	10
Losses carried forward	18,558	16,058
Total	**18,589**	16,068

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

	Amount not recognised 2020 £'000	Amount not recognised 2019 £'000
Tax effect of timing differences because of:		
Losses carried forward	1,141	921

13. Loss for the financial year

As permitted by Section 408 of the Companies Act 2006 the Parent Company's statement of comprehensive income for the current year has not been presented in these financial statements. The Parent Company's loss and total comprehensive loss for the financial year was £47,367,000 (2019: £1,315,000). The loss in the current year was derived from the impairment of investments in subsidiary companies.

14. Basic and diluted loss per Ordinary share

The basic and diluted loss per share is calculated by dividing the loss for the financial year of £11,412,000 (2019: £14,348,000) by 31,811,456 shares (2019: 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.

15. Property, plant and equipment

Group	Plant and equipment £'000	Computer equipment £'000	Total £'000
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
Cost			
At 1 April 2019	1,258	186	1,444
Additions	40	67	107
Disposals	(43)	(8)	(51)
At 31 March 2020	1,255	245	1,500
Accumulated depreciation			
At 1 April 2019	652	160	812
Charge for the year	238	49	287
Disposals	(43)	(8)	(51)
At 31 March 2020	847	201	1,048
Net book amount			
At 31 March 2020	408	44	452

The Company had no property, plant or equipment at 31 March 2020 (2019: £Nil).

16. Right-of-use asset

Group	31 March 2020 £'000	31 March 2019 £'000
At beginning of the period	**704**	755
Additions	**12**	51
Depreciation charge	**(125)**	(102)
At end of the period	**591**	704

The net book value of the underlying assets is as follows:

	31 March 2020 £'000	31 March 2019 £'000
Land and buildings	**564**	659
Computer and office equipment	**27**	45
At end of the period	**591**	704

Company	31 March 2020 £'000	31 March 2019 £'000
At beginning of the period	**659**	754
Depreciation charge	**(95)**	(95)
At end of the period	**564**	659

The above comprises land and buildings.

Notes to the financial statements continued

17. Intangible assets

Group	Licence fees £'000	Intellectual property rights not amortised £'000	Total £'000
At 1 April 2019 and 31 March 2020			
Cost	2,070	6,143	8,213
Accumulated amortisation and impairment	(1,884)	(6,143)	(8,027)
Net book amount at 31 March 2019 and 31 March 2020	186	–	186

The Company holds no intangible assets (2019: £Nil).

18. Investment in subsidiaries

Company

Net book amount	2020 £'000	2019 £'000
At the start of the year	**112,527**	103,195
Increased investment in subsidiaries	**13,505**	9,162
Capital contribution arising from share-based payments	**116**	170
Impairment of investments in subsidiaries	**(51,148)**	–
Net book amount at 31 March	**75,000**	112,527

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.

The large element of the Group's funds are raised by ReNeuron Group plc, with funds then being passed to subsidiary companies via intercompany transactions. The resultant intercompany debtor is reclassified to investment in subsidiaries. Following the decision to suspend the Phase 2b study in the US with ReNeuron Limited's CTX stem cell therapy candidate for stroke disability, the Company has booked a provision of £51,148,000 (2019: £nil) against the amount outstanding, relating to the CTX stem cell therapy candidate, from ReNeuron Limited to ReNeuron Group plc.

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	$0.001 Common stock	€1 Ordinary shares
Proportion of nominal value of shares held by the Company	100%	100%	100%	100%	100%

ReNeuron Limited is the principal trading company in the Group. ReNeuron Inc. employs staff who supervise the Group's clinical trials in the USA. 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. 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.

19. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current				
Other receivables	**294**	400	**7**	20
Prepayments and accrued income	**402**	434	**–**	–
Total trade and other receivables	**696**	834	**7**	20

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

20. Investments – bank deposits

	Group		Company	
Bank deposits maturing:	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Four to 12 months: current asset investments	**–**	5,954	**–**	5,954

21. Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash at bank and in hand	**12,625**	20,432	**11,079**	19,083

22. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade payables	**2,426**	2,546	**3**	3
Taxation and social security	**145**	131	**–**	–
Accruals and deferred income	**3,709**	4,584	**–**	–
Amounts owed to Group undertakings	**–**	–	**–**	5,487
Total payables falling due within one year	**6,280**	7,261	**3**	5,490

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

23. Lease liabilities

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current lease liabilities	**166**	141	**135**	130
Non-current lease liabilities	**707**	864	**703**	838
Total payables falling due within one year	**873**	1,005	**838**	968

Notes to the financial statements continued

Maturity of lease liabilities

The maturity profile of the Group's lease liabilities based upon contractual undiscounted payments is set out below:

	Group		Company	
	2020 £'000	2019 Restated[1] £'000	**2020 £'000**	2019 £'000
Less than one year	**187**	187	**165**	165
One year to two years	**169**	187	**165**	165
Two years to three years	**165**	169	**165**	165
Three years to four years	**165**	165	**165**	165
Four years to five years	**165**	165	**165**	165
More than five years	**110**	275	**110**	275

[1] For further details of the impact of IFRS 16 on the prior year's results, see note 35

The interest expense on lease liabilities in the years ended 31 March 2020 and 31 March 2019 is shown in note 9.

Other information

The principal 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 has been rescinded subsequent to the year ended 31 March 2020.

24. 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 2020 and 31 March 2019 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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade and other payables due within three months	**6,280**	7,261	**3**	5,490
Current lease liabilities – due within one year	**166**	141	**135**	130
Non-current lease liabilities – due after more than one year	**707**	864	**703**	838
	7,153	8,266	**841**	6,458

Interest rate risk

A portion of the Group's cash resources are placed on fixed deposit, with an original term of between three and 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 2020 cash and bank deposits of £7,150,000 (2019: £13,405,000) were held in these currencies. Creditors of the Group include £586,000 (2019: £1,162,000) denominated in US dollars and £237,000 (2019: £761,000) denominated in euros. All of the Group's receivables are denominated in pounds sterling.

At 31 March 2020, 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 £311,000 (2019: £414,000) higher/lower.

At 31 March 2020, 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 £22,000 (2019: £21,000) 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	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Pounds sterling	**5,475**	10,481	**4,878**	10,199
US dollars	**6,487**	9,417	**6,023**	8,539
Euros	**663**	534	**178**	345
	12,625	20,432	**11,079**	19,083

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

	Group		Company	
Currency	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Pounds sterling	**–**	2,500	**–**	2,500
US dollars	**–**	3,454	**–**	3,454
	–	5,954	**–**	5,954

Notes to the financial statements continued

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair value of the Group's and the Company's financial assets and liabilities measured at amortised cost 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.

	2020		2019	
Group	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
Investments – bank deposits	**–**	**–**	5,954	5,954
Cash at bank and in hand	**12,625**	**12,625**	20,432	20,432
Trade and other receivables excluding prepayments and accrued income	**294**	**294**	400	400
Trade and other payables excluding taxation and social security and accruals and deferred income	**2,426**	**2,426**	2,546	2,546
Lease liabilities	**873**	**873**	1,005	1,005

	2020		2019	
Company	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
Investments – bank deposits	**–**	**–**	5,954	5,954
Cash at bank and in hand	**11,079**	**11,079**	19,083	19,083
Receivables: current	**7**	**7**	20	20
Trade and other payables	**3**	**3**	5,490	5,490
Lease liabilities	**838**	**838**	968	968

25. Share capital and share premium

	Number of shares	Issued and fully paid share capital £'000	Share premium £'000	Total £'000
Authorised share capital (at 1 April 2019 and 31 March 2020)	Unlimited			
At 1 April 2019 shares of 1 pence each	31,646,186	316	97,704	98,020
Issue of new shares – exercise of employee share options	187,584	2	186	188
At 31 March 2020 shares of 1 pence each	**31,833,770**	**318**	**97,890**	**98,208**

26. 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.

