ReNeuron

pioneering stem cell therapeutics

Report and Accounts 2010

ReNeuron

pioneering stem cell therapeutics

ReNeuron in Summary

- At ReNeuron, we are translating exciting stem cell science into biopharmaceutical products to treat serious disease conditions
- We are developing stem cell therapies for conditions such as stroke disability and peripheral arterial disease in diabetics, where the patient populations are large and growing and where patients have few if any alternative treatments available to them
- Our lead therapeutic candidate is our ReN001 stem cell therapy for the treatment of patients left disabled by the effects of a stroke. Patient recruitment for a first-in-man clinical trial of ReN001 has recently commenced in the UK
- 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

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Operational Highlights

- Patient recruitment underway in landmark UK first-in-man clinical trial of ReN001 stem cell therapy for stroke
- Positive data from three pre-clinical efficacy studies of ReN009 stem cell therapy for peripheral arterial disease
- Industrial grant from major US healthcare company funds ReN003 retinal disease collaboration
- Eight peer-reviewed papers published in the period
- Positive data presented post year-end from three further pre-clinical studies in stroke
- ReN001 stroke therapy wins Breakthrough of the Year at 2010 European Mediscience Awards

Financial Highlights

- Share placings in the period raised £7.8 million before expenses; £5.0 million equity finance facility established; £2.5 million capitalisation of all outstanding convertible loan notes
- Net cash outflow from operating activities reduced to £2.6 million (2009: £4.4 million), reflecting leaner, tightly-controlled underlying cost base
- Loss before exceptional items and tax credit reduced to £3.9 million (2009: £4.7 million). Loss for the year increased to £5.9 million (2009: £3.7 million), after £2.3 million non-recurring, non-cash exceptional charges relating to write-down of non-core intangible and tangible assets
- Cash and cash equivalents at 31 March 2010 of £5.5 million (2009: £0.9 million), with further £4.9 million available from equity finance facility

Chairman's and Chief Executive Officer's Joint Statement

Professor Trevor Jones CBE
Chairman

Review of Operations

ReN001 stem cell therapy for stroke

During the period, we received final national regulatory approvals to commence a landmark UK Phase I clinical trial with ReN001, our stem cell therapy for disabled stroke patients. Subsequent to these national approvals, we received local site approval for the trial from NHS Greater Glasgow and Clyde Health Board in Scotland, resulting in the clinical trial being recently opened for patient recruitment.

The PISCES (Pilot Investigation of Stem Cells in Stroke) clinical trial is an open label Phase I trial, the world's first using expanded neural stem cells in this indication. In the trial, ReNeuron's ReN001 stem cell therapy will be administered to stroke patients who have been left disabled by an ischaemic stroke, the most common form of the condition. Stroke is the third largest cause of death and the single largest cause of adult disability in the developed world. Approximately one half of all stroke survivors are left with permanent disabilities as a result of the damage caused to brain tissue arising from the stroke. The annual health and social costs of caring for these 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.

The PISCES clinical trial is being undertaken through the UK's National Health Service at the Institute of Neurological Sciences at Glasgow's Southern General Hospital. The Principal Investigator for the trial is Professor Keith Muir, SINAPSE Professor of Clinical Imaging, Division of Clinical Neurosciences at the University of Glasgow. In Glasgow, Professor Muir leads one of Europe's most innovative and well-recognised stroke treatment centres. We are delighted that this important first clinical trial with ReN001 is to be conducted at Southern General, thereby enabling us to play a role in promoting and supporting clinical innovation in the NHS.

A total of 12 patients will receive the ReN001 therapy in the PISCES clinical trial, treated sequentially, between 6 and 24 months after their stroke. 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. Patients in the trial will be monitored for two years, with longer term follow-up procedures in place thereafter.

Given the highly novel nature of the ReN001 therapy, the PISCES clinical trial protocol contains a significant number of patient exclusion criteria. The speed at which eligible patients can be recruited from the local community is therefore subject to some uncertainty. However, allowing for this and for the remaining pre-enrolment requirements necessary to meet the site approval conditions, including relevant surgical equipment registrations, we anticipate that the first dose cohort of three patients will have been enrolled, evaluated and treated by the end of this year. We look forward to giving further updates as the clinical trial progresses.

Subject to satisfactory safety data arising from the early patient cohorts in the PISCES trial, and subject to further regulatory advice, we intend to pursue an accelerated clinical development pathway with ReN001. This clinical strategy will focus on stroke patients with disabilities of a type and severity

Michael Hunt
Chief Executive Officer

where the ReN001 therapy is likely to be most effective. If ultimately shown to be safe and effective clinically, ReN001 would offer a significant new treatment option for these stroke survivors. The therapy offers the potential for a degree of recovery of function in these patients, resulting in greater independence and quality of life and reduced reliance on health and social care systems.

Our ReN001 cell therapy is based around our lead *CTX* stem cell line, which has been generated using our proprietary cell expansion and cell selection technologies and then taken through a full manufacturing scale-up and quality-testing process. As such, ReN001 is a standardised, clinical and commercial-grade fresh cell product capable of treating all eligible patients presenting, without the need for immunosuppression. The cells that are being used in the PISCES trial are taken from the existing manufactured cell banks that will form the basis of the eventual marketed product. There will therefore be no need to re-derive and test new cell lines for subsequent ReN001 clinical trials or for the market – all such cells can simply be expanded from the existing banked and tested product.

Other therapeutic programmes

Our ReN009 stem cell therapy for peripheral arterial disease (PAD) made significant progress in the period. 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.

Pre-clinical efficacy testing of ReN009 is being conducted in collaboration with Professor Paolo Madeddu, Chair of Experimental Cardiovascular Medicine, and colleagues at the Bristol Heart Institute, University of Bristol. Following the presentation of initial positive pre-clinical efficacy data with ReN009 in April 2009 at the UK National Stem Cell Network Annual Scientific Conference, the Bristol team presented further positive pre-clinical efficacy data with ReN009 in an award-winning poster at the American Heart Association Scientific Sessions in November 2009. This was followed in March 2010 by the presentation at the Diabetes UK Annual Professional Conference of further positive results from a pre-clinical study using ReN009 in a model of diabetic hind limb ischaemia.

In February 2010, we announced a number of appointments to our Clinical Advisory Board for the ReN009 programme, consisting of predominantly US-based clinicians with very substantial clinical and regulatory experience in the field of vascular medicine, including novel cell-based approaches. This Advisory Board has already greatly assisted the Company in determining its optimal clinical strategy for the ReN009 therapy and we are honoured that such eminent clinicians in their field have demonstrated such enthusiasm for this programme.

We intend to continue our dialogue with regulatory authorities in a number of key territories regarding initial clinical trials with ReN009. The timelines associated with this programme depend in part on the outcome

Chairman's and Chief Executive Officer's Joint Statement (continued)

of these regulatory interactions, in particular the precise nature and duration of the remaining rate-limiting pre-clinical safety studies that will need to be undertaken over the coming months. On the basis of the advice received thus far, we cautiously expect to be in a position to commence clinical trials of ReN009 in early 2012.

Our ReN003 programme for diseases of the retina also made marked progress during the period. In February 2010, our ongoing US collaboration with the Schepens Eye Research Institute at Harvard Medical School was the recipient of an industrial grant from a major US specialty healthcare company. This funding represents a strong endorsement of the potential of the programme and has been directed towards the first phase of a two year translational programme to take human retinal progenitor cells (hRPCs) towards the clinic in the US, initially as a candidate cell-based therapy for retinitis pigmentosa, a blindness-causing disease of the retina. However, the hRPCs developed in the programme will almost certainly be applicable as cell therapy candidates for other blindness-causing diseases, such as age-related macular degeneration and diabetic retinopathy.

One of the key objectives of this first funded phase of the ReN003 programme has already been achieved, notably yield optimisation of the hRPCs in culture, at quantities sufficient for future clinical studies. Subject to regulatory advice and the results of further pre-clinical studies, we anticipate that this programme will also enter its clinical phase in 2012.

Other activities

During the period, a total of five peer-reviewed papers were published in separate scientific journals regarding the efficacy, safety, mechanism of action and manufacture of our *CTX* stem cell line and its application as our ReN001 therapeutic candidate for stroke. These papers describe work performed both by ReNeuron's own researchers and research undertaken in collaboration with UK and US academic institutions. Two further peer-reviewed papers were published in the period by our collaborators at the Schepens Eye Research Institute regarding positive pre-clinical data generated with our ReN003 cell therapy collaboration for retinal diseases. A significant paper was also published by US academic researchers in the period describing how our *ReNcell® VM* cell line was successfully re-programmed to generate stable human induced pluripotent stem cells (iPS cells), similar to human embryonic stem cells with the ability to differentiate into any type of cell in the body.

Post year-end, positive data from three further pre-clinical studies using the *CTX* cell line in stroke models were presented by UK and US academic collaborators at the Annual Conference of the American Society for Neural Therapy and Repair. We continue to foster our relationships with leading academic institutions around the world, with the aim of publishing key findings with our various technologies and stem cell products in order to further exemplify and validate the very significant therapeutic and commercial potential we believe they hold.

In March 2010, we were pleased to be cited as a UK-based world leader in regenerative medicine in a publication by the UK Government's Department of Business, Innovation and Skills. The "Best of British" publication showcases, in a series of sector case studies, the business sectors in which the UK leads on innovation, enterprise and technology. The life sciences case study refers to the importance of regenerative medicine and the UK's pre-eminence in this field, giving the example of ReNeuron and our ReN001 stem cell therapy for stroke.

Most recently, we were also delighted to be awarded Breakthrough of the Year at the prestigious 2010 European Mediscience Awards, in recognition of the progression of the Company's ReN001 stroke programme into clinical development.

