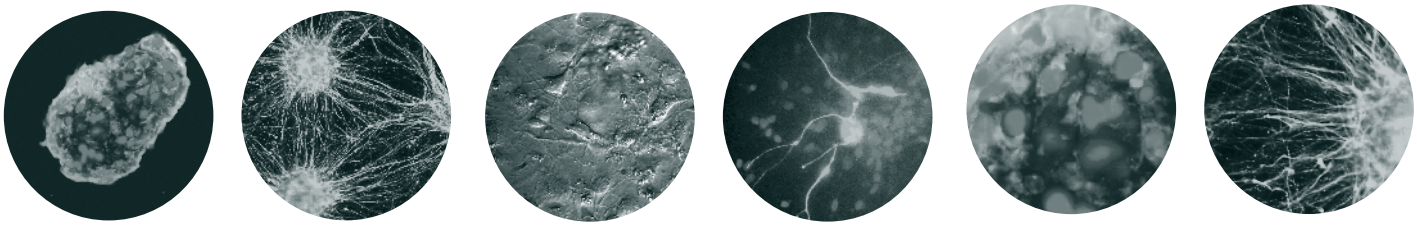
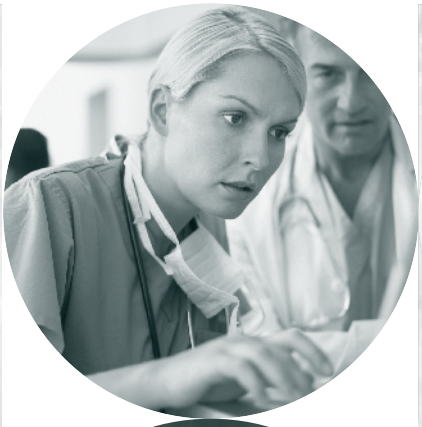
ReNeuron

pioneering stem cell therapeutics

Report and Accounts **2009**





ReNeuron Group plc Report and Accounts 2009

ReNeuron in Summary

- We are a leading, UK-based stem cell business. Our primary objective is the development of stem cell therapies targeting areas of significant unmet or poorly met medical need.
- We recently received regulatory approval to commence a Phase I clinical trial in the UK with our lead ReN001 stem cell therapy for disabled stroke patients. In addition we are developing stem cell therapies for a number of other conditions, including peripheral arterial disease and diseases of the retina.
- We have also developed a range of stem cell lines for non-therapeutic applications – our *ReNcell®* products for use in academic and commercial research. Our *ReNcell® CX* and *ReNcell® VM* neural cell lines are marketed worldwide under license by USA-based Millipore Corporation.
- ReNeuron's shares are traded on the London AIM market under the symbol RENE.L. Further information on ReNeuron and its products can be found at www.reneuron.com.

Contents

Operational Highlights

- ReN001 stem cell therapy for stroke
  - UK regulatory approval obtained for Phase I trial
  - Ethics approval process ongoing, ahead of commencement of patient recruitment
  - Bio-manufacturing agreement signed with Angel Biotechnology for clinical-grade stem cell lots
- Positive pre-clinical data generated with lead *CTX* cell line in peripheral artery disease - initial clinical trial targeted within two years
- Business restructuring complete, with substantial reduction in underlying cost base
- Board strengthened with appointment of Bryan Morton as non-executive director

Financial Highlights

- Loss for the year reduced to £3.7 million (2008: £6.6 million)
- Net cash outflow from operating activities reduced to £4.4 million (2008: £6.1 million)
- Cash and cash equivalents at 31 March 2009 of £0.9 million (2008: £2.8 million)
- Share placing to raise £3.0 million, before expenses, together with capitalisation of existing £2.5 million convertible loan notes, both completed post-year-end

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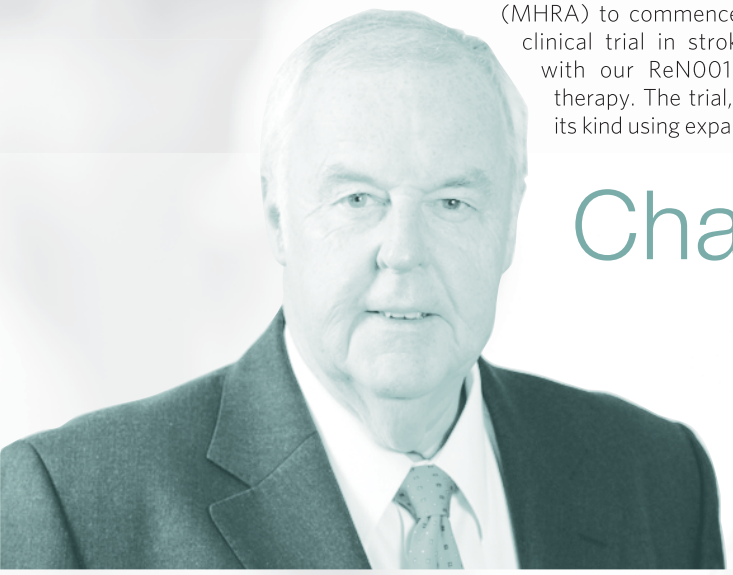
Review of Operations

Chairman's and Chief Officer's Joint



ReN001 stem cell therapy for stroke

In January 2009, we achieved the most significant milestone in the Company's history thus far, notably regulatory approval from the UK Medicines and Healthcare Products Regulatory Agency (MHRA) to commence a Phase I clinical trial in stroke patients with our ReN001 stem cell therapy. The trial, the first of its kind using expanded neural stem cells, will be conducted at Glasgow's Southern General Hospital under the Principal Investigator, Professor Keith Muir, the SINAPSE Professor of Clinical Imaging, Division of Clinical Neurosciences at the University of Glasgow. The trial is designed primarily to test the safety profile of ReN001 in ischaemic stroke patients at a range of cell doses, but a number of efficacy measures will also be evaluated over the course of the trial.

We subsequently submitted the ReN001 clinical trial application to the Gene Therapy Advisory Committee (GTAC) who, in addition to their existing gene therapy remit, were recently given responsibility to act as the national research ethics committee for stem cell therapy clinical trials in the UK. A Provisional Opinion was recently granted by GTAC in respect of the application, subject to the resolution of a small number of points raised pertaining to non-safety-related pre-clinical data and the clinical trial protocol. We are currently working with GTAC with a view to swiftly resolving these outstanding points and we anticipate being able to give a further update in this respect shortly. In the meantime, we continue with our preparations for the Phase I trial with ReN001, including the recently announced bio-manufacturing contract with Angel Biotechnology plc regarding the production of clinical-grade ReN001 stem cell lots for the trial.

We intend to instigate or continue dialogue with other regulatory agencies regarding ReN001, including the US FDA and the European Medicines Agency (EMEA), with a view to clarifying the future clinical development pathways and data requirements for the therapy in these territories. Our near-term priority, however, remains the completion of the UK Phase I trial together with ongoing ReN001 product development to enhance both the shelf life of the therapy and its mode of administration to the patient.

Other activities

During the period, we have also focused on exploring the utility of our lead *CTX* cell line in other conditions beyond stroke, where we believe the cell line has broad utility. During the period, we commenced a UK-based research collaboration with the Bristol Heart Institute to test the *CTX* cell line in pre-clinical models of peripheral artery disease (PAD). PAD is a chronic and debilitating disease that progressively restricts blood flow in the limbs, causing cramping, chronic pain and in extreme cases, loss of limb. The disease is commonly associated with other conditions such as diabetes, obesity and stroke. At least 1 in 20 people over the age of 55 have some degree of PAD and it becomes more common with increasing age.

In April of this year, we announced positive pre-clinical data from this collaboration in a recognised murine hind limb ischaemia model, further demonstrating the potency of the *CTX* stem cell line when applied in ischaemic disease settings. We are continuing our research collaboration with the Bristol team with the aim of generating further pre-clinical data sufficient to take this programme into the clinic within the next two years.

Executive Statement

In order to conserve our financial resources, we intend to maintain our focus on pursuing applications for the *CTX* cell line, such as the peripheral artery disease programme described above. The extensive knowledge base and regulatory data package we have built around this cell line as part of the ReN001 stroke programme will greatly assist us when taking the cell line through pre-clinical development in alternative disease settings. Our therapeutic programmes involving separately generated cell lines will consequently only be pursued further where funded third party collaborations can be secured.

Funding

During the period, we completed the cost-reduction programme announced in last year's preliminary results statement. As is evident from the summary of results below, we are now benefiting from the outcomes of this programme in terms of a much reduced underlying cost base.

In June 2008, we secured a £2.5 million convertible loan note facility from our principal investors, the full amount of the facility being drawn down during the period.

During the period, a number of US patent applications were granted in respect of our platform technologies and cell lines. More recently, a key application in our patent estate was granted in Japan, containing broad claims over the composition and use of conditionally immortal stem cells in the treatment of neurological conditions such as stroke and Alzheimer's disease. This patent represents one of a family of patents in our estate that has now been granted in all major territories of the globe.

In November 2008, Bryan Morton was appointed to the Board as a non-executive director. Bryan's contacts in the industry and his impressive track record of successfully growing and financing a number of significant businesses, and subsequently realising value for shareholders, will be invaluable to ReNeuron as it transitions from a research-focused operation into a clinical development-stage biotechnology business.

In March 2009, we announced a placing of new ordinary shares to raise up to £3.0 million, before expenses. We successfully completed this placing post-year end, in what remains an extremely challenging financing environment for relatively early stage biotechnology companies such as ReNeuron. As part of this process, the £2.5 million of outstanding loan notes referred to above, together with accrued interest, were capitalised into new ordinary shares in the Company.

As a result of the above cost reduction and financing activities, we expect our current financial resources to last into the second quarter of 2010. Based on current and anticipated progress in the business in the near term, the directors also expect to secure further financing from equity issues and other sources sufficient for the future needs of the business beyond the second quarter of next year. Consequently, the going concern basis has been adopted in the preparation of the financial statements.

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Summary of results

In the year ended 31 March 2009, turnover was £93,000 (2008: £27,000), representing income from the Group's non-therapeutic licensing activities.

Net operating expenses decreased in the year to £4.8 million (2008: £7.2 million), due principally to the effects of the cost reduction programme instigated in mid-2008. Of the total decrease of £2.4 million in the year, £2.0 million relates to a decrease in research and development expenditure, the balance of the decrease relating to general and administrative costs.

Other operating income dropped to nil in the year (2008: £309,000) as a result of the completion of certain projects for which grant income was being received in the prior year. Interest received also decreased in the year to £63,000 (2008: £318,000) as a result of lower average cash balances over the year. Interest costs of £62,000 in the year (2008: £1,000) relate primarily to interest accrued on amounts drawn down under the convertible loan facility referred to above.

Research and development tax credits booked in the year were £1.0 million (2008: £nil). This amount consists of an accrual of £0.4 million in respect of the year under review and £0.6 million representing the tax credit received in respect of the prior year and not accrued in the prior year's financial statements.