27. Share options

The Group operates share option schemes for Directors and employees of Group companies and specific consultants. Options have been issued through a combination of an Inland Revenue-approved 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 2020 are summarised below. At 31 March 2020, the total outstanding options represented 11.3% of the total shares in issue.

Date of grant	Number of options at 1 April 2019	Granted during the year	Exercised in year	Lapsed during the year	**As at 31 March 2020**	Note	Exercise price	Date from which exercisable*	Date of expiry†
August 2009	10,101	–	–	(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	9,268	–	–	–	**9,268**	4	£3.85	August 2013	August 2020
August 2010	36,222	–	(12,933)	–	**23,289**	5	£1.00	August 2013	August 2020
September 2011	21,600	–		–	**21,600**	6	£3.75	September 2014	September 2021
September 2011	44,537	–	(14,977)	–	**29,560**	7	£1.00	September 2014	September 2021
September 2012	26,574	–	–	–	**26,574**	8	£2.87	September 2015	September 2022
September 2012	64,261	–	(12,254)	–	**52,007**	9	£1.00	September 2015	September 2022
September 2013	31,450	–	–	–	**31,450**	10	£3.60	September 2016	September 2023
September 2013	75,387	–	(13,093)	–	**62,294**	11	£1.00	September 2016	September 2023
September 2014	52,250	–		(5,000)	**47,250**	12	£3.45	September 2017	September 2024
September 2014	247,343	–	(8,576)	–	**238,767**	13	£1.00	September 2017	September 2024
October 2015	37,250	–	(25,500)	–	**11,750**	14	£1.00	October 2018	October 2025
October 2015	434,749	–	(79,637)	–	**355,112**	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	15,000	–	–	–	**15,000**	18	£1.00	August 2016	July 2026
July 2016	50,500	–	–	(14,000)	**36,500**	19	£1.00	July 2019	July 2026
September 2017	328,332	–	–	–	**328,332**	20	£1.00	July 2020	September 2027
September 2017	84,500	–	–	(20,500)	**64,000**	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	86,500	–	–	(20,500)	**66,000**	26	£0.01	September 2021	September 2028
February 2019	18,000	–	–	–	**18,000**	25	£0.53	February 2021	February 2029
February 2019	132,000	–	–	(37,500)	**94,500**	27	£0.01	February 2022	February 2029
April 2019	–	36,000	–	–	**36,000**	28	£0.01	May 2019	April 2029
April 2019	–	529,446	–	–	**529,446**	29	£0.01	April 2022	April 2029
April 2019	–	32,000	–	–	**32,000**	30	£0.01	April 2022	April 2029
April 2019	–	146,946	–	–	**146,946**	31	£0.01	April 2021	April 2029
July 2019	–	53,951	–	–	**53,951**	32	£0.01	July 2021	July 2029
July 2019	–	77,895	–	–	**77,895**	33	£0.01	July 2022	July 2029
Total	3,017,723	876,238	(187,584)	(107,601)	**3,598,776**				

* 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. These options lapsed in August 2019.

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. These options were exercised during the year.

Note 3:
These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions below. These options were exercised during the year.

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 2020 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 2020 5,177 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 2020 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 2020 7,291 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 2020 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 2020 19,877 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 2020 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 2020 24,600 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 2020 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 2020 103,637 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 2020 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 2020 210,116 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 2020 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 2020 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 2020 these options were exercisable.

Note 19:

These options were issued subject to the performance conditions set out below; at 31 March 2020 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 2020 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 2020 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 2020 83.33% 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 2020 50% 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 2020 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.

Some of these options (186,145 as at 31 March 2020) 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 2020 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 2020 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 2020 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.

Note 28:

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 2020 30.56% of these options were exercisable.