Funding

The full-year effects of our cost-reduction programme, instigated during 2008 and now completed, are reflected in the financial results for the year to 31 March 2010, described in more detail below. Most notable is the year-on-year reduction in operating cash outflow, mostly as a result of this cost-reduction programme, from £6.1 million in the year to 31 March 2008, to £4.4 million last year and finally to £2.6 million in the year to 31 March 2010. Although elements of our cost base will increase as we make further progress with our therapeutic programmes, most especially the costs of supporting increasing clinical activity, we believe we now have an underlying cost base that remains tightly controlled and that is entirely manageable in terms of ongoing financing requirements.

In March 2009, we announced a placing of new ordinary shares to raise £3.0 million, before expenses. We successfully completed the placing in May 2009 and, as part of this process, the £2.5 million of outstanding convertible loan notes, together with accrued interest, were capitalised into new ordinary shares in the Company.

In November 2009, we secured an equity finance facility from Matrix Corporate Capital LLP, available for draw-down, to a maximum of £5.0 million, over a two year period. The Flexible Use Small Capital Increase Agreement enables the Company to control the timing and amount of any draw-downs, such draw-downs being calculated according to a formula based on the daily trading volume of the Company's ordinary shares, and their volume-weighted average price, over relevant trading periods. The facility also incorporates an over-allotment option to enable larger draw-downs to be made should market conditions allow at the time. To date, we have chosen to draw-down only £0.1 million under this facility.

In February 2010 we announced a further placing of new ordinary shares to raise £4.7 million, before expenses. This placing completed in March 2010.

As a result of the above cost-reduction and financing activities, we expect our existing cash resources (excluding any undrawn funds available under the existing equity finance facility) to last into the second quarter of 2011. Based on anticipated progress in the business in the near term, the directors also expect to secure equity-based and other sources of financing sufficient for the future needs of the business beyond the second quarter of next

Chairman's and Chief Executive Officer's Joint Statement (continued)

year. Consequently, the going concern basis has been adopted in the preparation of the financial statements.

Summary of results

In the year to 31 March 2010, revenues were £31,000 (2009: £93,000), representing royalty income from the Group's non-therapeutic licensing activities.

Net operating expenses before exceptional items were £4.0 million in the year (2009: £4.8 million). Research and development expenditure, before exceptional items, decreased in the year to £2.1 million (2009: £3.2 million), due principally to the full year effects of the cost-reduction programme instigated in mid-2008, together with a reduction in outsourced cell banking and testing costs in the ReN001 stroke programme. General and administrative costs increased in the year to £1.9 million (2009: £1.6 million), due primarily to the unwinding of a prior year favourable foreign exchange effect.

The exceptional items of £2.3 million represent non-cash, non-recurring charges relating to the write-down of research and development-related assets which the directors now consider to be non-core to the future development of the Company's ongoing development programmes, resulting from the conclusion of the above-mentioned cost-reduction programme. Of the total charge, £2.15 million relates to previously capitalised, non-core intangible assets and £0.15 million relates to tangible assets no longer utilised following an operational review of ongoing laboratory space requirements.

Other operating income of £34,000 (2009: £nil) represents grant income received during the period. Interest received decreased in the period to £11,000 (2009: £63,000) as a result of lower interest rates available on the Company's cash deposits over the period. Interest costs also decreased to £12,000 in the period (2009: £62,000), reflecting a reduction in interest accrued on the outstanding convertible loan notes that were fully capitalised during the period.

The Group accrued a research and development tax credit of £0.37 million during the period (2009: £1.0 million). The 2009 comparative included £0.6 million relating to a tax credit received in respect of a prior year.

As a result of the above income statement movements, the underlying loss for the year before tax and exceptional items decreased to £3.9 million (2009: £4.7 million). The post-exceptional, post-tax loss for the year increased to £5.9 million (2009: £3.7 million). The basic and fully-diluted loss per share decreased to 1.8p in the period (2009: 2.4p) due to a higher weighted average number of ordinary shares in issue during the period as a result of the Group's equity-based fundraising activities.

Net cash outflow from operating activities decreased in the period to £2.6 million (2009: £4.4 million), due primarily to the decrease in cash-based operating expenses in the period. The Group had cash and cash equivalents of £5.5 million at 31 March 2010 (2009: £0.9 million).

Summary and outlook

The period under review has been one of very substantial progress for our business. The recent commencement of patient recruitment in the first-in-man clinical trial for our ReN001 stroke therapy marks the transition of ReNeuron into a clinical-stage business operating in the highly promising field of cell-based therapeutics. Our other therapeutic programmes are progressing well, with significant new and positive pre-clinical data having been generated in the period.

We have a clear strategy to leverage the significant competitive advantages and therapeutic potential we believe our stem cell products bring to ReNeuron, with the aim of benefiting patients as well as generating a meaningful return to our shareholders. This strategic focus, along with tight control over a much reduced underlying cost base, has enabled the business to attract an increasingly high quality cadre of institutional shareholders, as well as to greatly bolster our financial resources, through the equity fundraisings we have completed in the period.

Our business is consequently well-placed to capitalise on the progress being made in the wider stem cell therapy field as that field develops, matures and realises its immense potential to generate novel treatments for many hitherto untreatable diseases. The significant progress ReNeuron has made in the period is something of which our staff, collaborators and other stakeholders can be justly proud. It positions ReNeuron as a front-runner in its areas of focus, with proven stem cell technologies capable of translation into clinical-stage therapies for very significant and poorly-served medical conditions.

On page 55 of this document is the notice of the 2010 Annual General Meeting (the AGM) to be held at 10:00 am on 8 September 2010. A short explanation of the resolutions to be proposed at the AGM is set out on page 58. 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
Chairman

Michael Hunt
Chief Executive Officer

30 July 2010

Business Review

ReNeuron's therapeutic programmes

We are currently investing in three principal stem cell therapy programmes:

ReN001 for stroke disability

ReN001 is our most advanced stem cell therapy programme, targeting patients who have been left disabled by an ischaemic stroke, the most common form of the condition.

Patient recruitment for a ground-breaking, first-in-man clinical trial has recently commenced in the UK. The PISCES (Pilot Investigation of Stem Cells in Stroke) clinical trial is a Phase I study in a small number of disabled stroke patients. The study will provide a read-out on the safety of the ReN001 therapy but a number of efficacy measures will also be evaluated over the course of the trial.

ReN009 for peripheral arterial disease

Our ReN009 stem cell therapy targets peripheral arterial disease (PAD), 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.

This programme is being conducted in collaboration with the Bristol Heart Institute, University of Bristol, UK and is currently in pre-clinical development.

ReN003 for diseases of the retina

Our ReN003 stem cell therapy is focussed on blindness-causing diseases of the retina, such as retinitis pigmentosa. This programme is being conducted in collaboration with the Schepens Eye Research Institute at Harvard Medical School in the USA and is currently in pre-clinical development.

We are also researching other disease areas where we believe our stem cell products may have significant therapeutic potential.

Stroke

Stroke is the single largest cause of adult disability in the developed world and the largest cause of death after cancer and heart disease.

Approximately 150,000 people suffer a stroke in the UK each year. Approximately one half of all stroke survivors are left with permanent disabilities as a result of the damage caused to brain tissue arising from the stroke. The annual health and social costs of caring for these 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.

The only current treatment for stroke patients occurs in the acute phase of the condition (within several hours of the stroke), when anti-clotting agents are administered to dissolve the clot causing the blockage in blood flow to the brain. Only a small proportion of patients get to the hospital in time to be treated in this way.

Beyond the acute phase, there are no existing treatments, other than preventative or rehabilitation measures, to alleviate the disabilities suffered by stroke patients who have survived their stroke. If ultimately shown to be safe and effective clinically, ReNeuron's ReN001 stem cell therapy would therefore offer a significant new treatment option for stroke survivors. The therapy 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.

Data source: UK Stroke Association

The PISCES clinical trial

The PISCES (Pilot Investigation of Stem Cells in Stroke) clinical trial is an open label Phase I trial, the world's first using expanded neural stem cells in this indication. In the trial, our ReN001 stem cell therapy will be administered to stroke patients who have been left disabled by an ischaemic stroke, the most common form of the condition.

The PISCES clinical trial is being undertaken through the UK's National Health Service at the Institute of Neurological Sciences at Glasgow's Southern General Hospital. The Principal Investigator for the trial is Professor Keith Muir, SINAPSE Professor of Clinical Imaging, Division of Clinical Neurosciences at the University of Glasgow. In Glasgow, Professor Muir leads one of Europe's most innovative and well-recognised stroke treatment centres.

A total of 12 patients will receive the ReN001 therapy in the PISCES trial, treated sequentially, between 6 and 24 months after their stroke. 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 are also being evaluated over the course of the trial. Patients in the trial are being monitored for two years, with longer term follow-up procedures in place thereafter. The clinical assessments involve scoring against several stroke-specific scales as well as a battery of other tests designed to evaluate both motor and cognitive function over time. Structural and functional imaging of the patient's brain will also be undertaken at various points throughout the trial.

The surgical technique that is being used in the trial, known as stereotactic injection, is a well-established and relatively straightforward procedure in neurosurgery. With the aid of a stereotactic co-ordinate frame in place around the patient's head, the neurosurgeon uses a special cannula to implant the ReN001 cells directly into the target brain region through a single, small craniostomy burr hole in the skull. The implantation procedure takes between one and two hours, depending on the cell dose administered. The patient remains in the hospital overnight and is normally discharged the morning after surgery.

Business Review (continued)

ReNeuron's *CTX* stem cell line

Our ReN001 cell therapy for stroke and our ReN009 cell therapy for peripheral arterial disease both utilise our lead *CTX* stem cell line. This cell line has been generated using our proprietary cell expansion and cell selection technologies and then taken through a full manufacturing scale-up and quality-testing process. As such, the *CTX* cell line is a standardised, clinical and commercial-grade cell therapy product capable of treating all eligible patients presenting with the diseases targeted, without the need for additional immunosuppressive drug treatments.