As a result of the above income statement movements, the net loss for the year decreased to £3.7 million (2008: £6.6 million).

Net cash outflow from operating activities decreased in the year to £4.4 million (2008: £6.1 million), due largely to the decrease in operating expenses in the year. The Group had cash and cash equivalents of £0.9 million at 31 March 2009 (2008: £2.8 million), with the above-mentioned gross placing proceeds of £3.0 million being received post-year end.

Intangible assets of £3.4 million (2008: £3.4 million) include the cell encapsulation technology acquired by the Company in 2007 and transferred to the UK in 2008 following the closure of the Group's US research facility. Having successfully transferred this technology to the UK and further developed the pre-clinical data package, including the encapsulation of various cell types using the technology, the directors intend to pursue the most appropriate strategy to realise its potential given the resources currently available within the Group.

Summary and outlook

During the period, we secured UK regulatory approval to commence an initial clinical trial with our ReN001 stem cell therapy for stroke, a very significant achievement for ReNeuron and an important milestone in the wider stem cell field. We look forward to the commencement of patient recruitment for this trial once the ongoing UK ethical approval process has completed.

We have also reduced our cost base substantially during the period, re-focusing our efforts on enhancing the ReN001 therapy and testing the utility of our lead CTX cell line in other conditions beyond stroke. In this regard, we are greatly encouraged by the positive pre-clinical efficacy data generated in our peripheral artery disease programme during the period. In difficult financing conditions, we were also able to successfully complete a fundraising for the business subsequent to the year end.

We believe ReNeuron is strongly positioned to build on the above achievements as it transitions into a leading clinical-stage stem cell development business and we look forward to providing further updates on progress over the coming months.

On page 47 of this document is the notice of the 2009 Annual General Meeting (the AGM) to be held at 10:00 am on 17 September 2009. A short explanation of the resolutions to be proposed at the AGM is set out on page 50. The directors recommend that you vote in favour of the resolutions to be proposed at the AGM, as they intend to do in respect of their own beneficial holdings of ordinary shares. At the end of this document is a form of proxy for use in connection with the AGM which, if you wish to vote by way of proxy at the meeting, should be completed and returned to the Company's registrars in accordance with the instructions set out therein so as to be received not less than 48 hours prior to the AGM.

Professor Trevor Jones CBE
Chairman

Michael Hunt
Chief Executive Officer

23 July 2009

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ReNeuron's technologies

- We have developed fully controllable cell expansion technology capable of growing stem cell lines to the required quality standards
- We have developed a cell screening platform to select optimal cell lines for further development
- Our clinically-tested *micmac*® cell encapsulation technology protects cells when implanted in

ReNeuron's platform technologies and cell lines are protected by over 80 issued patents

ReNeuron's lead *CTX* stem cell line and stem cell therapy programmes

- We are collaborating with academic institutions such as the Bristol Heart Institute and the Schepens Eye Research Institute at Harvard Medical School in order to pursue our pre-clinical stem cell therapy programmes
- Our fully characterised, lead *CTX* stem cell line forms the basis of our ReN001 therapy for stroke and our ReN009 therapy for peripheral artery disease

the initial ReN001 clinical trial in stroke patients will be taken from these *CTX* cell banks

- There will therefore be no need to re-derive and test new *CTX* cell lines for subsequent clinical trials or for the market – all such cells can simply be expanded from the existing banked and tested *CTX* product

ReNeuron's clinical-grade *CTX* stem cell line has been expanded and banked in sufficient quantities to provide up to a million potential doses

ReNeuron's ReN001 stem cell therapy for stroke

- ReN001 is a standardised, clinical and commercial-grade stem cell therapy product capable of treating all eligible patients who have been left disabled by an ischaemic stroke
- ReN001 has been shown to reverse the functional deficits associated with stroke disability when administered several weeks after the stroke event in relevant pre-clinical models of the condition
- We have received UK regulatory

and the characteristics of the ReN001 cells mean that patients in the clinical trial will not require immuno-suppression following treatment, thus eliminating the safety risks typically associated with immuno-suppression regimens

- ReN001 offers the potential for a degree of recovery of function in disabled stroke patients, resulting in greater independence and quality of life for these patients and reduced reliance on health and social care systems.

ReNeuron's ReN001 stem cell therapy for stroke is the first such therapy of its kind to be approved by a leading regulatory authority for a major neurological condition

If ultimately shown to be safe and effective clinically, ReN001 would offer a significant new treatment option for stroke survivors

With its ReN001 therapy for stroke, ReNeuron has set the regulatory pathway in the UK for cell therapy trials of this type

ReNeuron's *ReNcell®* lines for non-therapeutic applications

- Our *ReNcell®* lines are marketed exclusively by Millipore Inc. for academic or commercial research use
- We receive royalty income from the sale of *ReNcell®* lines and associated media components

Strategy

- Our goal is to translate exciting stem cell science into cell-based, standardised bio-pharmaceutical products capable of wide-scale application in large patient populations where the unmet medical need is high
- Ultimately, we expect to realise value for our technologies and therapeutic programmes via out-license or sale to commercial development partners at the appropriate points in their development
- In order to achieve the above strategic

ReNeuron's aim is to lead in its particular areas of therapeutic focus within the wider field of stem

suffer a stroke in the UK each year

The annual health and social costs of caring for stroke patients is estimated to be in excess of £5 billion in the UK, with stroke patients estimated to be occupying at least 25 per cent of long term hospital beds

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Data sources: UK Stroke Association, American Stroke Association

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Directors and advisers

Directors

Professor Trevor Jones CBE, Non-executive Chairman
Michael Hunt, Chief Executive Officer
Dr John Sinden, Chief Scientific Officer
Mark Docherty, Non-executive Director
Dr Paul Harper, Non-executive Director
Bryan Morton, Non-executive Director

Company Secretary and registered office

Michael Hunt
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CB4 3UT

Solicitors

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EC2Y 9AW

Patent agents

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London
EC2M 7LH

Nominated Adviser and Broker to the Company

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London
EC2V 7QR

Financial PR Consultants

Financial Dynamics
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London
WC2A 1PB

Registrars

Computershare Services plc
PO Box 82, The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

Board of Directors

Professor Trevor Jones CBE Ph.D. DSc FKC FPS FRSC Hon FRCP FBPharmcolS, Non-executive Chairman

Professor Jones is the Non-executive Chairman, having been Chairman of the ReNeuron Group since February 1999. He recently retired as Director General of the Association of the British Pharmaceutical Industry (ABPI) and was, until 1994, Research and Development ('R&D') Director at Wellcome plc. He has been awarded honorary doctorates from five universities; he has Fellowships from Kings College London, the Royal Society of Chemistry, the Royal Pharmaceutical Society of Great Britain, the British Pharmacological Society and the Royal College of Physicians and its Faculty of Pharmaceutical Medicine of the Royal College of Physicians. He is a founder member of the Geneva-based public/private partnership Medicines for Malaria and in 2004 he was appointed to the World Innovation and Public Health Organisation Commission on Intellectual Property Rights Health. He sits on the Boards of a number of life sciences companies, including Allergan, Inc. Aged 66.

Michael Hunt BSc ACA, Chief Executive Officer*

Michael Hunt is the Chief Executive Officer, having been a director of the ReNeuron Group since January 2001. He joined ReNeuron as Chief Financial Officer and was appointed Chief Operating Officer in September 2003 and Chief Executive Officer in July 2005. Prior to ReNeuron, he spent six years at Biocompatibles International plc where he held a number of senior financial and general management positions. His early industrial career was spent at Bunzl plc. He is a founding member of the BioIndustry Association's RegenMed Industry Group Advisory Committee, he sits on the BIA's Finance and Tax Advisory Committee and is a working group member of the UK Government's recently established Office for Life Sciences. He read economics at University College London and qualified as a chartered accountant with Ernst & Young in London. Aged 46.

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

Dr. Sinden is the Chief Scientific Officer, having been a director of the ReNeuron Group since October 1998. Dr. Sinden is a scientific co-founder of ReNeuron. Prior to joining ReNeuron as Chief Scientific Officer in October 1998, he was Reader in Neurobiology of Behaviour at the Institute of Psychiatry at Kings College London. He graduated in Psychology from the University of Sydney and completed a Ph.D. in Neuroscience from the University of Paris at the College de France. He subsequently held post-doctoral appointments at Oxford University and the Institute of Psychiatry prior to joining the permanent staff of the Institute in 1987. Aged 58.

Mark Docherty BEng ACA, Non-executive Director

Mark Docherty was appointed to the Board in March 2003. He is a chartered accountant and holds a BEng in Mechanical Engineering from Sheffield University. He was a founding director of Merlin Biosciences Limited and was actively involved in the structuring and financing of many of the Merlin portfolio companies. Previously, he was a Manager in the Corporate Finance Group of Arthur Andersen. He is also a non-executive director of Plethora Solutions Holdings plc, Onyvax Limited and Decon Sciences Limited. Aged 45.

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

Dr. Harper is a graduate of Leeds University (Microbiology/Virology). He initially pursued a career in drug discovery and development with Glaxo Group Research as Head of Antimicrobial Chemotherapy, Johnson & Johnson Limited as Director of R&D and with Unipath plc. This was followed by work in a number of start-up companies and SMEs as Chief Executive Officer or adviser. These included, as CEO, preparing Cambridge Antibody Technology PLC for flotation on the London Stock Exchange and founding Provensis Limited to develop a drug device product. Aged 63.

Bryan Morton BSc, MBA, Non-executive Director

Bryan Morton is Chief Executive Officer of EUSA Pharma, Inc., a rapidly growing specialty pharmaceutical company he founded in 2006. He is a non-executive director of Aircraft Medical Ltd, a medical device company and is a member of the Pilgrim Software global advisory board. He began his pharmaceutical career in sales and has held positions in medical information, marketing, sales management, business development and general management during a 30 year career in the healthcare industry, largely with Merck and Co. Inc. and Bristol Myers Squibb. In 2003, he founded Zeneus Pharma, which was sold to Cephalon Inc. in late 2005 for US$360 million. He has a BSc in Pharmacology from Aberdeen University and a MBA from Durham University. Aged 53.

Senior Management

Dr. Kenny Pollock BSc Ph.D., Head of Cell Development*

Dr. Pollock joined ReNeuron Limited in September 2001 as Head of Molecular Pharmacology. In 2002 he took over management of the Cell Biology group and joined the Management Committee in January 2004. As a graduate and post-graduate of Glasgow University (Department of Pharmacology), his core research interests for the last twenty years have been in cell signalling and cell biology. Following post-doctoral posts at the University of Cambridge and with AstraZeneca plc, he worked for eleven years in drug discovery research with Aventis Pharmaceuticals, Inc. Prior to joining ReNeuron, he worked as a project manager with Incyte Corporation developing pharmacogenomics databases. He now manages all internal and external development cell biology projects.