Note 29:

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 2020 these options were not exercisable.

i) 33% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 33% vest when the Company's share price has doubled from that at the date of grant

iii) 34% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Some of these options (5,356 as at 31 March 2020) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of £2.22, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Note 30:

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 2020 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, together with other financial resources provides sufficient funding to 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.

Some of these options (24,288 as at 31 March 2020) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of £2.22p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Notes to the financial statements continued

Note 31:

These conditional rights were issued under the Company's US ISO Scheme and are subject to the performance conditions set out below. At 31 March 2020 these conditional rights were not exercisable.

i) 33% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 33% vest when the Company's share price has doubled from that at the date of grant.

iii) 34% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Some of these conditional rights (56,282 as at 31 March 2020) will be exercisable at the holder's choice either as an ISO at an exercise price of £2.22p, or alternatively as a conditional right with an exercise price of 1p.

Note 32:

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 2019 and carry no further performance conditions; at 31 March 2020 these options were not exercisable.

Note 33:

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 2020 these options were not exercisable.

i) 33% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 33% vest when the Company's share price has doubled from that at the date of grant.

iii) 34% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Some of these options (12,631 as at 31 March 2020) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of £2.375, 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:

Name of undertaking	Exercise price £	Share price at date of grant £	Risk-free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option £
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
April 2019 UK plan	0.01*	2.16	1.10	5	84.6	2.15
April 2019 US ISO Plan	0.01†	2.16	1.10	5	84.6	2.15
July 2019 UK Plan	0.01*	2.45	0.82	5	86.8	2.44

* 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.

† Certain of these conditional rights were issued in parallel with ISO 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.

The weighted average exercise prices for options were as follows:

	2020		2019	
	Number of options '000	Weighted average exercise price £	Number of options '000	Weighted average exercise price £
Outstanding at 1 April	3,017	0.83	2,310	1.20
Granted	877	0.01	892	0.14
Exercised	(187)	1.00	–	–
Lapsed	(108)	1.06	(185)	1.45
Outstanding at 31 March	3,599	0.62	3,017	0.83
Exercisable at 31 March	654	1.43	821	1.44

The share price on 31 March 2020 was 99.0 pence (2019: 102.5 pence).

The pattern of exercise price and life is shown below:

	2020				2019			
			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
Up to £1.00	0.51	3,462,634	2.55	7.33	0.69	2,866,480	2.25	7.56
From £1.00 to £10.00	3.45	136,142	2.51	3.09	3.50	151,243	2.71	3.88
Total		3,598,776				3,017,723		

28. Cash used in operations

	Group		Company	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Loss before income tax	(13,858)	(17,235)	(47,367)	(1,315)
Adjustments for:				
Finance income	(593)	(1,103)	(593)	(1,103)
Finance expense	42	39	34	38
Depreciation of property, plant and equipment	287	282	–	–
Depreciation of right-of-use asset	125	102	95	95
Share-based payment charges	1,203	1,040	1,088	870
Impairment of investment in subsidiary companies	–	–	51,148	–
Changes in working capital:				
Receivables	126	397	–	–
Payables	(983)	1,441	(5,487)	–
Cash used in operations	(13,651)	(15,037)	(1,082)	(1,415)

Notes to the financial statements continued

29. Reconciliation of net cash flow to movement in net debt

	Group		Company	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Decrease in cash and cash equivalents	**(7,807)**	(7,479)	**(8,004)**	(5,943)
Non-cash inflow from increase in lease liabilities	**(12)**	(51)	**–**	–
Lease repayments	**186**	84	**164**	69
Lease interest	**(42)**	(39)	**(34)**	(38)
Net funds at start of period	**19,427**	26,912	**18,115**	24,027
Net funds at end of period	**11,752**	19,427	**10,241**	18,115

30. Analysis of net funds

	Group		Company	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Cash and cash equivalents	**12,625**	20,432	**11,079**	19,083
Lease liabilities	**(873)**	(1,005)	**(838)**	(968)
Net funds	**11,752**	19,427	**10,241**	18,115

31. Financial commitments

The Company had no other financial commitments at 31 March 2020 (2019: £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.

32. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2020 (2019: £Nil).

33. 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 (2019: £19,000) in respect of services provided as a Non-executive Director by Dr Tim Corn, together with £Nil (2019: £2,750) relating to consultancy services provided on an arm's length basis by Dr Tim Corn.

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	2020 £'000	2019 £'000
Purchases and staff:		
Parent Company expenses paid by subsidiary	1,047	1,347
Transactions involving Parent Company shares:		
Share options	116	170
Cash management:		
Capital contribution to subsidiary	13,505	9,162

Company	2020 £'000	2019 £'000
Year-end balance of investment in subsidiary after impairment	75,000	109,038

34. Events after the reporting period

During March 2020, the COVID-19 pandemic became increasingly prevalent in the UK and US where the Group's principal operations are conducted. The Group continues to comply with governmental advice and requirements across its operations in the UK and US, without significant impact on our priority internal research projects. Patient recruitment has been on hold in the Group's clinical trials due to the COVID-19 restrictions but we expect to commence treating patients shortly in our Phase 1/2a clinical trial in retinitis pigmentosa, subject to a continued easing of COVID-19 related restrictions at the relevant clinical sites.

The Group and its employees have adapted to new working arrangements, with home-working implemented wherever possible and where it is necessary for staff to attend the Group's premises, appropriate social distancing and hygiene practices have been implemented.

35. Implementation of IFRS 16

The Group has adopted the fully retrospective approach to transition for IFRS 16 and accordingly, the opening consolidated statement of financial position at 1 April 2018 and the comparative consolidated statement of financial position at 31 March 2019 have been restated.

Impact on the Consolidated Income Statement

The implementation of IFRS 16 has resulted in the following changes to the Consolidated Income Statement:

	Year ended 31 March 2019 £'000
Result as previously stated	(14,292)
Research and development costs	
Lease payment	15
Depreciation of right-of-use asset	(6)
	9
General and administration costs	
Rent charged	70
Depreciation of right-of-use asset	(96)
	(26)
Finance cost – lease interest	(39)
Result adjusted for IFRS 16	(14,348)

The adjustments arise from the replacement of the operating lease rentals charged under IAS 17, with charges in respect of depreciation of the right of use asset and also lease interest.

Notes to the financial statements continued

Impact on the Consolidated Statement of Financial Position

Upon adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities for lease payments on the discounted future obligations.

The impact of IFRS 16 on the relevant lines in the Consolidated Statement of Financial Position as at 31 March 2019 and 1 April 2018 is illustrated below:

Group

	31 March 2019 as previously reported £'000	IFRS 16 adjustment £'000	31 March 2019 Restated £'000	1 April 2018 as previously reported £'000	IFRS 16 adjustment £'000	1 April 2018 Restated £'000
Assets						
Non-current assets						
Property, plant and equipment	632	–	632	726	–	726
Right-of-use-asset	–	704	704	–	755	755
Intangible assets	186	–	186	186	–	186
	818	704	1,522	912	755	1,667
Current assets						
Trade and other receivables	875	(41)	834	1,285	(3)	1,282
Income tax receivable	2,768	–	2,768	3,010	–	3,010
Investments – bank deposits	5,954	–	5,954	9,500	–	9,500
Cash and cash equivalents	20,432	–	20,432	27,911	–	27,911
	30,029	(41)	29,988	41,706	(3)	41,703
Total assets	30,847	663	31,510	42,618	752	43,370
Equity						
Equity attributable to owners of the Company						
Share capital	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	2,223	–	2,223
Accumulated losses	(117,120)	(173)	(117,293)	(103,868)	(117)	(103,985)
Total equity	23,417	(173)	23,244	36,669	(117)	36,552
Liabilities						
Current liabilities						
Trade and other payables	7,430	(169)	7,261	5,949	(130)	5,819
Lease liabilities	–	141	141	–	31	31
	7,430	(28)	7,402	5,949	(99)	5,850
Non-current liabilities						
Lease liabilities	–	864	864	–	968	968
	–	864	864	–	968	968
Total liabilities	7,430	836	8,266	5,949	869	6,818
Total equity and liabilities	30,847	663	31,510	42,618	752	43,370