The *CTX* cells that are being used in the PISCES clinical trial in stroke are taken from the existing manufactured cell banks that will form the basis of the eventual marketed product. There will therefore be no need to re-derive and test new cell lines for subsequent ReN001 clinical trials or for the market – all such cells can simply be expanded from the existing banked and tested product.

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

Stem cells have significant potential beyond their use in cell therapy treatments for disease. For example, they are being increasingly used in the drug discovery process as a screening tool against which drug candidates can be screened for toxicity. We have developed a range of cell lines and cell culture media for non-therapeutic applications in academic or commercial research – our *ReNcell*® products.

Our *ReNcell*® lines are marketed exclusively by Millipore Corporation, a leading US-based reagent distributor, for manufacture and worldwide distribution through their research reagent catalogue. We receive royalty income from Millipore's sales of *ReNcell*® lines and associated cell culture media components.

ReNeuron's vision and strategy

Our goal is to translate the huge potential of stem cell science into cell-based, standardised bio-pharmaceutical products to treat diseases with large patient populations which are un-served or poorly served by existing medical treatments.

Our aim is to lead the field in the development of "off-the-shelf" or non-patient-specific stem cell therapies in our particular areas of therapeutic focus.

Our principal strategy is to gain early clinical validation for our cell therapy programmes via well-designed clinical trials in well-regulated territories.

Ultimately, we expect to realise value for our technologies and therapeutic programmes via out-license or sale to commercial development partners at the appropriate points in their development.

In order to achieve the above objectives, we work closely with a number of key academic and commercial partners while continuing to maintain tight control over our financial resources.

The potential of stem cell therapy

Stem cell therapy has the potential to revolutionise the treatment of a variety of human diseases. Rather than addressing the symptoms of a particular disease or condition, stem cell therapy seeks to address the cause of the condition, to effect repair or reversal of the disease state through the regeneration of the affected tissue. ReNeuron's stem cell therapy programmes seek to harness this potential, translating exciting stem cell science into standardised, "off-the-shelf" stem cell therapeutics capable of treating any eligible patient presenting with the disease targeted by each therapy.

Stem cells are the primitive undifferentiated cells that have the ability to give rise to the many different specialised types of cells (differentiated cells) that make up the organs and tissues in the human body. They can be made to grow in the laboratory and retain the ability to differentiate into the particular specialised cell type required. In animal studies, stem cells have also been shown to migrate from the point of implant and home into areas of disease or damage, sometimes over considerable distances.

In most cases, stem cell transplantation treatments involve relatively straightforward surgical procedures. Cells can and have been transplanted into the human brain, for example, in procedures that can be performed under local anaesthetic and require at most a short hospital stay. Similar approaches would apply where other organs are being treated.

Stem cell therapy offers particular potential in areas of significant unmet, or poorly met, medical need. Diseases of the brain, such as stroke and Parkinson's disease, can dramatically reduce quality of life. They consequently represent major healthcare costs, particularly in terms of long-term care. There are no treatments that effectively address the causes of these diseases. Stem cell transplantation therapy offers the potential to alleviate the symptoms of, or cure, these diseases and many others.

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Directors and advisers

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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

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Board of Directors

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

Professor Jones has been Chairman of the ReNeuron Group since February 1999. He was formerly 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 Health Organisation Commission on Intellectual Property Rights Health. He sits on the Boards of a number of life science companies, including Allergan, Inc. and Sigma-Tau S.p.A. Aged 67.

Michael Hunt BSc ACA, Chief Executive Officer*

Michael Hunt 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 and is a Senior Industry 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 47.

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

Dr. Sinden is a scientific co-founder of ReNeuron. Prior to joining ReNeuron as Chief Scientific Officer in October 1998, he was Reader in Neurobiology of Behaviour at the Institute of Psychiatry at Kings College London. He graduated in Psychology from the University of Sydney and completed a Ph.D. in Neuroscience from the University of Paris at the College de France. He subsequently held post-doctoral appointments at Oxford University and the Institute of Psychiatry prior to joining the permanent staff of the Institute in 1987. Dr. Sinden is a member of the Royal Society of Medicine, the Society for Neuroscience and the International Society for Cellular Therapies. He sits on the Industry Committee of the International Society for Stem Cell Research, the Scientific Advisory Board of the Minda de Gunzburg Center for Ocular Regeneration, Schepens Eye Research Institute at Harvard Medical School, and the Scientific Advisory Committee to the NBIB Quantum grant – "Engineering Brain Tissue to Promote Stroke Recovery" at Baylor College of Medicine, Houston. Aged 59.

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 (now Excalibur Fund Managers 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 CBT Development Limited and Pantherix Limited. Aged 46.

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. Currently Chairman of Angel Biotechnology plc, Physiomics Plc, Sareum plc and three other private biotech/devices businesses. Aged 64.

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 Dechra Pharmaceuticals plc, Aircraft Medical Ltd 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 54.

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* denotes member of Management Committee

Board of Directors photograph, from left to right:
Dr. Paul Harper, Dr. John Sinden, Michael Hunt, Professor Trevor Jones, Bryan Morton and Mark Docherty.

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Senior Management

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

Dr. Pollock joined ReNeuron 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. 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.

Patrick Huggins FCCA, Head of Finance and Company Secretary*

Patrick Huggins was appointed as Head of Finance and Company Secretary in May 2010 having previously worked for ReNeuron in an interim capacity. He qualified as a Certified Accountant in 1984 and has spent the majority of his career in fast growth companies within the SME sector.

* denotes member of Management Committee

Clinical Advisory Board

We have established a Clinical Advisory Board, split by therapeutic programme, 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 strategies going forward.

ReN001 stem cell therapy for stroke

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 of the Congress of Neurological Surgeons and past President of the 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.

Clinical Advisory Board (continued)

ReN009 stem cell therapy for peripheral arterial disease

Dr John Cooke MD, PhD

Dr Cooke is a Professor in the Division of Cardiovascular Medicine at Stanford University School of Medicine, and Associate Director (Education and Training) of the Stanford Cardiovascular Institute. At Stanford, he spearheads the programme in Vascular Biology and Medicine and directs a translational research programme in vascular biology from molecule to man, focused on endothelial biology, angiogenesis and vascular regeneration. Dr Cooke has published over 350 manuscripts, book chapters, and patents in the arena of vascular medicine and biology. He serves on US national and international committees that deal with cardiovascular diseases, including those of the American Heart Association, American College of Cardiology, and the US National Heart, Lung and Blood Institute.

Dr William Hiatt MD

Dr Hiatt is the Novartis Foundation endowed Professor for Cardiovascular Research in the Department of Medicine, University of Colorado Denver School of Medicine. He is chief of the Section of Vascular Medicine, with appointments in cardiology and geriatrics. He is also the President of the Colorado Prevention Center, a university-affiliated, non-profit cardiovascular and clinical trials research organisation that directs study design and provides academic oversight of trials of drugs and angiogenic therapies for peripheral arterial disease. He is a fellow in the American Heart Association and the American College of Physicians and is currently the Chair of the American Heart Association Peripheral Vascular Disease Council. Dr Hiatt also serves on the editorial board as an Associate Editor for the journal Vascular Medicine, the Cochrane Review Group on "Peripheral Vascular Disease" and he is guest editor for Circulation and the Journal of the American College of Cardiology. Dr Hiatt is the immediate past Chairman of the United States Food and Drug Administration Cardiovascular and Renal Advisory Committee.

Dr Douglas Losordo MD

Dr Losordo is the Director of the US Feinberg Cardiovascular Research Institute, the Eileen M. Foell Professor of Heart Research at Northwestern University's School of Medicine and Director of the Program in Cardiovascular Regenerative Medicine at Northwestern Memorial Hospital. He is a Fellow of the American College of Cardiology, the American Heart Association, the American Association for the Advancement of Science, the American College of Physicians, the American College of Chest Physicians, and the US Society for Cardiac Angiography and Interventions. Dr Losordo's major research interests encompass angiogenesis/ vasculogenesis, progenitor/ adult stem cells, tissue repair/regeneration, and vascular biology.

Professor Paolo Madeddu MD

Professor Madeddu is Chair of Experimental Cardiovascular Medicine, Bristol Heart Institute, University of Bristol. Prior to this, he was a Consultant in Internal Medicine and Assistant Professor in Internal Medicine, Department of Internal Medicine, Medical University of Sassari, Italy, and Chief of Gene Therapy and Experimental Medicine Division INBB, Inter-University Consortium, Italy. He was also a Senior Research Fellow, Hypertension Unit, Henry Ford Hospital, Detroit, US. Professor Madeddu's research activities are directed towards the development of more effective strategies to treat chronic limb and myocardial ischaemia as well as diabetes-related microvascular complications, in particular impaired angiogenesis and wound healing. More recently, his research has explored the potential of stem cell transplantation to achieve therapeutic angiogenesis. This research, including work done in collaboration with ReNeuron, has involved studies examining the therapeutic potential of human stem cells for the regeneration of wounded tissues in murine models of myocardial infarction and ischaemic diabetic wounds.

Directors' report for the year ended 31 March 2010

Principal activities, business review and future prospects

A review of the business and its prospects is contained within the Chairman's and Chief Executive Officer's joint 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 and utilises 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 2010 was £2,629,000 (2009: £4,401,000). 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 is 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 24 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 2010.

Results and dividends

The results for the year are given in the Group Statement of Comprehensive Income set out on page 25 that follows. The directors do not recommend the payment of a dividend (2009: £nil).

Research and development

During the year the Group charged research and development costs of £2,078,000 (2009: £3,177,000) to the Statement of Comprehensive Income, before exceptional items. Total research and development costs charged to the Statement of Comprehensive Income post exceptional items were £4,369,000 (2009: £3,177,000).