Dr. Erik Miljan BSc Ph.D., Head of Stem Cell Research*

Dr. Miljan carried out his graduate studies at the University of Western Ontario, Canada, and completed his post-graduate studies at the University of Hong Kong, with a research focus on protein and glycolipid biochemistry of signal transduction. He completed a post-doctoral fellowship position at the Children's Brain Tumor Research Institute, Children's Memorial Hospital, Chicago. He joined ReNeuron in August 2002 to study signal transduction into stem cells, and now manages early stage cell biology to proof-of-concept as well as external discovery science collaborations.

Dr. Paul Stroemer BSc Ph.D., Head of Pre-clinical Research*

Dr. Stroemer joined ReNeuron in September 1998 as a researcher and since 2004 has been responsible for managing both in-house and contracted pre-clinical development programs. He completed a Ph.D. at the University of Texas Medical Branch in Galveston, developing pharmacotherapies in the promotion of behavioural recovery and anatomical plasticity after stroke. Prior to joining ReNeuron, he undertook post-doctoral research at the University of Manchester examining the neuroprotective effects of reducing inflammatory responses in the brain after stroke. He now manages both internal and external pre-clinical projects.

Professor Jack Price BA Ph.D., Principal Scientific Consultant*

Professor Price is Professor of Developmental Neurobiology and Head of the Centre for the Cellular Basis of Behaviour at the Institute of Psychiatry, Kings College London. He obtained a Ph.D. in Neuroscience from University College London before a period of post-doctoral research at the Massachusetts Institute of Technology. He then directed a research group at the National Institute for Medical Research, Mill Hill. He moved to SmithKline Beecham Pharmaceuticals in 1994, where he became Director for Molecular Neurobiology. Since 1998, he has been on the permanent staff of the Institute of Psychiatry and Consultant to ReNeuron Limited.

* denotes member of Management Committee

Clinical Advisory Board

We have established a Clinical Advisory Board (CAB) whose principal objectives are to advise the Company on the clinical development of our stem cell therapies, to review and monitor progress with our therapeutic programmes and to provide a rigorous critique of our programme strategy going forward. It is envisaged that the constitution of the CAB will evolve as our therapeutic programmes advance further, dependent upon the particular scientific and medical expertise required.

Dr Sid Gilman MD, FRCP - Chairman

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

Dr. Louis Caplan MD

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

Dr Douglas Kondziolka MD, MSc, FRCS, FACS

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

Dr Paul Sanberg Ph.D. DSc

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

Professor Philip Bath BSc, MB, BS, MD, FRCPath, FRCP, FESC

Professor Bath is the Stroke Association Professor of Stroke Medicine at the University of Nottingham. He is an expert in pharmaceutical studies in stroke at both pre-clinical and clinical level.

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Directors' report for the year ended 31 March 2009

Principal activities, business review and future prospects

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

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

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

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

The ongoing performance of the Group is managed and monitored using a number of key performance indicators, both financial and qualitative. In terms of financial performance, the Group does not currently generate profits or net cash from its operational activities. The forecasting and monitoring of the Group's cash resources is therefore critical in terms of the efficient allocation of those resources and in predicting future cash requirements. A key feature of the Group's internal management reporting systems is therefore the emphasis placed on operational cash spend by category and against forecast, which is monitored at both Management Committee and Board level on a monthly basis. The Group's net cash outflow from operating activities for the year ended 31 March 2009 was £4,401,000 (2008: £6,079,000). Cash flow forecasts are adjusted on a regular basis to take account of changing circumstances in the business. In this way, the Group's forward cash requirements can be predicted with a high degree of accuracy.

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

Financial risks

The financial risks faced by the Group include interest rate risk, foreign currency risk and liquidity risk. 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. The Group does not enter into forward currency contracts. Due to the nature of the Group's activities, the directors do not currently consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates as these exposures are not considered significant. A summary of the Group's financial instruments is set out in note 22 to the financial statements.

Presentation of financial statements

The consolidated accounts include the financial statements of the Company and its subsidiary undertakings, made up to 31 March 2009.

Results and dividends

The results for the year are given in the Consolidated Income Statement set out on page 19 that follows. The directors do not recommend the payment of a dividend (2008: £nil).

Research and development

During the year the Group charged research and development costs of £3,177,000 (2008: £5,166,000) to the income statement.

Donations

The Group made donations of £250 (2008: £111) during the year to national and local charities.

Directors and directors' interests

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

Professor Trevor Jones CBE, Chairman
Mr Michael Hunt, Chief Executive Officer
Dr John Sinden, Chief Scientific Officer
Mr Mark Docherty
Dr Paul Harper
Mr Bryan Morton, appointed 24 November 2008.

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

		2009 Number	2008 Number
Professor Trevor Jones	Ordinary shares of 1p each	**111,200**	111,200
Mr Michael Hunt	Ordinary shares of 1p each	**237,113**	237,113
Dr John Sinden	Ordinary shares of 1p each	**1,395,993**	1,395,993
Mr Mark Docherty	Ordinary shares of 1p each	**174,400**	174,400
Dr Paul Harper	Ordinary shares of 1p each	**110,800**	110,800
Mr Bryan Morton	Ordinary shares of 1p each	**-**	-

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

Professor Trevor Jones

	Note	At 1 April 2008 Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2009 Number**	Exercise Price	* Exercise Period
Options – unapproved	1	100,000	-	-	**100,000**	10p	August 2005 - July 2014
Options – unapproved	2	50,000	-	-	**50,000**	25p	August 2008 - August 2015
Options – unapproved	2	50,000	-	-	**50,000**	10p	August 2009 - August 2016
Options – unapproved	3	150,000	-	-	**150,000**	31p	August 2010 - August 2017
		350,000	-	-	**350,000**		

Directors' report for the year ended 31 March 2009 (continued)

Michael Hunt

	Note	At 1 April 2008 Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2009 Number**	Exercise Price	* Exercise Period
Options – approved	1	408,160	–	–	**408,160**	10p	August 2005 – July 2014
Options – unapproved	1	491,840	–	–	**491,840**	10p	August 2005 – July 2014
Options – unapproved	2	1,000,000	–	–	**1,000,000**	25p	August 2008 – August 2015
Options – unapproved	2	250,000	–	–	**250,000**	10p	August 2009 – August 2016
Options – unapproved	2	250,000	–	–	**250,000**	15p	August 2009 – August 2016
Options – unapproved	3	500,000	–	–	**500,000**	21p	August 2010 –August 2017
Options – unapproved	3	500,000	–	–	**500,000**	37.5p	August 2010 – August 2017
		3,400,000	–	–	**3,400,000**		

Dr John Sinden

	Note	At 1 April 2008 Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2009 Number**	Exercise Price	* Exercise Period
Options – approved	1	408,160	–	–	**408,160**	10p	August 2005 – July 2014
Options – unapproved	1	488,520	–	–	**488,520**	10p	August 2005 – July 2014
Options – unapproved	2	1,000,000	–	–	**1,000,000**	25p	August 2008 – August 2015
Options – unapproved	2	250,000	–	–	**250,000**	10p	August 2009 – August 2016
Options – unapproved	2	250,000	–	–	**250,000**	15p	August 2009 – August 2016
Options – unapproved	3	500,000	–	–	**500,000**	21p	August 2010 – August 2017
Options – unapproved	3	500,000	–	–	**500,000**	37.5p	August 2010 – August 2017
		3,396,680	–	–	**3,396,680**		

Dr Paul Harper

	Note	At 1 April 2008 Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2009 Number**	Exercise Price	* Exercise Period
Options – unapproved	2	50,000	–	–	**50,000**	25p	August 2008 – August 2015
Options – unapproved	2	50,000	–	–	**50,000**	10p	August 2009 – August 2016
Options – unapproved	3	150,000	–	–	**150,000**	21p	August 2010 – August 2017
		250,000	–	–	**250,000**		

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed below. As at 31 March 2009 the performance conditions in note 2 and note 3 had not been met.

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

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

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

Qualifying third party indemnity

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

Policy and practice on payment of creditors

It is the Group's policy, in respect of all suppliers, to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade creditors of the Group at the year end as a proportion of amounts invoiced by suppliers during the year represent 46 days (2008: 20 days). Trade creditors of the Company at the year end as a proportion of amounts invoiced by suppliers during the year represent 30 days (2008: 7 days).

Corporate Governance

As an AIM-listed Company, ReNeuron is not required to comply with the 2006 Combined Code, a set of recommended corporate governance principles for UK public companies issued by the Financial Reporting Council. However, the directors support high standards of Corporate Governance and have established a set of corporate governance principles which they regard as appropriate for the stage of development of the Group. For example, the Company has adopted a share dealing code for directors and senior employees on substantially the same terms as AIM's model code on directors' dealings in company shares.

The Board has established an Audit Committee, Remuneration Committee and Nominations Committee with formally delegated duties and responsibilities. All of the non-executive directors are

Directors' report for the year ended 31 March 2009 (continued)

members of these committees. Bryan Morton chairs the Audit Committee, Professor Trevor Jones chairs the Remuneration Committee and Paul Harper chairs the Nominations Committee.

The Audit Committee normally meets twice a year and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements and involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal controls is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

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

The Nominations Committee has responsibility for reviewing the size and composition of the Board and appointment of replacement and/or additional directors and making appropriate recommendations to the Board.

Communications

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

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

Employees

The Group regards the expertise of its employees as critical to its future success. Many of the Group's employees have been recruited from beyond the UK, and the Group is committed to an equal opportunities policy in respect of its recruitment and employment practices.

The Group's aim is to pay competitive salaries, which are benchmarked against peer group comparators on an annual basis. All employees are eligible to be members of the Group's Share Option Scheme and staff bonus scheme and all are eligible for life assurance and long term disability cover, and membership of the Group's pension scheme.

The Group carries out both annual and interim staff appraisals, where individual objectives are set and monitored, and which are aligned with the broader business objectives of the Group. Bonuses are payable based on performance against both personal and corporate objectives for the year.

The Group holds regular staff meetings and other events in order to keep staff up-to-date with developments in the business. The Group complies with all relevant employment legislation, as reflected in the Group's Staff Manual which also contains guidance on standards of conduct and other matters pertinent to staff working in the Group.

Health and safety and the environment

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

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

BIA Code

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

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis (as explained in note 5 to the financial statements) unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and, as regards the Group financial statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group website www.reneuron.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement on disclosure of information to Auditors

In accordance with Section 234ZA of the Companies Act, in the case of each of the persons who are directors at the time when the report is approved, the following applies:

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

Auditors

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

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Morrison & Foerster (UK) LLP, City Point, One Ropemaker Street, London, EC2Y 9AW on 17 September 2009 at 10:00am. The notice of the 2009 Annual General Meeting is enclosed on page 47 of this document.