The above adjustments to the Consolidated Statement of Financial Position reflect:

- The recognition of a right-of-use asset;
- The writing back of prepaid rent;
- The writing back of accrued lease incentives;
- The creation of a lease creditor, initially corresponding to the right-of–use asset; and
- A reduction in reserves representing the cumulative impact of the above.

The impact of IFRS 16 on the relevant lines in the Company's Statement of Financial Position as at 31 March 2019 and 1 April 2018 is illustrated below:

Company

	31 March 2019 as previously reported £'000	IFRS 16 adjustment £'000	31 March 2019 Restated £'000	1 April 2018 as previously reported £'000	IFRS 16 adjustment £'000	1 April 2018 Restated £'000
Assets						
Non-current assets						
Right-of-use-asset	–	659	659	–	755	755
Investment in subsidiaries	112,625	(98)	112,527	103,225	(30)	103,195
	112,625	561	113,186	103,225	725	103,950
Current assets						
Trade and other receivables	20	–	20	73	–	73
Investments – bank deposits	5,954	–	5,954	9,500	–	9,500
Cash and cash equivalents	19,083	–	19,083	25,026	–	25,026
	25,057	–	25,057	34,599	–	34,599
Total assets	137,682	561	138,243	137,824	725	138,549
Equity						
Equity attributable to owners of the Company						
Share capital	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	1,858	–	1,858	1,858	–	1,858
Accumulated losses	(7,980)	(407)	(8,387)	(7,838)	(274)	(8,112)
Total equity	132,192	(407)	131,785	132,334	(274)	132,060
Liabilities						
Current liabilities						
Trade and other payables	5,490	–	5,490	5,490	–	5,490
Lease liabilities	–	130	130	–	31	31
	5,490	130	5,620	5,490	31	5,521
Non-current liabilities						
Lease liabilities	–	838	838	–	968	968
	–	838	838	–	968	968
Total liabilities	5,490	968	6,458	5,490	999	6,489
Total equity and liabilities	137,682	561	138,243	137,824	725	138,549

The above adjustments to the Consolidated Statement of Financial Position reflect:

- The recognition of a right-of-use asset;
- An adjustment to Investment in subsidiaries reflecting the impact of amounts paid by a subsidiary company on behalf of ReNeuron Group plc.
- The creation of a lease creditor, initially corresponding to the right-of–use asset; and
- A reduction in reserves representing the cumulative impact of the above.

Notes to the financial statements continued

Impact on the Group and Parent Company statements of cash flows

The adoption of IFRS 16 has no impact upon the net cash flows of the Group or the Company, however the presentation of the Consolidated and Company Statement of Cash flows is amended because lease payments which were previously recognised within cash consumed by operations is now split between the interest element, which remains within cash consumed by operations and the capital element which is now presented within cash flows from financing activities as a reduction in the lease creditor.