Directors' report for the year ended 31 March 2010 (continued)

Donations

The Group made donations of £nil (2009: £250) 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, Chairman
Mr Michael Hunt, Chief Executive Officer
Dr John Sinden, Chief Scientific Officer
Mr Mark Docherty
Dr Paul Harper
Mr Bryan Morton

Directors' emoluments

	Salaries and fees £'000	Bonuses £'000	Benefits in kind £'000	Pension contributions £'000	**2010 Total £'000**	2009 Total £'000
Michael Hunt	159	40	2	15	**216**	217
John Sinden	155	38	1	14	**208**	209
Trevor Jones	23	–	–	–	**23**	23
Paul Harper	20	–	–	–	**20**	20
Mark Docherty	15	–	–	–	**15**	15
Bryan Morton	25	–	–	–	**25**	12
Total	397	78	3	29	**507**	496

Bonuses include non-cash deferred bonuses awarded under the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ending 31 March 2010 and are to be settled in nominally priced share options under the Group's Share Option Scheme, following announcement of the Group's preliminary results for that year. Non-cash, deferred share-based bonuses awarded to directors in the year were £20,000 (2009: £42,000) to Michael Hunt and £26,000 (2009: £41,000) to John Sinden.

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

		2010 Number	2009 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 over shares of the Company:

Professor Trevor Jones

	Note	At 1 April 2009 Number	*Adjusted during the year Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2010 Number**	*Exercise Price	** Exercise Period
Options – unapproved	1	100,000	74,308	–	–	**174,308**	5.74p	August 2005 – July 2014
Options – unapproved	2	50,000	37,154	–	–	**87,154**	14.34p	August 2008 – August 2015
Options – unapproved	2	50,000	37,054	–	–	**87,054**	5.74p	August 2009 – August 2016
Options – unapproved	3	150,000	77,719	–	–	**227,719**	13.83p	August 2010 – August 2017
Options – unapproved	4	–	–	–	200,000	**200,000**	5.5p	– August 2012 – August 2019
		350,000	226,235	–	200,000	**776,235**		

Michael Hunt

	Note	At 1 April 2009 Number	*Adjusted during the year Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2010 Number**	*Exercise Price	** Exercise Period
Options – approved	1	408,160	303,296	–	–	**711,456**	5.74p	August 2005 – July 2014
Options – unapproved	1	491,840	365,477	–	–	**857,317**	5.74p	August 2005 – July 2014
Options – unapproved	2	1,000,000	743,080	–	–	**1,743,080**	14.34p	August 2008 – August 2015
Options – unapproved	2	250,000	185,270	–	–	**435,270**	5.74p	August 2009 – August 2016
Options – unapproved	2	250,000	185,270	–	–	**435,270**	8.61p	August 2009 – August 2016
Options – unapproved	3	500,000	259,063	–	–	**759,063**	13.83p	August 2010 – August 2017
Options – unapproved	3	500,000	259,063	–	–	**759,063**	24.7p	August 2010 – August 2017
Options – approved	5	–	–	–	347,808	**347,808**	1.0p	August 2011 – August 2019
Options – unapproved	5	–	–	–	585,525	**585,525**	1.0p	August 2011 – August 2019
Options – unapproved	6	–	–	–	1,772,728	**1,772,728**	1.0p	August 2012 – August 2019
		3,400,000	2,300,519	–	2,706,061	**8,406,580**		

Directors' report for the year ended 31 March 2010 (continued)

John Sinden

	Note	At 1 April 2009 Number	*Adjusted during the year Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2010 Number**	*Exercise Price	** Exercise Period
Options – approved	1	408,160	303,296	–	–	**711,456**	5.74p	August 2005 – July 2014
Options – unapproved	1	488,520	363,010	–	–	**851,530**	5.74p	August 2005 – July 2014
Options – unapproved	2	1,000,000	743,080	–	–	**1,743,080**	14.34p	August 2008 – August 2015
Options – unapproved	2	250,000	185,270	–	–	**435,270**	5.74p	August 2009 – August 2016
Options – unapproved	2	250,000	185,270	–	–	**435,270**	8.61p	August 2009 – August 2016
Options – unapproved	3	500,000	259,063	–	–	**759,063**	13.83p	August 2010 – August 2017
Options – unapproved	3	500,000	259,063	–	–	**759,063**	24.7p	August 2010 – August 2017
Options – approved	5	–	–	–	347,808	**347,808**	1.0p	August 2011 – August 2019
Options – unapproved	5	–	–	–	554,414	**554,414**	1.0p	August 2011 – August 2019
Options – unapproved	6	–	–	–	1,713,637	**1,713,637**	1.0p	August 2012 – August 2019
		3,396,680	2,298,052	–	2,615,859	**8,310,591**		

Dr Paul Harper

	Note	At 1 April 2009 Number	*Adjusted during the year Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2010 Number**	*Exercise Price	** Exercise Period
Options – unapproved	2	50,000	37,154	–	–	**87,154**	14.34p	August 2008 – August 2015
Options – unapproved	2	50,000	37,054	–	–	**87,054**	5.74p	August 2009 – August 2016
Options – unapproved	3	150,000	77,719	–	–	**227,719**	13.83p	August 2010 –August 2017
Options – unapproved	4	–	–	–	200,000	**200,000**	5.5p	– August 2012 – August 2019
		250,000	151,927	–	200,000	**601,927**		

Mark Docherty

	Note	At 1 April 2009 Number	*Adjusted during the year Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2010 Number**	*Exercise Price	** Exercise Period
Options – unapproved	3	150,000	77,719	–	–	**227,719**	13.83p	August 2010 – August 2017
Options – unapproved	4	–	–	–	200,000	**200,000**	5.5p	– August 2012 – August 2019
		150,000	77,719	–	200,000	**427,719**		

Bryan Morton

	Note	At 1 April 2009 Number	*Adjusted during the year Number	Exercised during the year Number	Granted during the year Number	**At 31 March 2010 Number**	*Exercise Price	** Exercise Period
Options – unapproved	4	–	–	–	200,000	**200,000**	5.5p	– August 2012 – August 2019
		–	–	–	200,000	**200,000**		

* The number of share options and exercise price for share options issued under notes 1, 2 and 3 below were adjusted during the year in accordance with the Rules of the Scheme to adjust for the variation in share capital since their issue.

** The exercise periods indicate the earliest dates by which options are exercisable subject to meeting the performance conditions disclosed below. As at 31 March 2010 the performance conditions in note 2, 3, 4 and 6 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 were 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 were 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.

Note 4:
These options were 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 a second clinical trial, 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 5:
These options have been issued under the Group's Share Option Scheme. The options were awarded in accordance with the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ending 31 March 2009 and as such carry no further performance conditions. The options are exercisable in whole or in part at any time between the second 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 6:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of a the performance conditions set out below. Subject to achievement of these performance conditions, 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.

Performance Conditions:

i) The first patient is administered with a ReNeuron cell therapy in a second clinical trial.

ii) The Total Shareholder Return (TSR) of the Company must exceed that of the FTSE All-Share Pharmaceutical and Biotechnology Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

iii) The business must have operated within its internal financial budgets throughout the period to vesting.

iv) The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Directors' report for the year ended 31 March 2010 (continued)

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 50 days (2009: 46 days). Trade creditors of the Company at the year end as a proportion of amounts invoiced by suppliers during the year represent 41 days (2009: 30 days).

Corporate Governance

As an AIM-listed Company, ReNeuron is not required to comply with the 2008 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 members of at least two 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.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company Statements of Financial Performance in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

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

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

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

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

Directors' statement on disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, 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 8 September 2010 at 10:00am. The notice of the 2010 Annual General Meeting is enclosed on page 55 of this document.

By order of the Board

Michael Hunt
Director

ReNeuron

pioneering stem cell therapeutics

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 2010 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 23 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2010 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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.

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Reading
30 July 2010

Group Statement of Comprehensive Income

	Note	Year ended 31 March 2010 Pre-exceptional items £'000	Year ended 31 March 2010 Exceptional items (note 7) £'000	Year ended 31 March 2010 Total £'000	Year ended 31 March 2009 £'000
Revenue	5	**31**	**-**	**31**	93
Research and development costs	6	**(2,078)**	**(2,291)**	**(4,369)**	(3,177)
General and administrative costs	6	**(1,914)**	**-**	**(1,914)**	(1,584)
Other operating income		**34**	**-**	**34**	-
Operating loss		**(3,927)**	**(2,291)**	**(6,218)**	(4,668)
Finance income	8	**11**	**-**	**11**	63
Finance costs	8	**(12)**	**-**	**(12)**	(62)
Loss before income taxes		**(3,928)**	**(2,291)**	**(6,219)**	(4,667)
Tax credit on loss on ordinary activities	11	**369**	**-**	**369**	1,000
Loss for the year		**(3,559)**	**(2,291)**	**(5,850)**	(3,667)
Other comprehensive income					
Currency translation differences		**-**	**-**	**-**	(433)
Total comprehensive loss for the year		**(3,559)**	**(2,291)**	**(5,850)**	(4,100)
Loss attributable to:					
- Equity owners of the Company		**(3,559)**	**(2,291)**	**(5,850)**	(3,667)
Total comprehensive loss attributable to:					
- Equity owners of the Company		**(3,559)**	**(2,291)**	**(5,850)**	(4,100)
Basic and diluted loss per share	13			**(1.8p)**	(2.4p)

All revenues and expenses above were generated from continuing operations.