By order of the Board

Michael Hunt
Company Secretary

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Independent auditors' report to the members of ReNeuron Group plc

We have audited the Group and Parent Company financial statements (The "financial statements") of ReNeuron Group Plc for the year ended 31 March 2009 which comprise Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the Chairman's and Chief Executive Officer's Joint Statement and Business Review that is cross referred from the principal activities, business review and future prospects.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Operational and Financial Highlights, the Chairman's and Chief Executive Officer's Joint Statement, the Business Review, directors and advisors, Board of Directors, Senior Management, Clinical Advisory Board, the directors' report and all the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

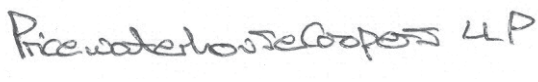
Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of the Group's loss and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2009 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the Group's ability to continue as a going concern. The Group expects to have further cash outflows during the next year and, in order to continue trading, will require additional funding to be secured which is not yet committed. 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 over the ability of the Group to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
23 July 2009

Consolidated income statement for the year ended 31 March 2009

	Note	**Year ended 31 March 2009 £'000**	Year ended 31 March 2008 £'000
Revenue	5	**93**	27
Research and development costs	6	**(3,177)**	(5,166)
General and administrative costs	6	**(1,584)**	(2,059)
Other operating income: grants receivable		**-**	309
Operating loss		**(4,668)**	(6,889)
Finance income	7	**63**	318
Finance costs	7	**(62)**	(1)
Loss before income taxes		**(4,667)**	(6,572)
Tax credit on loss on ordinary activities	10	**1,000**	-
Loss for the financial year		**(3,667)**	(6,572)
Loss per ordinary share			
Basic and diluted	12	**(2.4p)**	(4.4p)

All revenues and expenses above were generated from continuing operations.

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Group and Parent Company balance sheets as at 31 March 2009

	Note	Group 31 March 2009 £'000	Group 31 March 2008 £'000	Company 31 March 2009 £'000	Company 31 March 2008 £'000
Non-current assets					
Property, plant and equipment	13	**834**	1,003	**-**	-
Intangible assets	14	**3,419**	3,419	**-**	-
Investments in subsidiaries	15	**-**	-	**9,673**	9,625
Trade and other receivables	16	**135**	135	**21,309**	17,143
		4,388	4,557	**30,982**	26,768
Current assets					
Trade and other receivables	16	**1,024**	411	**9**	19
Cash and cash equivalents	17	**943**	2,791	**857**	2,754
		1,967	3,202	**866**	2,773
Current liabilities					
Trade and other payables	18	**(740)**	(765)	**(7)**	(5)
Financial liabilities: finance leases	19	**(42)**	(54)	**-**	-
		(782)	(819)	**(7)**	(5)
Net current assets		**1,185**	2,383	**859**	2,768
Total assets less current liabilities		**5,573**	6,940	**31,841**	29,536
Non-current liabilities					
Trade and other payables	20	**-**	-	**(5,484)**	(5,484)
Convertible loan notes	20, 21	**(2,088)**	-	**(2,088)**	-
Net assets		**3,485**	6,940	**24,269**	24,052
Shareholders' equity					
Ordinary shares	25	**1,542**	1,542	**1,542**	1,542
Share premium		**14,358**	14,358	**14,358**	14,358
Capital redemption reserve		**8,964**	8,964	**8,964**	8,964
Merger reserve		**2,223**	2,223	**1,858**	1,858
Warrant reserve		**583**	113	**583**	113
Share-based credit reserve		**504**	329	**504**	329
Retained deficit		**(24,689)**	(20,589)	**(3,540)**	(3,112)
Capital and reserves attributable to the Group's equity shareholders		**3,485**	6,940	**24,269**	24,052

The financial statements comprising the consolidated income statement, and the Group and Parent Company balance sheets, statements of changes in equity and cash flow statements, and related notes, were approved by the Board of Directors on 23 July 2009 and were signed on their behalf by:

Michael Hunt
Director

Group and Parent Company statement of changes in equity

Group

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Warrant reserve £'000	Share-based credit reserve £'000	Retained deficit £'000	Total Equity £'000
As at 1 April 2007	**1,377**	**13,213**	**8,964**	**365**	**113**	**166**	**(14,017)**	**10,181**
Shares issued for acquisition	93	–	–	1,858	–	–	–	1,951
Issue of new ordinary shares	72	1,437	–	–	–	–	–	1,509
Costs of share issue	–	(292)	–	–	–	–	–	(292)
Share-based payment credit	–	–	–	–	–	163	–	163
Loss for the year	–	–	–	–	–	–	(6,572)	(6,572)
As at 31 March 2008	**1,542**	**14,358**	**8,964**	**2,223**	**113**	**329**	**(20,589)**	**6,940**
Equity element of convertible loan notes	–	–	–	–	470	–	–	470
Share-based payment credit	–	–	–	–	–	175	–	175
Loss on foreign exchange translation	–	–	–	–	–	–	(433)	(433)
Loss for the year	–	–	–	–	–	–	(3,667)	(3,667)
As at 31 March 2009	**1,542**	**14,358**	**8,964**	**2,223**	**583**	**504**	**(24,689)**	**3,485**

Company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Warrant reserve £'000	Share-based credit reserve £'000	Retained deficit £'000	Total Equity £'000
As at 1 April 2007	**1,377**	**13,213**	**8,964**	**–**	**113**	**166**	**(2,987)**	**20,846**
Shares issued for acquisition	93	–	–	1,858	–	–	–	1,951
Issue of new ordinary shares	72	1,437	–	–	–	–	–	1,509
Costs of share issue	–	(292)	–	–	–	–	–	(292)
Share-based payment credit	–	–	–	–	–	103	–	103
Equity granted to employees of subsidiary	–	–	–	–	–	60	–	60
Loss for the year	–	–	–	–	–		(125)	(125)
As at 31 March 2008	**1,542**	**14,358**	**8,964**	**1,858**	**113**	**329**	**(3,112)**	**24,052**
Equity element of convertible loan notes	–	–	–	–	470	–	–	470
Share-based payment credit	–	–	–	–	–	127	–	127
Equity granted to employees of subsidiary	–	–	–	–	–	48	–	48
Loss for the year	–	–	–	–	–	–	(428)	(428)
As at 31 March 2009	**1,542**	**14,358**	**8,964**	**1,858**	**583**	**504**	**(3,540)**	**24,269**

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Group and Parent Company cash flow statements for the year ended 31 March 2009

	Note	Group		Company	
		Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000	**Year ended 31 March 2009 £'000**	Year ended 31 March 2008 £'000
Cash consumed by operations	28	**(4,697)**	(6,601)	**(282)**	(316)
Interest paid		**(4)**	(1)	-	-
Income tax credit received		**300**	523	-	-
Cash outflow from operating activities		**(4,401)**	(6,079)	**(282)**	(316)
Cash flows from investing activities					
Capital expenditure		**(28)**	(120)	**-**	-
Proceeds from sale of fixed assets		**41**	-	**-**	-
Purchase of business		**-**	(217)	**-**	(217)
Loans with subsidiaries		**-**		**(4,166)**	(5,865)
Interest received		**63**	318	**51**	301
Net cash generated/(used) in investing activities		**76**	(19)	**(4,115)**	(5,781)
Cash flows from financing activities					
Finance lease principal payments		**(12)**	(4)	**-**	-
Convertible loan note proceeds		**2,500**	-	**2,500**	-
Proceeds from issuance of ordinary shares		**-**	1,217	**-**	1,217
Net cash generated by financing activities		**2,488**	1,213	**2,500**	1,217
Net decrease in cash and cash equivalents		**(1,837)**	(4,885)	**(1,897)**	(4,880)
Loss on foreign exchange translation		**(11)**	-	**-**	-
Cash and cash equivalents at the start of period		**2,791**	7,676	**2,754**	7,634
Cash and cash equivalents at the end of period		**943**	2,791	**857**	2,754

Notes to the financial statements for the year ended 31 March 2009

1. General information

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

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, unless otherwise stated, to the consolidated results and those for the Company. The accounting policies relate to the Group unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the interpretations of International Financial Reporting Interpretations Committee (IFRIC) and the Companies Act 1985 applicable to companies reporting under IFRS.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, made up to 31 March 2009.

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 income statement.

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

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

Significant accounting judgements, estimates and assumptions

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

Impairment of intangible assets

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

Convertible loan notes

The value of convertible loan notes has been estimated in line with the detail set out in the convertible loan note accounting policy.

Notes to the financial statements for the year ended 31 March 2009 continued

2. Accounting policies and basis of preparation (continued)

Foreign currency translation

The consolidated financial statements are presented in Pounds Sterling ('£'), which is the Group'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 income statement. Assets and liabilities of the Company's US subsidiary are translated to Sterling at the year-end exchange rate, whilst its statements of income and cash flows are translated at monthly average rates. Redundant assets at the US subsidiary's former laboratories have been written down to a book value of zero and have no impact on present or future exchange differences. Translation differences that arise are taken directly to a currency translation account within equity.

Revenue

Revenue is measured at the fair value of the consideration received from the provision of services net of Value Added Tax. Revenue from services is recognised as revenue when the conditions in the contract for services have been satisfied. Revenue also includes income received under licensing and from collaborations with third parties. Differences between cash received and amounts recognised are included as deferred revenue where cash received exceeds revenue recognised and as accrued revenue where revenue has yet to be billed to the customer.

Research and development expenditure

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful life of the product concerned. Capitalisation commences from the point at which technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product once completed. Capitalisation ceases when the product receives regulatory approval for launch. No such costs have been capitalised to date.

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 income statement as incurred.

Pension benefits

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the income statement. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of assets are treated as finance leases, as if the asset had been purchased outright. The assets are included within the relevant category of fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated on a basis consistent with similar owned assets. The interest element of the lease rental is included in the income statement.

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

Government and other grants

Revenue grants are credited to the income statement on a case-by-case basis, assessed by the level of expenditure incurred on the specific grant project, when it is reasonably certain that amounts will not need to be repaid.

2. Accounting policies and basis of preparation (continued)

Share-based payments

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

The Group operates a number of equity-settled, share-based compensation plans. The fair value of share-based payments under such schemes is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of market-based vesting conditions. Fair value is determined by use of the Black-Scholes Option Pricing Model at the date of grant, as adjusted based on management's best estimate for the effects of share liquidity and behavioural considerations.

For equity-settled share based payments where employees of subsidiary undertakings are rewarded with shares issued by the Parent Company, the expense associated with the services provided is recognised in the employing company's financial statements and a capital contribution is made in the Company's financial statements.

Warrants

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

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

Intangible assets

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

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

Capital work in progress

Expenditure on projects related to property, plant and equipment, which has not been commissioned at the year end, is identified as capital work in progress. Depreciation is not charged until the asset is brought into use.

Investments

Investments are shown at cost less any provision for impairment.