	Group			Company		
	2019 as previously reported £'000	IFRS 16 adjustment £'000	2019 Restated £'000	2019 as previously reported £'000	IFRS 16 adjustments £'000	2019 Restated £'000
Cash flows from operating activities						
Cash used in operations	(15,121)	84	(15,037)	(1,415)	–	(1,415)
Income tax credit received	3,129	–	3,129	–	–	–
Interest paid	–	(39)	(39)	–	(38)	(38)
Net cash used in operating activities	(11,992)	45	(11,947)	(1,415)	(38)	(1,453)
Cash flows from investing activities						
Capital expenditure	(188)	(51)	(239)	–	–	–
Investment in subsidiaries	–	–	–	(9,230)	68	(9,162)
Interest received	342	–	342	343	–	343
Net cash generated from/(used in) investing activities	154	(51)	103	(8,887)	68	(8,819)
Cash flows from financing activities						
Bank deposit matured	4,359	–	4,359	4,359	–	4,359
Lease payments	–	(45)	(45)	–	(30)	(30)
Lease finance	–	51	51	–	–	–
Net cash generated from financing activities	4,359	6	4,365	4,359	(30)	4,329
Net (decrease)/increase in cash and cash equivalents	(7,479)	–	(7,479)	(5,943)	–	(5,943)
Cash and cash equivalents at the start of the year	27,911	–	27,911	25,026	–	25,026
Cash and cash equivalents at the end of the year	20,432	–	20,432	19,083	–	19,083

The above adjustments reflect:

Group

- The effect on working capital of adjustments to accruals and prepayments arising from the implementation of IFRS 16;
- The split of lease payments into interest and capital elements as described above; and
- The creation during the year ended 31 March 2019 of a right of-use asset and a corresponding lease creditor of £51,000 in respect of IT equipment acquired under an arrangement previously treated as an operating lease under IAS 17.

Company

- The split of lease payments into interest and capital elements as described above; and
- Adjustment to investment in subsidiaries, reflecting payments made by a subsidiary company on behalf of ReNeuron Group plc.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM" or the "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 ReNeuron Group plc, Pencoed Business Park, Pencoed, Bridgend, CF35 5HY on 10 September 2020 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 3 will be proposed as ordinary resolutions and Resolution 4 will be proposed as a special resolution.

At the date of this Notice, the UK Government has passed into law mandatory measures in order to reduce the spread of COVID-19. These mandatory measures prohibit, amongst other things, individuals engaging in non-essential travel and larger public gatherings, save where the gathering is essential for work purposes (the "Stay at Home Measures").

The Company is required to hold the AGM to approve the Annual Report and Accounts, and to conduct annually recurring business. However, the Stay at Home Measures will restrict the Company's ability to follow the normal Meeting format. Consequently, in order that shareholders can comply with the Stay at Home Measures, the Board has concluded that shareholders should not attend the Meeting in person. It is currently intended that the AGM will be held with only a minimum number of shareholders present as required to form a quorum under the Company's Articles of Association, and who are essential for the business of the Meeting to be conducted.

Shareholders are therefore respectfully requested not to make plans to attend the Meeting. To ensure the safety of the limited numbers of people whose attendance at the Meeting is essential, the Company will not be able to allow other shareholders to gain access to the Meeting on the day. Shareholders are strongly encouraged to exercise their right to vote and to submit a form of proxy appointing the Chairman of the Meeting as their proxy with their voting instructions as early as possible. If the situation changes before the proposed date of the AGM, the Company will consider whether different arrangements are appropriate for the holding of the AGM and, if so, any changes will be communicated to shareholders in advance through the Company's website at www.reneuron.com and, where appropriate, by RIS announcement.

Shareholders are requested to send any questions for the Chairman to info@reneuron.com at least 48 hours prior to the Meeting. Where appropriate, such questions and answers will be collated and later published on the Company's website at www.ReNeuron.com.

The results of the proposed resolutions will be announced in the normal way as soon as practicable after the conclusion of the AGM.

Ordinary business

1. To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 March 2020 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. 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

3. 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 £106,113 in nominal value in aggregate of shares; and
   b. allot Relevant Securities (other than pursuant to paragraph (a) above) representing up to £106,113 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.

Notice of annual general meeting continued

4. That the Directors are hereby empowered pursuant to Section 570 of the 2006 Act:
   a. subject to and conditionally upon the passing of Resolution 3 to allot equity securities (as defined by Section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 3 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 £106,113 in nominal value in aggregate of shares pursuant to the authority conferred by paragraph (b) of Resolution 3; and
         ii. the allotment of equity securities (or sale of Ordinary shares), otherwise than pursuant to sub-paragraph (i) above, representing up to £63,668 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.