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Group and Parent Company Statements of Financial Position

	Note	Group 31 March 2010 £'000	31 March 2009 £'000	Company 31 March 2010 £'000	31 March 2009 £'000
Assets					
Non-current assets					
Property, plant and equipment	14	**541**	834	**-**	-
Intangible assets	15	**1,272**	3,419	**-**	-
Investment in subsidiaries	16	**-**	-	**7,601**	9,673
Other non-current assets	17	**135**	135	**24,628**	21,309
		1,948	4,388	**32,229**	30,982
Current assets					
Trade and other receivables	17	**650**	1,024	**2**	9
Cash and cash equivalents	18	**5,525**	943	**4,482**	857
		6,175	1,967	**4,484**	866
Total assets		**8,123**	6,355	**36,713**	31,848
Equity					
Equity attributable to owners of the company					
Share capital	27	**4,377**	1,542	**4,377**	1,542
Share premium		**21,310**	14,358	**21,310**	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		**108**	583	**108**	583
Share-based credit reserve		**876**	504	**876**	504
Retained deficit		**(30,426)**	(24,689)	**(6,272)**	(3,540)
Total equity		**7,432**	3,485	**31,221**	24,269
Liabilities					
Non-current liabilities					
Trade and other payables	22	**-**	-	**5,484**	5,484
Convertible loan	23	**-**	2,088	**-**	2,088
		-	2,088	**5,484**	7,572
Current Liabilities					
Trade and other payables	19	**587**	690	**8**	7
Provisions	20	**75**	50	**-**	-
Financial liabilities: finance leases	21	**29**	42	**-**	-
		691	782	**8**	7
Total liabilities		**691**	2,870	**5,492**	7,579
Total equity and liabilities		**8,123**	6,355	**36,713**	31,848

The financial statements, comprising the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows, and related notes, were approved by the Board of Directors on 30 July 2010 and were signed on their behalf by:

Michael Hunt
Director

Company Registered Number 5474163

Group and Parent Company Statements of Changes in Equity

Group

	Share capital £'000	Share premium account £'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 2008	**1,542**	**14,358**	**8,964**	**2,223**	**113**	**329**	**(20,589)**	**6,940**
Equity element of convertible loan	–	–	–	–	470	–	–	470
Share-based credit	–	–	–	–	–	175	–	175
Loss for the period	–	–	–	–	–	–	(3,667)	(3,667)
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	(433)	(433)
As at 31 March 2009	**1,542**	**14,358**	**8,964**	**2,223**	**583**	**504**	**(24,689)**	**3,485**
Issue of new ordinary shares	2,678	7,385	–	–	–	–	–	10,063
Costs of share issue	–	(746)	–	–	–	–	–	(746)
Conversion of convertible loan to equity	157	313	–	–	(470)	–	–	–
Share-based credit	–	–	–	–	–	372	–	372
Issue of Warrants	–	–	–	–	108	–	–	108
Expiry of Warrants	–	–	–	–	(113)	–	113	–
Loss for the period	–	–	–	–	–	–	(5,850)	(5,850)
As at 31 March 2010	**4,377**	**21,310**	**8,964**	**2,223**	**108**	**876**	**(30,426)**	**7,432**

Company

	Share capital £'000	Share premium account £'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 2008	**1,542**	**14,358**	**8,964**	**1,858**	**113**	**329**	**(3,112)**	**24,052**
Equity element of convertible loan	–	–	–	–	470	–	–	470
Share-based payment credit	–	–	–	–	–	127	–	127
Equity granted to employees of subsidiary	–	–	–	–	–	48	–	48
Loss for the period	–	–	–	–	–	–	(428)	(428)
As at 31 March 2009	**1,542**	**14,358**	**8,964**	**1,858**	**583**	**504**	**(3,540)**	**24,269**
Issue of new ordinary shares	2,678	7,385	–	–	–	–	–	10,063
Costs of share issue	–	(746)	–	–	–	–	–	(746)
Conversion of convertible loan to equity	157	313	–	–	(470)	–	–	–
Share-based credit	–	–	–	–	–	273	–	273
Equity granted to employees of subsidiary	–	–	–	–	–	99	–	99
Issue of Warrants	–	–	–	–	108	–	–	108
Expiry of Warrants	–	–	–	–	(113)	–	113	–
Loss for the period	–	–	–	–	–	–	(2,845)	(2,845)
As at 31 March 2010	**4,377**	**21,310**	**8,964**	**1,858**	**108**	**876**	**(6,272)**	**31,221**

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Group and Parent Company Statements of Cash Flows

	Note	Group Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000	Company Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Cash used in operations	30	**(3,328)**	(4,697)	**(287)**	(282)
Interest paid		**(4)**	(4)	**-**	-
Income tax credit received		**703**	300	**-**	-
Cash outflow from operating activities		**(2,629)**	(4,401)	**(287)**	(282)
Cash flows from investing activities					
Capital expenditure	14	**(8)**	(28)	**-**	-
Proceeds from sale of fixed assets		**-**	41	**-**	-
Loans provided to subsidiaries		**-**	-	**(3,319)**	(4,166)
Interest received		**11**	63	**10**	51
Net cash generated in investing activities		**3**	76	**(3,309)**	(4,115)
Cash flows from financing activities					
Finance lease principal payments		**(13)**	(12)	**-**	-
Convertible loan note proceeds		**-**	2,500	**-**	2,500
Proceeds from issuance of ordinary shares		**7,842**	-	**7,842**	-
Costs of share issue		**(621)**	-	**(621)**	-
Net cash generated by financing activities		**7,208**	2,488	**7,221**	2,500
Net increase/(decrease) in cash and cash equivalents		**4,582**	(1,837)	**3,625**	(1,897)
Loss on foreign exchange translation		**-**	(11)	**-**	-
Cash and cash equivalents at the start of year		**943**	2,791	**857**	2,754
Cash and cash equivalents at the end of year		**5,525**	943	**4,482**	857

Notes to the financial statements for the year ended 31 March 2010

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.

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 2006 applicable to companies reporting under IFRS.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, made up to 31 March 2010.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

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

The Group 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:

Going concern

The financial statements have been prepared on a going concern basis, which assumes that sufficient funds will be available for the Company and Group to continue in operational existence for the foreseeable future. More detailed assumptions are set out in note 3.

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.

Notes to the financial statements for the year ended 31 March 2010 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 Statement of Comprehensive Income. Assets and liabilities of the Company's US subsidiary are translated to Sterling at the year-end exchange rate. 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. Following the closure of the Company's US subsidiary, ReNeuron Inc, its functional currency has changed to sterling and any translation differences that arise are taken directly to the Statement of Comprehensive Income.

Revenue

Revenue is measured at the fair value of the consideration received from the provision of services net of Value Added Tax. Revenue includes income received from royalties and licensing income arising 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, given the early stage of the Company's intellectual property.

Expenditure on research and development activities that do not meet the above criteria, including ongoing costs associated with acquired intellectual property rights and intellectual property rights generated internally by the Group, is charged to the Statement of Comprehensive Income as incurred.

Exceptional items

Exceptional items are those material items, which by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance. In the financial year ending 31 March 2010, the Group recognised exceptional costs of £2.3 million. The costs comprise a non-cash write off of previously capitalised intangible assets now considered to be non-core to the future development of the Company's scientific therapies together with a non-cash write off of tangible assets following an operational review of ongoing laboratory space requirements. There were no exceptional items in year ending 31 March 2009.

Pension benefits

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the Group Statement of Comprehensive Income. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

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 Statement of Comprehensive Income.

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

2. Accounting policies and basis of preparation (continued)

Government and other grants

Revenue grants are credited to other operating income within the Group's Statement of Comprehensive Income 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.

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. Vesting periods are estimated to be two years for options issued under the deferred bonus and four years for other schemes.

The fair value calculation of share-based payments requires several assumptions and estimates. The details are disclosed in note 29. Such assumptions could change and could affect the amount recorded.

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 Statement of Comprehensive Income over the period the services are received 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. Following an impairment review of the carrying values of intangible assets in the Group's Statement of Financial Position, the directors consider it appropriate to write off in full previously capitalised intangible assets now considered to be non-core to the future development of the Company's scientific therapies. This impairment review has resulted in a one-off non-cash exceptional item charge of £2.1m in the Group's Statement of Comprehensive Income.

Property, plant and equipment

Property, plant and equipment are stated at 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.

Notes to the financial statements for the year ended 31 March 2010 continued

2. Accounting policies and basis of preparation (continued)

Investments

Investments are shown at cost less any provision for impairment.

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.

Current tax

The charge/credit for current tax is based on the results for the year, adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantially enacted at the financial year end.

Deferred tax

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

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

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 Statement of Financial Position include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits with original maturities between three months and twelve months are included in current assets and are classified as available for sale financial assets.

Capital redemption reserve

S733 Companies Act 2006 provides that where shares of a company are redeemed or purchased wholly out of the Company's profits, or by a fresh issue, the amount by which the Company's issued share capital is diminished on cancellation of the shares shall be transferred to a reserve called the 'capital redemption reserve'. It also provides that the reduction of the Company's share capital shall be treated as if the capital redemption reserve were paid-up capital of the Company.

Provisions

Provisions are recognised when the Group has an obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Contractual milestone payments

The Group is expected to incur future contractual milestone payments. These costs will be recognised as and when a contractual milestone has been realised.

2. Accounting policies and basis of preparation (continued)

Accounting developments

Standards, amendments and interpretations effective up to 31 March 2010

IFRS 8,'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14,'Segment reporting'. It requires a 'management approach'under which segment information is presented on the same basis as that used for internal reporting purposes.Management considers that there is only one reportable segment: biotechnology research and development.Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions. Assets, liabilities and overheads are allocated to this one segment.

IAS 1 (revised),'Presentation of financial statements' (effective 1 January 2009).The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring' non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present a single statement of comprehensive income. These financial statements have been prepared under the revised disclosure requirements.