Notes to the financial statements for the year ended 31 March 2009 continued

2. Accounting policies and basis of preparation (continued)

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the option to convert the liability into the equity of the Company, is included in equity.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and the interest payable is added to the carrying amount of the convertible loan note.

Deferred tax

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and deposits with immediate access.

Capital redemption reserve

S170 Companies Act 1985 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.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical business segment is engaged in providing goods or services within an economic environment that are subject to risks and returns that are different from those of segments operating in other operating environments.

Accounting developments

Standards, amendments and interpretations effective up to 31 March 2009

IFRIC 11, 'IFRS 2 - Group and treasury share transactions' - The Company's accounting policy for share based compensation arrangements is already in compliance with this interpretation.

2. Accounting policies and basis of preparation (continued)

Standards, amendments and interpretations effective up to 31 March 2009 but not relevant to the Group

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

IFRIC 12, 'Service concession arrangements';

IFRIC 13, 'Customer loyalty programmes'; and

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1April 2009 or later periods, but the Group has not adopted them early:

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 April 2009.

IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009). It deals with vesting conditions and cancellations. The Group and Company will apply IFRS 2 (amendment) from 1 April 2009. It is not expected to have a material impact on the Group or Company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the EU. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 April 2010, subject to endorsement by the EU.

IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard is still subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 April 2010, subject to endorsement by the EU.

IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations', (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the EU. The Group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010, subject to endorsement by the EU.

IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. An investment in associate is treated as a single asset for the purposes of impairment testing. The Group will apply the IAS 28 (amendment) to impairment tests related to investments in associates and any related impairment losses from 1 April 2009, subject to endorsement by the EU.

IAS 36 (amendment), 'Impairment of assets', (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. The Group and Company will apply the IAS 36 (amendment) and provide the required disclosure where applicable for impairment tests from 1 April 2009, subject to endorsement by the EU.

Notes to the financial statements for the year ended 31 March 2009 continued

2. Accounting policies and basis of preparation (continued)

IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The Group and Company will apply the IAS 39 (amendment) from 1 April 2009, subject to endorsement by the EU. It is not expected to have an impact on the Group or Company's income statement.

IAS 1 (amendment), 'Presentation of financial statements', (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. The Group and Company will apply the IAS (amendment) from 1 April 2009. It is not expected to have an impact on the Group or Company's financial statements.

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue', and IAS 34, 'Interim financial reporting'. The amendments to the standards are still subject to endorsement by the EU. These amendments, subject to endorsement by the EU, are unlikely to have an impact on the Group or Company's accounts and have, therefore, not been analysed in detail.

IAS 31 (amendment), 'Interests in joint ventures', (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is not expected to have an impact on the Group's operations.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). The amendment to the interpretation is still subject to endorsement by the European Union. The Group will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the Group or Company's financial statements.

IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The amendment is not expected to have an impact on the Group or Company's operations.

Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods but are not relevant for the Group's operations:

IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009).

IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).

IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements', (effective from 1 January 2009).

IAS 19 (amendment), 'Employee benefits', (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. The Group will apply the IAS 19 (amendment) from 1 January 2009, subject to endorsement by the EU. The amendment will not have an impact on the Group's financial statements as it does not operate a defined benefit obligation.

IAS 38 (amendment), 'Intangible assets', (effective from 1 January 2009).

IAS 16 (amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).

IAS 27 (amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).

2. Accounting policies and basis of preparation (continued)

IAS 41 (amendment), 'Agriculture' (effective from 1 January 2009).

The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture'.

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

3. Going concern

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

The Group is developing its technologies for the marketplace and as such, generates net cash outflows. This is expected to continue until cash is generated from either therapeutic product licensing activities or therapeutic product sales. The directors estimate that the cash currently held by the Group will not be sufficient to support the current level of activities for the next twelve months. The directors are confident of raising further funds by the issue of equity or other financial instruments within the next twelve months although there are no confirmed sources of these funds at the current time. These circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to obtain further funding, adjustments would be required to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

4. Segment analysis

For management purposes the Group is currently organised into one business segment, which is the development of cell-based therapies. Since this is the only primary reporting segment, no further information is included.

The secondary reporting segment analysis is geographical.

5. Revenue

Revenue from royalty and licensing agreements has been generated from customers in the following geographical areas:

Geographical analysis by region:	**2009 £'000**	2008 £'000
UK	**69**	5
Europe	**-**	5
United States of America	**24**	17
	93	27

Notes to the financial statements for the year ended 31 March 2009 continued

6. Expenses by nature

	2009 £'000	2008 £'000
Loss on ordinary activities before taxation is stated after charging/ (crediting):		
Research and development costs:		
Employee benefits (note 9)	**1,061**	1,361
Depreciation of tangible fixed assets	**50**	61
Other expenses	**2,066**	3,744
Total research and development costs	**3,177**	5,166
General and administrative costs:		
Employee benefits (note 9)	**731**	786
Legal and professional fees	**433**	314
Depreciation of tangible fixed assets	**122**	120
Impairment of tangible assets	**25**	-
Operating lease charges:		
- land and buildings	**243**	243
- plant and equipment	**21**	22
Gains on exchange	**(11)**	(7)
Profit on disposal of fixed assets	**(39)**	-
Other expenses	**59**	581
Total general and administrative costs	**1,584**	2,059
Total research and development costs and general and administrative costs	**4,761**	7,225

During the year the Group (including its US subsidiary) obtained services from the Group's auditor and its associates as detailed below:

	Group		Company	
Services provided by the Group's auditor	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**11**	16	**11**	16
Fees payable to the Company's auditor and its associates for other services:				
- The audit of the Company's subsidiaries pursuant to legislation	**23**	35	**-**	-
- Other services pursuant to legislation	**19**	15	**4**	5
- Tax compliance and advisory services	**15**	14	**4**	4
- Other	**1**	4	**-**	-
Total	**69**	84	**19**	25

7. Finance income and costs

	2009 £'000	2008 £'000
Interest receivable on short term bank deposits	**63**	318
Finance lease interest	**(4)**	(1)
Interest on convertible loan notes	**(58)**	-
Net interest receivable	**1**	317

8. Directors' emoluments

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

	2009 £'000	2008 £'000
Aggregate emoluments:		
Emoluments in respect of qualifying services	**384**	378
Pension contributions	**29**	29
	413	407

	2009 £'000	2008 £'000
Highest paid director:		
Emoluments in respect of qualifying services	**160**	180
Pension contributions	**15**	15
	175	195

Two directors (2008: two) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

None of the directors exercised share options during the year (2008: none).

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

£15,000 (2008: £15,000) payable to Merlin Biosciences Limited in respect of directors' fees for Mark Docherty, and £20,000 (2008: £20,000) payable to Dr Paul Harper, trading as BioMedicon, in respect of directors' fees.

	2009 £'000	2008 £'000
Total emoluments including share-based payments:		
Salaries and other short-term employee benefits	**384**	378
Pension contributions	**29**	29
Share-based payments	**127**	127
	540	534

9. Employee information

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

	2009 Number	2008 Number
By activity:		
Research and development	**20**	33
Administration	**3**	6
	23	39

Notes to the financial statements for the year ended 31 March 2009 continued

9. Employee information (continued)

Group	2009 £'000	2008 £'000
Staff costs:		
Wages and salaries	**1,392**	1,695
Social security costs	**138**	186
Share based payment charge	**175**	163
Pension costs (see note 24)	**87**	103
	1,792	2,147

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

	2009 Number	2008 Number
By activity:		
Research and development	**1**	1
Administration	**3**	3
	4	4

Company	2009 £'000	2008 £'000
Staff costs:		
Wages and salaries	**140**	123
Social security costs	**18**	16
Share based payment charge	**127**	102
Pension costs	**9**	9
	294	250

10. Tax credit on loss on ordinary activities

	2009 £'000	2008 £'000
United Kingdom research and development tax credit at 16% (2008: 16%)		
Current year	**409**	-
Adjustment in respect of prior year	**591**	-
	1,000	-

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

At 31 March 2009, there were tax losses available for carry forward of approximately £33 million subject to agreement with the HM Revenue & Customs (2008: £34 million).

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

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	**4,667**	6,572
Loss on ordinary activities multiplied by the UK standard rate for research and development tax credits of 21% (2008: 20%)	**980**	1,314
Effects of:		
– difference between depreciation and capital allowances	**29**	55
– expenses not deductible for tax purposes	**226**	(37)
– losses not recognised	**(168)**	(1,299)
– other short term timing differences	**(658)**	(33)
– adjustment in respect of prior year	**591**	-
	1,000	-

11. Loss for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's income statement for the current year has not been presented in these financial statements. The parent company's loss for the financial year was £428,000 (2008: £125,000).

12. Basic and diluted loss per ordinary share

The basic and diluted loss per share is calculated by dividing the loss for the financial year of £3,667,000 (2008: £6,572,000) by 154,167,354 shares (2008: 148,675,471 shares), being the weighted average number of ordinary 1p shares in issue during the year.

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

Notes to the financial statements for the year ended 31 March 2009 continued

13. Property, plant and equipment

Group	Leasehold improvements £'000	Plant and equipment £'000	Computer equipment £'000	Capital work in progress £'000	Total £'000
Cost:					
At 1 April 2007	1,628	1,141	119	-	2,888
Additions through business combinations	-	17	4	-	21
Other additions	32	73	11	4	120
Disposals	-	(95)	(15)	-	(110)
At 31 March 2008	**1,660**	**1,136**	**119**	**4**	**2,919**
Accumulated depreciation					
At 1 April 2007	682	1,071	91	-	1,844
Charge for the year	120	40	21	-	181
Disposals	-	(94)	(15)	-	(109)
At 31 March 2008	**802**	**1,017**	**97**	**-**	**1,916**
Net book amount:					
At 31 March 2008	**858**	**119**	**22**	**4**	**1,003**
Cost:					
At 1 April 2008	1,660	1,136	119	4	2,919
Additions	2	22	4	-	28
Transfers	-	4	-	(4)	-
Disposals	(27)	(332)	(47)	-	(406)
At 31 March 2009	**1,635**	**830**	**76**	**-**	**2,541**
Accumulated depreciation					
At 1 April 2008	802	1,017	97	-	1,916
Charge for the year	122	36	14	-	172
Impairment	25	-	-	-	25
Disposals	(27)	(332)	(47)	-	(406)
At 31 March 2009	**922**	**721**	**64**	**-**	**1,707**
Net book amount:					
At 31 March 2009	**713**	**109**	**12**	**-**	**834**

13. Property, plant and equipment (continued)

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

	Plant and equipment £'000
Cost:	
At 1 April 2007	4
Additions	55
At 31 March 2008	**59**
Accumulated depreciation	
At 1 April 2007	2
Charge for the year	4
At 31 March 2008	**6**
Net book amount:	
At 31 March 2008	**59**
Cost:	
At 1 April 2008	59
Additions	-
At 31 March 2009	**59**
Accumulated depreciation	
At 1 April 2008	6
Charge for the year	8
At 31 March 2009	**14**
Net book amount:	
At 31 March 2009	**45**

The Company had no property, plant or equipment at 31 March 2009 (2008: £nil).