12 August 2020

By order of the Board

Michael Hunt

Company Secretary

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

The following notes explain your general rights as a shareholder and your rights to attend and vote at the AGM or to appoint someone else to vote on your behalf. In light of the **Stay-at-Home Measures** which prohibit all non-essential travel and larger public gatherings, shareholders are strongly encouraged not to try to attend this year's AGM. To ensure the safety of the limited number of people whose attendance at the meeting is essential, shareholders will not be allowed into the AGM.

The UK Government may yet change current restrictions over the coming weeks which might then allow the Company to host a more traditional AGM. Any changes to the arrangements for the holding of the AGM will be communicated to shareholders in advance through the Company's website at www.reneuron.com.

Given the degree of uncertainty, we encourage shareholders to submit a proxy vote in advance of the meeting, appointing the Chairman of the Meeting as their proxy. Forms of proxy should be submitted as soon as possible and in any event so as to be received by no later than 10.00 a.m. on Tuesday, 8 September 2020. If you appoint someone other than the Chairman of the meeting as your proxy, they will be refused entry to the Meeting and will not therefore be able to vote.

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. References in these Notes to 'attend' should however be construed in light of the COVID-19 restrictions, as summarised above, which will restrict physical attendance at the AGM in this case.
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. **In light of the COVID-19 restrictions, all shareholders are strongly encouraged and requested to only appoint the Chairman as their proxy or representative as any other persons so appointed will not be permitted to attend the AGM.**
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. As with proxies, it will not be possible for corporate representatives of shareholders to attend the AGM in light of the COVID-19 restrictions.
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 8 September 2020 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 2020 and the Directors' Report and the Independent Auditors' Report on those accounts will be presented to shareholders for approval.

Resolution 2

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 3

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 5 seeks to reflect the spirit of the IA's recommendations, though sub-paragraph (b) of Resolution 3 covers a broader range of offers, issues and allotments. The limits imposed under sub-paragraphs (a) and (b) of Resolution 3 each represent one third of the existing issued share capital of the Company.

Resolution 4

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 b1(i) of Resolution 4 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 b1(ii) of Resolution 4 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 b1(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 b1(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.

Retirement of Directors

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 meeting, shall retire from office and shall be counted in the number required to retire at the annual general meeting.

It is noted that John Berriman, Simon Cartmell OBE (having served for nine years and become non-independent under the QCA code of corporate governance) and Claudia D'Augusta have confirmed to the Company that they wish to retire at the meeting and not offer themselves for re-election and these retirements, which shall take effect from the conclusion of the meeting, have been included for the purposes of calculating the number of Directors who are to retire by rotation in accordance with Article 123 of the Company's Articles of Association.

Dr Tim Corn will be appointed Chairman of the Company in place of Mr John Berriman. Mr Mark Evans will also be appointed as a non-executive director and representative of substantial shareholder Obotritia Capital KGaA with effect from the close of the Annual General Meeting.

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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 2020
Full year end results announced	20 July 2020
Annual general meeting	10 September 2020

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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.

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.

GalNac (N-acetylgalactosamine):

A type of drug delivery system that focuses on delivering siRNA to the liver.

Lipid Nanoparticles (LNP):

A type of drug delivery system that delivers nucleic acids to areas of the body.

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.

Pluripotency:

Pluripotency describes the ability of a cell to develop into the three primary germ cell layers of the early embryo and therefore into all cells of the adult body.

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.

siRNA (small interfering RNA):

siRNA is a class of double-stranded RNA and non-coding RNA molecules with a length of 18-25 base pairs.

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.

Trophic support:

The release of biological factors and support molecules that promote cellular growth, differentiation and survival.

Shareholder notes

Consultancy, design and production by:
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