IFRS 2 (amendment),'Share-based payment' (effective 1 January 2009). IFRS 2 (amendment) deals with vesting conditions and cancellations. It clarifies that vesting conditions are either service or performance conditions only.Other features of a share-based payment would need to be included in the grant date fair value calculation for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

IFRS 7 (amendment),'Financial instruments: disclosures' (effective 1 January 2009).This requires all financial instruments that are measured at fair value in the balance sheet to be classified into a three-level fair value hierarchy. The amendments are designed to assist understanding of the determination of fair value measurements.

IAS 32 (amendment),'Financial instruments: Presentation' (effective 1 January 2009). Puttable financial instruments and obligations arising on liquidation require certain instruments to be classified as equity puttable financial instruments. The amendment does not have a material impact on the Group's financial statements.

Standards, amendments and interpretations effective up to 31 March 2010 but not relevant to the Group

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

Amendments to IFRIC9 and IAS39 'Embedded Derivatives' (effective for accounting periods starting on or after 1 July 2008). This amendment has been endorsed for use in the EU.

Amendment to IFRS 1, 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements', on the 'Cost of an investment in a subsidiary, jointly controlled entity or associate' (effective 1 January 2009).

Amendment to IAS 32, 'Financial instruments: Presentation', and IAS 1, 'Presentation of

financial statements', on 'Puttable financial instruments and obligations arising on liquidation' (effective 1 January 2009).

Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective 1 July 2008).

IFRIC 13, 'Customer loyalty programmes relating to IAS 18, Revenue' (effective 1 July 2008 but EU endorsed for use 1 January 2009).

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 are mandatory for accounting periods beginning on or after 1 July 2009 but the Group has not adopted them early:

Notes to the financial statements for the year ended 31 March 2010 continued

2. Accounting policies and basis of preparation (continued)

Accounting developments (continued)

IFRS2 (Amended) 'Group Cash-settled Share-based Payment Transactions' (effective for accounting periods beginning on or after 1 January 2010). This was endorsed by the EU on 23 March 2010.

IAS27 (revised) 'Consolidated and separate financial statements' (effective for accounting periods beginning on or after 1 July 2009). This will become applicable in 2010/11.

Revised IAS24 'Related Party Disclosures' (effective for accounting periods beginning on or after 1 January 2011). This revision has not yet been endorsed for use in the EU.

IFRS9 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2013). This standard has not yet been endorsed for use in the EU.

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 are mandatory for accounting periods beginning on or after 1 July 2009 but are not relevant to the Group's operations:

IFRS3 (revised) – Business combinations (effective for accounting periods beginning on or after 1 July 2009). IFRS3 (revised) has been endorsed for use in the EU.

IFRIC17, 'Distributions of Non-cash Assets to Owners' (effective for accounting periods beginning on or after 1 July 2009). This IFRIC has been endorsed for use in the EU.

IFRIC18, 'Transfers of Assets from Customers' (effective for accounting periods beginning on or after 1 July 2009). This IFRIC has been endorsed for use in the EU.

Amendment to IAS32 'Classification of Rights Issues' (effective for accounting periods beginning on or after 1 February 2010). This amendment has been endorsed for use in the EU.

Amendment to IFRS1 'Additional Exemptions for First-time Adopters' (effective for accounting periods beginning on or after 1 January 2010). This amendment has not yet been endorsed for use in the EU.

IFRIC19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for accounting periods beginning on or after 1 July 2010). This interpretation has not yet been endorsed for use in the EU.

Amendment to IFRIC14, 'Prepayments of a Minimum Funding Requirement' (effective for accounting periods beginning on or after 1 January 2011). This amendment has not yet been endorsed for use in the EU.

Amendment to IAS39 'Reclassification of Financial Assets: Effective Date and Transition' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU.

Amendment to IAS39 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU.

IFRS1 (amended) 'Limited exemption from Comparative IFRS7 Disclosures for first time adopters' (effective for accounting periods beginning on or after 1 July 2010). This amendment has not yet been endorsed for use in the EU.

IFRIC 15, 'Agreements for construction of real estates' (effective 1 January 2009, but EU endorsed for use 1 January 2010).

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective 1 October 2008 but EU endorsed for use 1 July 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 absorbs cash until sufficient funds from either licensing or products sold are generated. The directors estimate that the cash held by the Group (excluding future funding available under the existing equity finance facility) will be sufficient to support the current level of activities into the second quarter of 2011. Based on anticipated progress in the business in the near term, the directors also expect to secure equity-based and other sources of financing sufficient for the future needs of the business beyond the second quarter of next year. These circumstances nonetheless 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

Following the adoption of IFRS8 Segment Reporting, the Group has identified the Board of Directors as the Chief Operating Decision Maker (CODM). The CODM manages the business as one segment, the development of cell-based therapies. Since this is the only reporting segment, no further information is included. The information used internally by the CODM is the same as that disclosed in the financial statements.

5. Revenue

Revenue in the year has been generated from royalty and licensing agreements.

6. Expenses by nature

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation is stated after charging/ (crediting):		
Research and development costs:		
Employee benefits (note 10)	**986**	1,061
Depreciation of tangible fixed assets (note 14)	**30**	50
Other expenses	**1,062**	2,066
Exceptional items (note 7)	**2,291**	-
Total research and development costs	**4,369**	3,177
General and administrative costs:		
Employee benefits (note 10)	**586**	731
Legal and professional fees	**333**	433
Depreciation of tangible fixed assets (note 14)	**127**	122
Impairment of tangible assets (note 14)	**-**	25
Operating lease charges:		
- land and buildings	**243**	243
- plant and equipment	**-**	21
Losses/(gains) on exchange	**19**	(11)
Profit on disposal of fixed assets	**-**	(39)
Other expenses	**606**	59
Total general and administrative costs	**1,914**	1,584
Total research and development costs and general and administrative costs	**6,283**	4,761

Notes to the financial statements for the year ended 31 March 2010 continued

6. Expenses by nature (continued)

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	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**11**	11	**11**	11
Fees payable to the Company's auditor and its associates for other services:				
– The audit of the Company's subsidiaries pursuant to legislation	**20**	23	**–**	–
– Other services pursuant to legislation	**–**	19	**4**	4
– Tax compliance and advisory services	**17**	15	**4**	4
– Other	**–**	1	**–**	–
Total	**48**	69	**19**	19

7. Exceptional items

Following the completion of the cost-reduction programme instigated in mid-2008, and a consequent impairment review of the carrying values of research and development-related assets in the Group's Statement of Financial Position, the directors consider it appropriate to write down in full previously capitalised intangible assets which are now non-core to the future development of the Company's therapeutic programmes, together with a write-down of tangible assets following an operational review of ongoing laboratory space requirements.

This impairment review has resulted in non-recurring, non-cash exceptional charges totalling £2.3 million in the Group's Statement of Comprehensive Income, of which £2.15 million relates to intangible assets and £0.15 million relates to tangible assets.

8. Finance income and costs

	2010 £'000	2009 £'000
Interest receivable on short-term bank deposits	**11**	63
Finance lease interest	**(4)**	(4)
Interest on convertible loan notes	**(8)**	(58)
Net interest (payable)/receivable	**(1)**	1

9. 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.

	2010 £'000	2009 £'000
Aggregate emoluments:		
Emoluments in respect of qualifying services	**478**	467
Pension contributions	**29**	29
	507	496

Two directors (2009: 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 (2009: none).

For detailed disclosure of Directors' emoluments please refer to page 18 in the Directors report.

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

£15,000 (2009: £15,000) payable to Merlin Biosciences Limited in respect of directors' fees for Mark Docherty, and £20,000 (2009: £20,000) payable to Dr Paul Harper, trading as BioMedicon, in respect of directors' fees.

10. Employee information

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

	2010 Number	2009 Number
By activity:		
Research and development	**15**	20
Administration	**2**	3
	17	23

Group	**2010 £'000**	2009 £'000
Staff costs:		
Wages and salaries	**1,021**	1,392
Social security costs	**111**	138
Share-based payment charge	**372**	175
Pension costs (see note 26)	**68**	87
	1,572	1,792

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

Notes to the financial statements for the year ended 31 March 2010 continued

10. Employee information (continued)

	2010 Number	2009 Number
By activity:		
Research and development	**1**	1
Administration	**1**	3
	2	4

Company	2010 £'000	2009 £'000
Staff costs:		
Wages and salaries	**155**	140
Social security costs	**20**	18
Share-based payment charge	**273**	127
Pension costs	**15**	9
	463	294

11. Tax credit on loss on ordinary activities

	2010 £'000	2009 £'000
United Kingdom research and development tax credit at 14.0% (2009: 14.67%)		
Current year	**332**	409
Adjustment in respect of prior year	**37**	591
	369	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 2010, there were tax losses available for carry forward of approximately £33 million subject to agreement with the HM Revenue & Customs (2009: £33 million).

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	**6,219**	4,667
Loss on ordinary activities multiplied by the UK standard rate for research and development tax credits of 21% (2009: 21%)	**1,306**	980
Effects of:		
– difference between depreciation and capital allowances	**(62)**	29
– expenses not deductible for tax purposes	**(242)**	226
– losses not recognised	**(426)**	(168)
– tax rate difference	**(78)**	–
– other short term timing differences	**(166)**	(658)
– adjustment in respect of prior year	**37**	591
	369	1,000

12. Loss for the financial year

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Statement of Comprehensive Income for the current year has not been presented in these financial statements. The Parent Company's loss for the financial year was £2,845,000 (2009: £428,000).

13. Basic and diluted loss per ordinary share

The basic and diluted loss per share is calculated by dividing the loss for the financial year of £5,850,000 (2009: £3,667,000) by 327,168,945 shares (2009: 154,167,354 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.