Notes to the financial statements for the year ended 31 March 2009 continued

14. Intangible assets

Group	Licence fees £'000	Intellectual property rights £'000	Total £'000
Cost:			
At 1 April 2007	1,884	3,677	5,561
Additions – through business combination	–	2,147	2,147
At 31 March 2008	**1,884**	**5,824**	**7,708**
Accumulated amortisation			
At 1 April 2007	1,884	2,405	4,289
Impairment charge	–	–	–
At 31 March 2008	**1,884**	**2,405**	**4,289**
Net book amount:			
At 31 March 2008	**–**	**3,419**	**3,419**
Cost:			
At 1 April 2008	1,884	5,824	7,708
Additions	–	–	–
At 31 March 2009	**1,884**	**5,824**	**7,708**
Accumulated amortisation			
At 1 April 2008	1,884	2,405	4,289
Impairment charge	–	–	–
At 31 March 2009	**1,884**	**2,405**	**4,289**
Net book amount:			
At 31 March 2009	**–**	**3,419**	**3,419**

Based on the nature of the intellectual property held by the Group it is not appropriate to perform a discounted cash flow to consider the value. The Director's have reviewed the assets for impairment individually as disclosed below.

Intangible fixed assets relate to intellectual property rights acquired through licensing or assigning patents and know-how and are carried at historic cost less accumulated amortisation, where the useful life of the asset is finite and the asset is likely to generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested annually for impairment. No amortisation has been charged to date, as the products underpinned by the intellectual property rights are not yet available for commercial use. The value of intellectual property rights has been reviewed for impairment and, as the technology for those rights continues to be developed in line with expectations, has not been impaired.

As at 31 March 2009, the consolidated Group balance sheet intangible assets of £3.42m comprise £1.27m relating to intellectual property acquired by virtue of the 2005 cross-licence with StemCells, Inc., and £2.15m relating to intellectual property acquired as part of the 2007 acquisition of the AmCyte, Inc. cell encapsulation technology. The StemCells, Inc. licensed intellectual property includes key patents concerning the use of neural stem cells in certain therapeutic areas targeted by the Group. As such, the Directors see no reason to reduce the carrying value of this intellectual property. The cell encapsulation technology acquired from AmCyte, Inc. has been further developed since acquisition and has now been successfully transferred into ReNeuron's UK laboratories. The Directors are currently considering a number of options to realise the value of the cell encapsulation technology which they believe will deliver value equal to or greater than that currently carried in the Financial Statements. The Directors therefore regard it as appropriate to maintain the carrying value of the relevant intellectual property in the consolidated Group balance sheet.

The Company holds no intangible assets.

15. Investments in subsidiaries

Investments in subsidiary companies:

Company

Cost and net book value	**2009 £'000**	2008 £'000
At start of year	**9,625**	7,397
Investments in subsidiaries	**-**	2,168
Capital contribution arising from IFRS 2 charge	**48**	60
At 31 March	**9,673**	9,625

Where options over the Company's shares have been issued to the employees of subsidiary undertakings, the fair value of employee services performed (equal to the IFRS 2 charge) has been recorded as a capital contribution.

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

Name of undertaking	**ReNeuron Holdings Limited**	**ReNeuron Limited**		**ReNeuron (UK) Limited**	**ReNeuron Inc.**
Country of incorporation	England and Wales	England and Wales		England and Wales	Delaware USA
Description of shares held	£0.10 ordinary shares	£0.001 ordinary shares	£0.10 A ordinary shares	£0.10 ordinary shares	$0.001 Common Stock
Proportion of nominal value of shares held by the Company	100%	100%	100%	100%	100%
Nature of business	Holding	Pharma		Holding	Pharma
Loss for the year £'000	(22)	(3,614)		(22)	(483)
Net assets / (liabilities) £'000	1,025	(34,388)		17,607	(1,582)

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

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

Notes to the financial statements for the year ended 31 March 2009 continued

16. Trade and other receivables

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Amounts falling due after more than one year:				
Lease deposit – repayable in 2015, at current value	**135**	135	**–**	–
Amounts due from Group undertakings	**–**	–	**21,309**	17,143
	135	135	**21,309**	17,143
Amounts falling due within one year:				
Other receivables	**62**	128	**2**	14
Corporation tax receivable	**700**	–	**–**	–
Prepayments and accrued income	**262**	283	**7**	5
	1,024	411	**9**	19
Total trade and other receivables	**1,159**	546	**21,318**	17,162

Amounts due from Group undertakings are not interest bearing and have no fixed repayment date.

17. Cash and cash equivalents

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Cash at bank and in hand	**943**	2,791	**857**	2,754

18. Trade and other payables

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Trade payables	**491**	345	**4**	5
Other taxation and social security	**33**	45	**–**	–
Other payables	**8**	7	**–**	–
Provisions	**50**	25	**–**	–
Accruals and deferred income	**158**	343	**3**	–
Total payables falling due within one year	**740**	765	**7**	5

19. Financial liabilities

Future minimum payments under finance leases are as follows:

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Within one year	**17**	16	**–**	–
In more than one year but not more than five years	**32**	49	**–**	–
Total gross payments	**49**	65	**–**	–
Less finance charges included above	**(7)**	(11)	**–**	–
Present value of payments	**42**	54	**–**	–

20. Trade and other payables: amounts falling due after more than one year

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Convertible loan notes:	**2,088**	-	**2,088**	-
Amounts owed to Group undertakings	**-**	-	**5,484**	5,484
Total creditors falling due after more than one year	**2,088**	-	**7,572**	5,484

Amounts owed to Group undertakings are not interest bearing and have no fixed repayment date. The Directors confirm that no repayments will be made in the next 12 months.

21. Convertible loan notes

In June 2008, the Company secured £2.5m of financing from its principal existing investors by way of a subscription for a series of new secured loan notes issued by the Company. As at 31 March 2009, the full £2.5 million facility had been drawn down.

On 18 May 2009, the £2.5 million of outstanding loan notes (together with accrued interest thereon) were converted to equity though the issue of 85,526,648 ordinary 1p shares at a price of 3 pence per ordinary share (see note 33).

22. Financial instruments

The financial risks faced by the Group include interest rate risk, foreign currency risk and liquidity risk. 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 and to facilitate the funding of the Group in certain circumstances. The Group does not enter into forward currency contracts.

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

Cash and short term investments fluctuate considerably depending on the timing of fund raising activities. All cash balances and short term investments are held at leading banking institutions (Barclays Bank in the UK and Barclays Global Investors in Ireland).

At 31 March 2009 and 31 March 2008, none of the receivables were aged over three months. No receivables were impaired. Non-current receivables are not discounted as the impact of discounting would not be material.

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

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

Ageing risk profile of the Group's financial liabilities

The Group's financial liabilities consist only of short term creditors and finance leases, shown below.

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Finance leases – gross payments				
Due in one year or less	**17**	16	**-**	-
Due in over one year but less than two years	**16**	17	**-**	-
Due in more than two years but less than five years	**16**	32	**-**	-
	49	65	**-**	-

Notes to the financial statements for the year ended 31 March 2009 continued

22. Financial instruments (continued)

Risk profile of the Group's financial assets

Currency	2009 Cash at bank and in hand £'000	2009 Total £'000	2008 Cash at bank and in hand £'000	2008 Total £'000
Sterling	**862**	**862**	2,782	2,782
United States Dollar	**73**	**73**	8	8
Euro	**8**	**8**	1	1
Floating rate	**943**	**943**	2,791	2,791
At 31 March	**943**	**943**	2,791	2,791

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

Borrowing facilities

The Group had drawn down in full its £2.5m convertible loan facility at the year end (2008: £nil). Prior to conversion to equity, the principal balance of £2.5m plus accrued interest was fully repayable on 23 June 2011 (see notes 21 and 33).

If interest rates had been 100 basis points higher in financial year 2009, the impact on the net loss in 2009 would have been a decrease of £4,845 (2008 decrease: £49,687) due to changes in the net amount of interest receivable.

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair value of the Group's financial assets and liabilities at 31 March 2009. 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.

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

	2009 Book value £'000	2009 Fair value £'000	2008 Book value £'000	2008 Fair value £'000
Cash at bank and in hand	**943**	**943**	2,791	2,791
Receivables	**1,024**	**1,024**	411	411
Payables	**(740)**	**(740)**	(765)	(765)

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

Currency risk profile

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

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

Capital management

The Group strives to optimise the balance of cash spend between research and development and general and administrative expenses and, in so doing, maximise progress achieved for all pipeline products.

23. Deferred taxation

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

	Amount recognised 2009 £'000	**Amount not recognised 2009 £'000**	Amount recognised 2008 £'000	Amount not recognised 2008 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	**-**	**79**	-	21
Other	**-**	**-**	-	3
Losses carried forward	**-**	**9,246**	-	9,485
	-	**9,325**	-	9,509

The potential deferred tax assets have not been recognised in these financial statements as there is no immediate prospect of these being utilised.

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

	Amount recognised 2009 £'000	**Amount not recognised 2009 £'000**	Amount recognised 2008 £'000	Amount not recognised 2008 £'000
Tax effect of timing differences because of:				
Other	**-**	**-**	-	3
Losses carried forward	**-**	**162**	-	78
	-	**162**	-	81

The potential deferred tax assets have not been recognised in these financial statements, as there is no immediate prospect of these being utilised.

24. Pension scheme obligations

The Group operates defined contribution pension schemes for UK employees and directors. The assets of the schemes are held in separate funds and are administered independently of the Group. The total pension cost during the year was £87,202 (2008: £103,000). There were no prepaid or accrued contributions to the scheme at the year-end (2008: nil).

25. Ordinary shares

	2009 £'000	2008 £'000
Authorised		
550,000,000 ordinary shares of 1p each (2008: 300,000,000 shares of 1p)	**5,500**	3,000
Allotted, called up and fully paid		
154,167,534 ordinary shares of 1p each (2008: 154,167,534 of 1p each)	**1,542**	1,542

Notes to the financial statements for the year ended 31 March 2009 continued

26. Warrants

In February 2007, at the time of a share placing, warrants to subscribe for 688,145 ordinary 1p shares exercisable at a price of 30p were issued to Collins Stewart, the Company's nominated adviser and broker. As a share-based payment, they were charged in full to the profit and loss account on a fair value basis calculated using a Black-Scholes model.

Warrants in issue have been valued as follows:

Date of Grant	Exercise price Pence	Share price at date of grant Pence	Risk free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option Pence
February 2007	30	35	5.26	2.5	85.90	21.42

Volatility is taken from actual data following flotation and no assumption of dividend yield has been included.

Warrant instrument with Novavest Growth Fund Limited

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

27. Share options

The Group operates Share Option Schemes for directors and employees of group companies and specific consultants. Options have been issued through a combination of an Inland Revenue approved EMI scheme and an unapproved scheme.

Total options existing over ordinary 1p shares in companies in the Group as at 31 March 2009 are summarised below:

Date of grant	Number of shares	Lapsed during the year	As at 31 March 2009	Note	Exercise price	* Date from which exercisable	Date of expiry
August 2005	246,680	-	**246,680**	1	10p	August 2005	July 2014
August 2005	2,275,000	(50,000)	**2,225,000**	1	10p	August 2005	July 2014
August 2005	2,975,000	(225,000)	**2,750,000**	2	25p	August 2008	August 2015
August 2006	1,580,000	(430,000)	**1,150,000**	2	10p	August 2009	August 2016
August 2006	500,000	-	**500,000**	2	15p	August 2009	August 2016
August 2007	2,845,000	(485,000)	**2,360,000**	3	21p	August 2010	August 2017
August 2007	1,000,000	-	**1,000,000**	3	37.5p	August 2010	August 2017
December 2007	455,000	(455,000)	**-**	3	20.5p	December 2010	December 2017
Total	11,876,680	(1,645,000)	**10,231,680**				

* The exercise dates are the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed below. As at 31 March 2009 the performance conditions in note 2 and note 3 had not been met.

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

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

27. Share options (continued)

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

Fair value charge

As stated previously, the Group has prepared fair value charges for options covered by note 2 and 3 above. The calculations have been estimated based on the Black-Scholes model. Key data and assumptions used are:

Date of Grant	Exercise price Pence	Share price at date of grant Pence	Risk free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option Pence
August 2005	25	24.5	4.21	5	43.2	10.53
August 2006	10	9.3	4.63	5	33.5	3.20
August 2006	15	9.3	4.63	5	33.5	1.91
August 2007	21	20.75	5.13	5	79.4	13.8
August 2007	37.5	20.75	5.13	5	79.4	11.6
December 2007	20.5	20.5	4.65	5	78.9	13.6

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

A reconciliation of option movements over the period to 31 March 2009 is shown below:

	2009		2008	
	Number of options '000	**Weighted average exercise price Pence**	Number of options '000	Weighted average exercise price Pence
Outstanding at 1 April	**11,877**	**19.3**	7,602	16.2
Granted	**-**	**-**	4,300	24.8
Lapsed	**(1,645)**	**18.2**	(25)	10
Exercised	**-**	**-**	-	-
Outstanding at 31 March	**10,232**	**19.3**	11,877	19.3
Exercisable at 31 March	**2,472**	**10**	2,522	10

The share price on 31 March 2009 was 4.125 pence (2008: 11.25p).

The pattern of exercise price and life is shown below:

	2009				2008			
Range of Exercise Prices	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life (years) Expected**	**Contractual**	Weighted average exercise price	Number of options	Weighted average remaining life (years) Expected	Contractual
Up to 10p	**10.0p**	**2,471,680**	**-**	**-**	10.0p	2,521,680	-	-
Up to 10p	**10.0p**	**1,150,000**	**1.42**	**7.42**	10.0p	1,580,000	3.42	8.42
10p to 20p	**15.0p**	**500,000**	**1.42**	**7.42**	15.0p	500,000	3.42	8.42
20p to 30p	**23.2p**	**5,110,000**	**2.47**	**7.47**	22.9p	6,275,000	3.47	8.47
30p to 40p	**37.5p**	**1,000,000**	**3.35**	**8.35**	37.5p	1,000,000	4.35	9.35
Total		**10,231,680**				11,876,680		

Notes to the financial statements for the year ended 31 March 2009 continued

28. Cash consumed by operations

	Group		Company	
	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000	**Year ended 31 March 2009 £'000**	Year ended 31 March 2008 £'000
Loss before income tax	**(4,667)**	(6,572)	**(428)**	(125)
Adjustments for:				
Interest received	**(63)**	(318)	**(51)**	(301)
Interest payable	**62**	1	**58**	-
Depreciation of tangible assets	**197**	181	**-**	-
Provisions	**25**	53	**-**	-
Share-based payment charge	**175**	163	**127**	103
(Profit)/loss on sale of fixed assets	**(39)**	1	**-**	-
Changes in working capital				
Receivables	**86**	(117)	**10**	23
Payables	**(473)**	7	**2**	(16)
Cash consumed by operations	**(4,697)**	(6,601)	**(282)**	(316)

29. Operating lease commitments - minimum lease payments

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

	2009		2008	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Not later than one year	**243**	**3**	337	18
Later than one year and not later than five years	**970**	**-**	986	6
Later than five years	**243**	**-**	485	-
Total lease commitments	**1,456**	**3**	1,808	24

The Company had no financial commitments at 31 March 2009 (2008: £nil).

30. Contingent liabilities and capital commitments

There were no contingent liabilities at 31 March 2009 (2008: £nil). The Group had no commitments for capital expenditure for plant and equipment not provided in the financial statements at 31 March 2009 (2008: £21,000).

31. Related party disclosures

Transactions with Merlin Biosciences Limited

Merlin Biosciences Limited, as investment advisor to Merlin General Partner Limited and Merlin General Partner II Limited, both substantial shareholders in the Company, recharged directors' fees of £15,000 (2008: £15,000) in the year, in respect of services provided by Mark Docherty.

Transactions with Biomedicon

Dr Paul Harper, trading as Biomedicon, recharged consultancy fees of £17,600 (2008: £83,000) in the year in respect of services provided, in accordance with a consultancy agreement between ReNeuron Limited and Dr Paul Harper, dated 4 August 2005, and recharged directors' fees of £20,000 (2008: £20,000) in respect of services provided by him.

31. Related party disclosures (continued)

Parent company and subsidiaries

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

Company: transactions with subsidiaries:	**2009 £'000**	2008 £'000
Purchases and Staff:		
Parent company expenses paid by subsidiary:	**279**	303
Transactions involving Parent Company shares:		
Share options	**48**	60
Cash management:		
Loans to subsidiary	**4,166**	5,866

Company: Year end balance of loan	**2009 £'000**	2008 £'000
Loan to subsidiary	**21,309**	17,143

32. Ultimate controlling party

The directors consider that at 31 March 2009 no one single party had immediate or ultimate control over ReNeuron Group plc.

33. Post balance sheet event

On 12 March 2009, the Company announced its intention to raise up to £3.0 million via a placing of up to 100,000,000 new ordinary shares of 1 pence each credited as fully paid up at a price of 3 pence per ordinary share. The Placing comprised four closings to enable certain placees to take advantage of UK Enterprise Investment Scheme ("EIS") tax treatment.

On 18 May 2009, the Company announced the completion of the fourth and final closing of the Placing, bringing the aggregate gross proceeds of the placing to the full £3.0 million. In connection with the Placing, a further 85,526,648 ordinary shares were allotted and issued on capitalisation of £2.5 million of outstanding loan notes (together with accrued interest thereon) at a price of 3 pence per ordinary share.

ReNeuron

pioneering stem cell therapeutics

Glossary

Alzheimer's disease – The most common cause of dementia. A degenerative and terminal disease for which there is no known cure.

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

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

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

CNS – Central Nervous System

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

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

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

FDA – Food and Drug Administration

GMP – Good Manufacturing Practice, formal standards for a facility's cleanliness, quality controls and documentation set out and regularly monitored by the regulators, "cGMP" is current Good Manufacturing Practice.

Huntington's disease – An inherited adult-onset disease of the brain characterised by dementia and involuntary movements. The disease is progressive and there is currently no known cure.

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

Islet cells – Insulin producing cells found within the pancreas.

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

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

Neurons – A nervous system cell able to conduct electrical impulses.

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

Phase I – The assessment of the safety of a biologically active substance in volunteers.

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

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

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

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

RENEURON GROUP PLC

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

(the "Company")

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that, the Annual General Meeting of the Company will be held at the offices of Morrison & Foerster, 7th Floor, CityPoint, One Ropemaker Street, London, EC2Y 9AW on 17 September 2009 at 10.00 am to consider, and if thought fit, pass the following resolutions, of which Resolutions 1-6 will be proposed as ordinary resolutions and Resolutions 7-9 will be proposed as special resolutions.

ORDINARY BUSINESS

1. To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 March 2009 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. To reappoint as a Director, Trevor Jones, who is retiring by rotation in accordance with Article 122 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
3. To reappoint as a Director, Michael Hunt, who is retiring by rotation in accordance with Article 122 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
4. To reappoint as a Director, Bryan Morton, who having been appointed since the previous annual general meeting is retiring in accordance with Article 114 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the Directors to determine the remuneration of the auditors.

SPECIAL BUSINESS

6. That, in substitution for all existing authorities for the allotment of relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act") which are hereby revoked, but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors of the Company be and are hereby generally and unconditionally authorised, pursuant to section 80 of the Act to:

   (a) allot relevant securities up to an aggregate nominal amount of £1,132,091.72 in connection with a rights issue, open offer, scrip dividend scheme or other pre-emptive offer to holders of Ordinary Shares (and, if so determined by the Directors, the holders of CS Warrants and Matrix Warrants) where such issue, offer, dividend or other allotment is proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them (and, if so determined by the Directors, the number of Ordinary Shares as would be held by them if all outstanding CS Warrants and Matrix Warrants then held by them were exercised in full and Ordinary Shares were then issued thereunder to such holders of CS Warrants and Matrix Warrants) 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 or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements or the terms of the CS Warrants and the Matrix Warrants); and

   (b) allot relevant securities (other than pursuant to paragraph (a) above) up to an aggregate nominal amount of £1,132,091.72,

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

7. That, subject to the passing of Resolution 6, in substitution for all existing authorities for the allotment of equity securities (within the meaning of section 94(2) of the Act) which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors be and are hereby generally empowered pursuant to section 95 of the Act to allot equity securities as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue, open offer, scrip dividend scheme or other pre-emptive offer to holders of Ordinary Shares (and if so determined by the Directors, the holders of CS Warrants and Matrix Warrants) where such issue, offer, dividend or other allotment is proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them (and if so determined by the Directors, the number of Ordinary Shares as would be held by them if all outstanding CS Warrants and Matrix Warrants then held by them were exercised in full and Ordinary Shares were then issued thereunder to such holders of CS Warrants and Matrix Warrants) 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 or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements or the terms of the CS Warrants and the Matrix Warrants); and

(b) the allotment of equity securities in connection with the grant of options over Ordinary Shares in accordance with the rules of the Share Option Scheme, the Non-Executive Share Option Scheme and/or the US Share Incentive Plan (or otherwise to the employees, consultants and/or Directors of the Company and/or its subsidiaries) and having an aggregate nominal value of up to £339,627.52; and

(c) the allotment (otherwise than pursuant to paragraphs (a) and (b) (inclusive)) of equity securities having an aggregate nominal value of £679,255.03,

provided that such authority shall, subject to the continuance of the authority conferred by Resolution 6, expire 15 months after the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs first, save 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 after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such powers had not expired or been revoked or varied.