14. 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 2008	1,660	1,136	119	4	2,919
Additions through business combinations	2	22	4	-	28
Other additions	-	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 charge	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**
Cost:					
At 1 April 2009	1,635	830	76	-	2,541
Additions	-	1	7	-	8
At 31 March 2010	**1,635**	**831**	**83**	**-**	**2,549**
Accumulated depreciation:					
At 1 April 2009	922	721	64	-	1,707
Charge for the year	120	31	6	-	157
Impairment charge (note 7)	144	-	-	-	144
At 31 March 2010	**1,186**	**752**	**70**	**-**	**2,008**
Net book amount:					
At 31 March 2010	**449**	**79**	**13**	**-**	**541**

Notes to the financial statements for the year ended 31 March 2010 continued

14. Property, plant and equipment (continued)

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

	Plant and equipment £'000
Cost	
At 31 March 2008	59
Additions	-
At 31 March 2009	**59**
Accumulated depreciation	
At 31 March 2008	6
Charge for the year	8
At 31 March 2009	**14**
Net book amount	
At 31 March 2009	**45**
Cost	
At 31 March 2009	59
Additions	-
At 31 March 2010	**59**
Accumulated depreciation	
At 31 March 2009	14
Charge for the year	9
At 31 March 2010	**23**
Net book amount	
At 31 March 2010	**36**

The Company had no property, plant or equipment at 31 March 2010 (2009: £nil).

15. Intangible assets

Group	Licence fees £'000	Intellectual property rights £'000	Total £'000
Cost:			
At 1 April 2008	1,884	5,824	7,708
At 31 March 2009	**1,884**	**5,824**	**7,708**
Accumulated amortisation:			
At 1 April 2008	1,884	2,405	4,289
At 31 March 2009	**1,884**	**2,405**	**4,289**
Net book amount At 31 March 2009	**-**	**3,419**	**3,419**
Cost:			
At 1 April 2009	1,884	5,824	7,708
At 31 March 2010	**1,884**	**5,824**	**7,708**
Accumulated amortisation:			
At 1 April 2009	1,884	2,405	4,289
Impairment charge (note 7)	–	2,147	2,147
At 31 March 2010	**1,884**	**4,552**	**6,436**
Net book amount At 31 March 2010	**-**	**1,272**	**1,272**

Based on the nature of the intangible assets held by the Group it is not appropriate to perform a discounted cash flow calculation to consider its carrying value. The directors have instead reviewed the intangible assets for impairment individually, as set out 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.

Following an impairment review of the carrying values of intangible assets, the directors consider it appropriate to write off in full previously capitalised intangible assets now considered to be non-core to the future development of the Company's scientific therapies. This impairment review has resulted in a one-off non-cash exceptional item charge of £2,147,000 in the Group's Statement of Comprehensive Income.

As at 31 March 2010, the Group Statement of Financial Position intangible assets of £1.27m relate to in- licensed intellectual property including 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 Company holds no intangible assets.

Notes to the financial statements for the year ended 31 March 2010 continued

16. Investments in subsidiaries

Investments in subsidiary companies:

Company Cost and net book amount	2010 £'000	2009 £'000
At start of year	**9,673**	9,625
Write-down of investment in subsidiaries	**(2,171)**	–
Capital contribution arising from IFRS 2 charge	**99**	48
At 31 March	**7,601**	9,673

The write-down of investment in subsidiaries of £2,171,000 represents the write-down of the investment in ReNeuron, Inc. in line with the write-down of the Group's non-core intellectual property (see note 15).

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	(24)	(3,006)		(24)	(2,147)
Net assets / (liabilities) £'000	1,000	(39,442)		17,583	(3,729)

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.

17. Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Other receivables	**84**	62	**2**	2
Corporation tax receivable	**366**	700	**-**	-
Prepayments and accrued income	**200**	262	**-**	7
	650	1,024	**2**	9
Amounts falling due after more than one year:				
Lease deposit – repayable in 2015, at current value	**135**	135	**-**	-
Amounts due from Group undertakings	**-**	-	**24,628**	21,309
	135	135	**24,628**	21,309
Total trade and other receivables	**785**	1,159	**24,630**	21,318

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

18. Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**5,525**	943	**4,482**	857

19. Trade and other payables: amounts falling due within one year

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Trade payables	**357**	491	**4**	4
Other taxation and social security	**33**	33	**-**	-
Other payables	**7**	8	**-**	-
Accruals and deferred income	**190**	158	**4**	3
Total payables falling due within one year	**587**	690	**8**	7

Notes to the financial statements for the year ended 31 March 2010 continued

20. Provisions

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Total provisions	**75**	50	**-**	-

Provisions are in respect of building dilapidations being provided for at £25,000 per annum over the remaining term of the building lease. The provision is expected to be utilised on expiry of the lease in 2015.

21. Financial liabilities

Future minimum payments under finance leases are as follows:

	Group	
	2010 £'000	2009 £'000
Within one year	**17**	17
In more than one year but not more than five years	**16**	32
Total gross payments	**33**	49
Less finance charges included above	**(4)**	(7)
Present value of payments	**29**	42

The Company had no financial liabilities at 31 March 2010 (2009: £nil).

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

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Convertible loan notes (note 23)	**-**	2,088	**-**	2,088
Amounts owed to Group undertakings	**-**	-	**5,484**	5,484
Total creditors falling due after more than one year	**-**	2,088	**5,484**	7,572

There are no fixed repayment terms in respect of the amounts owed to Group undertakings, which represent the funding of ongoing research and development requirements. Due to the long-term nature of the funding requirements and development of products, and commercialisation of any products that may be approved, the amounts owed to Group undertakings are classified as falling due after more than one year.

23. 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 via the issue of 85,526,648 new ordinary 1p shares at a price of 3 pence per ordinary share.

24. 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). Cash balances held at 31 March 2010 include £1.0m held in US dollars to mitigate against potential adverse currency movements in respect of the Group's forthcoming US Dollar denominated liabilities.

At 31 March 2010 and 31 March 2009, 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**	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Finance leases – gross payments				
Due in one year or less	**17**	17	**–**	–
Due in over one year but less than two years	**16**	16	**–**	–
Due in more than two years but less than five years	**–**	16	**–**	–
	33	49	**–**	–

Notes to the financial statements for the year ended 31 March 2010 continued

24. Financial instruments (continued)

Risk profile of the Group's financial assets

Currency	2010 Cash at bank and in hand £'000	2010 Total £'000	2009 Cash at bank and in hand £'000	2009 Total £'000
Sterling	**4,501**	**4,501**	862	862
United States Dollar	**1,022**	**1,022**	73	73
Euro	**2**	**2**	8	8
Floating rate	**5,525**	**5,525**	943	943
At 31 March	**5,525**	**5,525**	943	943

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

In May 2009 the £2.5 million of outstanding convertible loan notes outstanding at 31 March 2009, together with accrued interest of £66,000 were capitalised into new ordinary shares in the Company.

If interest rates had been 100 basis points higher in financial year 2010, the impact on the net loss in 2010 would have been an increase of £23,834 (2009 decrease: £4,845) due to a decrease 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 2010. 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:

	2010 Book value £'000	2010 Fair value £'000	2009 Book value £'000	2009 Fair value £'000
Cash at bank and in hand	**5,525**	**5,525**	943	943
Receivables	**650**	**650**	1,024	1,024
Payables	**(587)**	**(587)**	(690)	(690)

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.

24. Financial instruments (continued)

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.

25. Deferred taxation

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

	Amount recognised 2010 £'000	**Amount not recognised 2010 £'000**	Amount recognised 2009 £'000	Amount not recognised 2009 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	**-**	**293**	-	79
Other	**-**	**10,260**	-	9,246
	-	**10,553**	-	9,325

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 2010 £'000	**Amount not recognised 2010 £'000**	Amount recognised 2009 £'000	Amount not recognised 2009 £'000
Tax effect of timing differences because of:				
Other	-	**-**	-	-
Losses carried forward	-	**272**	-	162
	-	**272**	-	162

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

26. 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 £68,465 (2009: £87,202). There were no prepaid or accrued contributions to the scheme at the year-end (2009: nil).

Notes to the financial statements for the year ended 31 March 2010 continued

27. Ordinary shares

	2010 £'000	2009 £'000
Authorised		
550,000,000 ordinary shares of 1p each (2009: 550,000,000 shares of 1p)	**5,500**	5,500
Allotted, called up and fully paid		
437,709,571 ordinary shares of 1p each (2009: 154,167,534 of 1p each)	**4,377**	1,542

In March 2009, the Company announced a placing of up new ordinary shares to raise up to £3.0 million, before expenses. This was completed in May 2009 with the issue of 99,933,334 new ordinary shares and as part of this process, the £2.5 million of outstanding convertible loan notes outstanding at 31 March 2009, together with accrued interest, were capitalised into 85,526,648 new ordinary shares in the Company.

In November 2009, the Company secured a two-year, gross £5 million equity funding facility from Matrix, the Company's joint broker. The Flexible Use Small Capital Increase Agreement will enable the Group to service its ongoing working capital requirements by drawing on this facility, as required, over the next two years. The Company will control the timing and amount of any future draw-downs and is under no obligation to make any such draw-down. If a draw-down is made, the Company will issue new Ordinary Shares to Matrix at a price per share calculated according to a formula based on the daily trading volume of the Company's Ordinary Shares, and their volume-weighted average price, over relevant trading periods. The facility also incorporates an over-allotment option to enable larger draw-downs to be made, should market conditions allow at the time. To date, the Company has drawn down £0.1 million under this facility, via the issue of 1,554,412 new ordinary shares in addition to 2,127,643 new shares issued to Matrix in settlement of their facility fee.

In February 2010 the Company announced a further placing of 94,400,000 new ordinary shares to raise up to £4.7 million, before expenses, which was completed before the financial year-end.