8. That, the existing Article 75 of the Company's Articles of Association be amended so as to read as follows:

"75 Length of notice for general meetings

Subject to the Statutes: (i) an annual general meeting shall be called by not less than 21 clear days' notice; and (ii) a general meeting other than an annual general meeting shall be called by not less than 14 clear days' notice."

9. That, the Company's Articles of Association be amended by the addition of a new Article 161 A, allowing the Board of Directors to authorise Directors' conflicts of interest, as follows:

"161A Authorisation of conflicts

Any Director may propose that any situation or matter relating to a particular Director to which section 175 of the Companies Act 2006 applies (each a "Conflict Matter") be authorised by the Directors. Such proposal may be made in accordance with the Board's normal procedures or in any other manner as the Directors may determine. Subject to section 175 of the Companies Act 2006, the Directors may authorise any Conflict Matter, at any time and on such terms (if any) as they think fit (a "Conflict Authorisation"). Each Conflict Authorisation may be granted on such terms as the Directors granting it may determine, including (without limitation) the imposition on the conflicted Director of obligations of confidentiality, exclusion from meetings of the Board at which matters relating to the conflict are to be discussed, exclusion from voting on matters relating to the Conflict Matter, or the release of the conflicted Director from any obligation to make available to the Company information imparted to him by, or obtained by him from, any party to whom he owes any relevant conflicting duty. Any Conflict Authorisation may be withdrawn or amended at any time by a resolution of the Board (and the conflicted Director shall have no right to receive notice of, or participate in any meeting of the Board for the purpose of voting on, such a resolution). The withdrawal or amendment of a Conflict Authorisation shall be notified by the Board to the conflicted Director. The withdrawal or amendment of a Conflict Authorisation shall not affect anything done by the conflicted Director in reliance on such Conflict Authorisation prior to his receipt of its withdrawal or amendment (as the case may be).

23 July 2009

By Order of the Board
Michael Hunt
Chief Executive Officer

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

NOTES

In this Notice the following defined terms shall have the following meanings:

(1)	**"CS Warrants"**	The 688,145 warrants to subscribe for Ordinary Shares constituted by a warrant instrument dated 12 February 2007 and issued to Collins Stewart Ltd (as may be amended from time to time).
	"Matrix Warrants"	The 3,333,333 warrants to subscribe for Ordinary Shares constituted by a warrant instrument dated 3 April 2009 and issued to Matrix Corporate Capital LLP (as may be amended from time to time).
	"Non-Executive Share Option Scheme"	The non-executive share option scheme operated by the Company.
	"Share Option Scheme"	The employee share option scheme operated by the Company.
	"US Share Incentive Plan"	The 2007 US share incentive plan operated by the Company.

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

(3) 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, P.O. Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, at not later than 10.00 am on 15 September 2009 except that should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting. A Form of Proxy is enclosed with this notice. Shareholders who intend to appoint more than one proxy may photocopy the Form of Proxy prior to completion. The Forms of Proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made. Completion and return of the Form of Proxy will not preclude shareholders from attending and voting in person at the meeting.

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

(5) 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 10.00 on 15 September 2009 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

(6) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the meeting who have been appointed in respect of different parts of the holding of that corporate shareholder then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) in respect of each different part of the shareholding as corporate representative in accordance with the directions he has received from such corporate representatives in relation to the respective parts of the shareholding in respect of which they are each appointed or (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll in accordance with the directions he receives from the other corporate representatives in respect of the parts of the corporate shareholders shareholding in respect of which such corporate representatives have each been appointed. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (a) above.

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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 2009 and the Directors' Report and the Independent Auditors' Report on those accounts will be presented to shareholders for approval.

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

- Trevor Jones, who is the Chairman and a non-executive Director of the Company; and
- Michael Hunt, who is an executive Director of the Company.

Resolution 4 – In accordance with Article 114 of the Company's Articles of Association, every Director who has been appointed since the last annual general meeting of the Company is required to retire from office. Bryan Morton has been appointed as a non-executive Director since the last annual general meeting and therefore retires and, being eligible, offers himself for reappointment.

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

Resolution 6 – This resolution seeks to authorise the Directors to allot shares, subject to the normal pre-emption rights reserved to shareholders contained in the Companies Act 1985 ("Act"). Previously the Association of British Insurers ("ABI") recommended that a company seek an annual authority to allot up to a third of their issued share capital; however the ABI has recently issued new guidelines permitting a company to seek authority to allot an additional third of the issued share capital provided such additional third is reserved for fully pre-emptive rights issues. Sub-paragraph (a) of Resolution 6 seeks to reflect the spirit of the change in the ABI's recommendation, though covers a broader range of offers, issues and allotments including, in particular, by permitting the inclusion of holders of CS Warrants and Matrix Warrants.

Resolution 7 – This limits the ability of the Company to issue shares free of pre-emption rights. Sub-paragraph (a) of Resolution 7 allows the disapplication of pre-emption rights to allow the issue of shares to existing shareholders (and, if so determined, holders of CS Warrants and Matrix Warrants), for example, by way of a rights issue or open offer. The limit imposed in respect of the grant of options pursuant to sub-paragraph (b) of Resolution 7 represents 10 per cent. of the issued share capital of the Company. The limit imposed in respect of the general disapplication pursuant to sub-paragraph (c) of Resolution 7 represents 20 per cent. of the issued share capital of the Company. The Directors consider it important that they have the authorities set out in sub-paragraphs (b) and (c), which would allow them to grant options and issue shares to incentivise employees, Directors and consultants and to issue shares generally for other purposes.

Resolution 8 – The Companies Act 2006 permits a company, subject to its Articles of Association, to hold all general meetings, other than annual general meetings, on 14 clear days' notice, whether or not a special resolution is proposed. This resolution proposes an amendment to the Company's Articles of Association to such effect.

Resolution 9 – The Companies Act 2006 permits a Company to empower its Board of Directors to authorise any interest of a Director, which conflicts or may conflict with the interests of the Company. This resolution proposes an amendment to the Company's Articles of Association to such effect. The Board believes that such powers will enable the Company to deal promptly and efficiently with any technical conflict of interest to which a Director may become subject, without necessarily requiring that a shareholders meeting be convened.

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RENEURON GROUP PLC

(Incorporated in England and Wales with registered No. 5474163)

Proxy form for use at the Annual General Meeting to be held on 17 September 2009 at 10.00 am at Morrison & Foerster, 7th Floor, CityPoint, One Ropemaker Street, London, EC2Y 9AW

I/We (name in full) .....
[BLOCK LETTERS PLEASE]

of.....
[ADDRESS]

being (a) holder(s) of ..... Ordinary Shares of 1 pence each in the Company, hereby appoint the Chairman of the Meeting/

or [see Note 1].....

as my/our proxy to attend, speak and vote for me/us on my/our behalf as directed below at the Annual General Meeting of the Company to be held on 17 September 2009 at 10.00 am, and at any adjournment thereof in respect of ..... Ordinary Shares comprised in my/our above shareholding [see Note 2]. The proxy may vote or abstain from voting at his/her discretion on any amendment to a resolution or any other business before the meeting.

Please indicate by ticking this box ☐ if this is one of more than one appointment of a proxy in respect of your holding [see Note 2].

Please indicate with an "X" in the appropriate space how you wish your votes to be cast. If you wish to abstain from voting on any resolution, please indicate this with an "X" in the vote withheld box opposite that resolution.

To the extent this form is returned without an indication as to how the proxy is to vote the proxy will vote or abstain from voting at his discretion.

	Ordinary Resolutions	**For**	**Against**	**Vote withheld**
(1)	To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 March 2009, the Directors' Report, and the Independent Auditors' report on those accounts.			
(2)	To reappoint Trevor Jones as a Director.			
(3)	To reappoint Michael Hunt as a Director.			
(4)	To reappoint Bryan Morton as a Director.			
(5)	To reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to determine their remuneration as auditors.			
(6)	To authorise the Directors of the Company, pursuant to section 80 of the Companies Act 1985 to allot relevant securities.			
	Special Resolutions			
(7)	To authorise the Directors to allot equity securities as if section 89(1) of the Companies Act 1985 did not apply.			
(8)	To amend the Company's Articles of Association to allow all general meetings, other than annual general meetings, to be convened on 14 clear days' notice.			
(9)	To amend the Company's Articles of Association to allow the Board of Directors to authorise Directors' conflicts of interest.			

Date ..... Signature[s] or common seal .....[see Note 3]

Notes

(1) If you wish to appoint a proxy other than the Chairman of the meeting insert the name in the space provided and delete the Chairman of the meeting. A proxy need not be a member of the Company.

(2) You may, if you wish, appoint more than one proxy, but each must be appointed in respect of a specified number of shares within your holding. If you wish to do this, each proxy must be appointed by means of a separate form. Shareholders who intend to appoint more than one proxy may photocopy this form the required number of times before completing it. When appointing more than one proxy you must fill in the blank provided on each form to indicate the number of your shares in respect of which the proxy is to be appointed. If you fail to do so, the appointment will be rejected as invalid. You must also tick the box on each form to indicate it is one of more than one appointment in respect of your holding. All the forms should be returned in the same envelope. If you are only appointing one proxy, you can cross out all reference to the number of shares or leave the blank for the number of shares uncompleted, in which case the appointment will be taken to be for your full holding.

(3) In the case of a corporation this proxy must be given under its common seal or signed on its behalf by a duly authorised officer or an attorney.

(4) To be effective, this form must be lodged, duly completed, at the offices of the Company's registrar, Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol, BS99 6ZY no later than 10.00 am on 15 September 2009, together, if appropriate, with the power of attorney or other authority under which it is signed or a notarially certified copy of such power. If the meeting should be adjourned, this form, if not previously lodged, will be effective for use at the adjourned meeting as long as it is lodged, duly completed, as set out above no later than 48 hours before the adjourned meeting, and if there should be a poll on any of the resolutions which is taken more than 48 hours after it was demanded this form will be effective, if not previously lodged, for use at the poll as long as it is lodged, duly completed, as set out above not later than 24 hours before the time appointed for the taking of the poll.

(5) In the case of joint holders the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.

(6) A "vote withheld" is not a vote in law and will not be counted in the calculation of the votes for or against a resolution.

(7) The completion and return of this form shall not preclude a shareholder from attending and voting in person.

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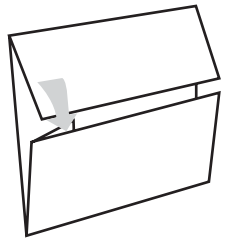

COMPUTERSHARE INVESTOR SERVICES PLC
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second fold

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