28. Warrants

In conjunction with the Group's share placing completed in May 2009, warrants to subscribe for 3,333,333 ordinary 1p shares exercisable at a price of 3p were issued to Matrix Corporate Capital LLP, the Company's Joint Broker. As a share-based payment, a charge of £108,000 in respect of these warrants has been taken to operating expenses in the Statement of Comprehensive Income in the period. The charge has been calculated on a fair value basis using a Black-Scholes model.

Additionally, warrants previously issued to Collins Stewart, the Company's previous Nominated Adviser and Broker, in respect of a share placing in February 2007 expired during the period, resulting in a transfer of £113,000 from the Warrant Reserve to Retained Deficit.

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
April 2009	3	4,125	4.29	3.0	126.5	3.24

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.

29. 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 unapproved schemes. During the year the number of options and associated exercise prices for those options issued in August 2005, August 2006 and August 2007 were adjusted in accordance with the Rules of the Scheme for the dilution of option values as a result of the variation in share capital since their issue.

The award of share options to executive directors and selected senior management of the Group are now made in accordance with the Group's Deferred Share-based Bonus Plan and Long Term Incentive Plan, constituting the total share-based remuneration for these individuals.

Total options existing over ordinary 1p shares in companies in the Group as at 31 March 2010 are summarised below:

Date of Grant	Number of shares	*Adjusted during the year	Granted during the year	Lapsed during the year	As at 31st March 2010	Note	Exercise Price	**Date from which exercisable	Date of expiry
August 2005	246,680	183,303	–	–	**429,983**	1	5.74p	August 2005	July 2014
August 2005	2,225,000	1,653,355	–	–	**3,878,355**	1	5.74p	August 2005	July 2014
August 2005	2,750,000	2,043,471	–	(130,731)	**4,662,740**	2	14.34p	August 2008	August 2015
August 2006	1,150,000	852,243	–	(69,643)	**1,932,600**	2	5.74p	August 2009	August 2016
August 2006	500,000	370,540	–	–	**870,540**	2	8.62p	August 2009	August 2016
August 2007	2,360,000	1,222,777	–	(60,725)	**3,522,052**	3	13.83p	August 2010	August 2017
August 2007	1,000,000	518,126	–	–	**1,518,126**	3	24.7p	August 2010	August 2017
August 2009	–	–	2,545,000	–	**2,545,000**	4	5.5p	August 2012	August 2019
August 2009	–	–	2,417,489	–	**2,417,489**	5	1.0p	August 2011	August 2019
August 2009	–	–	3,486,365	–	**3,486,365**	6	1.0p	August 2012	August 2019
Total	10,231,680	6,843,815	8,448,854	(261,099)	**25,263,250**				

* The number of share options and exercise price for share options issued under notes 1, 2 and 3 below were adjusted during the year in accordance with the Rules of the Scheme to reflect the dilution of option values as a result of the variation in share capital since their issue.

** 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 2010 the performance conditions in notes 2, 3, 4 and 6 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 were 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 were 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.

Note 4:
These options were 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 a second clinical trial, 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.

Notes to the financial statements for the year ended 31 March 2010 continued

29. Share options (continued)

Note 5:
These options have been issued under the Group's Share Option Scheme. The options were awarded in accordance with the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ending 31 March 2009 and as such carry no further performance conditions. The options are exercisable in whole or in part at any time between the second 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 6:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of a the performance conditions set out below. Subject to achievement of these performance conditions, 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.

Performance Conditions:

i) The first patient is administered with a ReNeuron cell therapy in a second clinical trial.

ii) The Total Shareholder Return (TSR) of the Company must exceed that of the FTSE All-Share Pharmaceutical and Biotechnology Index in any given three year period from date of grant. Where the TSR ranks between median and upper quartile of the index over the three-year period, the options will vest pro-rata between 25% and 100%. Where the TSR ranks below the median in the performance period, no options will vest.

iii) The business must have operated within its internal financial budgets throughout the period to vesting.

iv) The business must be a going concern (under the accepted accounting definition) at the time of any exercise of an option.

Fair value charge

As stated previously, the Group has prepared fair value charges for options covered by notes 2 to 6 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	14.34	24.5	4.21	5	43.2	14.53
August 2006	5.74	9.3	4.63	5	33.5	5.10
August 2006	8.62	9.3	4.63	5	33.5	3.71
August 2007	13.83	20.75	5.13	5	79.4	15.3
August 2007	24.7	20.75	5.13	5	79.4	13.3
August 2009	5.5	5.75	4.29	5	125.3	4.93
August 2009	1.0	5.75	4.29	5	125.3	5.45

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.

29. Share options (continued)

A reconciliation of option movements over the period to 31 March 2010 is shown below:

	2010		2009	
	Number of options '000	**Weighted average exercise price Pence**	Number of options '000	Weighted average exercise price Pence
Outstanding at 1 April	**10,232**	**19.3**	11,877	19.3
Adjusted	**6,844**	**11.3**	–	–
Granted	**8,448**	**2.4**	–	–
Lapsed	**(261)**	**11.9**	(1,645)	18.2
Exercised	**–**	**–**	–	–
Outstanding at 31 March	**25,263**	**8.6**	10,232	19.3
Exercisable at 31 March	**4,308**	**5.74**	2,472	10

The share price on 31 March 2010 was 5.4 pence (2009: 4.125p).

The pattern of exercise price and life is shown below which also takes into account adjustments for dilution of options made in the year.

	2010				2009			
Range of Exercise Prices	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life (years) Expected**	**Contractual**	Weighted average exercise price	Number of options	Weighted average remaining life (years) Expected	Contractual
1p	**1p**	**5,903,854**	**4.36**	**9.36**	–	–	–	–
Up to 10p	**5.9p**	**9,656,478**	**1.27**	**4.33**	10.6p	4,121,600	0.57	2.97
10p to 20p	**14.1p**	**8,184,792**	**1.47**	**6.47**	23.2p	5,110,000	2.47	7.47
20p to 30p	**24.7p**	**1,518,126**	**2.35**	**7.35**	37.5p	1,000,000	3.35	8.35
Total		**25,263,250**				10,231,680		

Notes to the financial statements for the year ended 31 March 2010 continued

30. Cash consumed by operations

	Group Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000	Company Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Loss before income tax	**(6,219)**	(4,667)	**(2,845)**	(428)
Adjustment for:				
Interest received	**(11)**	(63)	**(10)**	(51)
Interest payable	**12**	62	**8**	58
Depreciation of tangible fixed assets	**157**	197	**-**	-
Exceptional items (note 7)	**2,291**	-	**2,172**	-
Provisions	**25**	25	**-**	-
Share-based payment charge	**480**	175	**381**	127
Profit on sale of fixed assets	**-**	(39)	**-**	-
Changes in working capital				
Receivables	**40**	86	**6**	10
Payables	**(103)**	(473)	**1**	2
Cash consumed by operations	**(3,328)**	(4,697)	**(287)**	(282)

31. Operating lease commitments – minimum lease payments

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

	2010 Land and buildings £'000	2010 Other £'000	2009 Land and buildings £'000	2009 Other £'000
Not later than one year	**243**	**-**	243	3
Later than one year and not later than five years	**970**	**-**	970	-
Later than five years	**-**	**-**	243	-
Total lease commitments	**1,213**	**-**	1,456	3

The Company had no financial commitments at 31 March 2010 (2009: £nil).

Contractual milestone payments

The Group is expected to incur future contractual milestone payments. These costs will be recognised as and when a contractual milestone has been realised.

32. Contingent liabilities

A subsidiary of the Group is involved in a legal dispute with a US-based competitor who alleges misuse of confidential information relating to a collaboration undertaken between the parties in 2002. The competitor is seeking unquantified damages and an injunction preventing the subsidiary's alleged use of such confidential information. All claims against the subsidiary have been denied and the directors believe the claims can be successfully defended.

33. 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 (2009: £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 £1,650 (2009: £17,600) 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 (2009: £20,000) in respect of services provided by him.

Transactions with Angel Biotechnology plc

During the year the Company contracted cell manufacturing services of £136,000 (2009: £489,000) from Angel Biotechnology plc, of whom Dr Paul Harper is a director.

Parent Company and subsidiaries

The Parent Company is responsible for financing and setting Group strategy. ReNeuron Limited carries out the Group strategy, employs all 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 Company 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:	**2010 £'000**	2009 £'000
Purchases and Staff:		
Parent company expenses paid by subsidiary:	**294**	279
Transactions involving Parent Company shares:		
Share options	**99**	48
Cash management:		
Loans to subsidiary	**3,319**	4,166

Company: Year end balance of loan	**2010 £'000**	2009 £'000
Loan to subsidiary	**24,630**	21,309

34. Ultimate controlling party

The directors consider that at 31 March 2010 no one single party had immediate or ultimate control over ReNeuron Group plc.

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Glossary

Age related macular degeneration – A medical condition which usually affects older adults that results in a loss of vision in the center of the visual field because of damage to the retina.

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

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

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

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.

Diabetic retinopathy – Damage to the retina caused by complications of diabetes, which can eventually lead to blindness.

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

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

Ischaemic stroke – The most common type of stroke (over 80% of cases) which happens when a clot blocks an artery that carries blood to the brain.

Neural stem cells – Cells within the brain which can both make more of themselves and also mature into neurons, 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 arterial disease – A condition in which reduced blood supply to the limbs causes cramping, chronic pain, and in extreme cases loss of limb.

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

Retinitis pigmentosa – The name given to a group of inherited diseases of the retina that all lead to a gradual progressive reduction in vision.

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

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

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 (UK) LLP, 7th Floor, CityPoint, One Ropemaker Street, London, EC2Y 9AW on 8 September 2010 at 10.00 am to consider, and if thought fit, pass the following resolutions, of which Resolutions 1-5 will be proposed as ordinary resolutions and Resolution 6 will be proposed as a special resolution.

ORDINARY BUSINESS

1. To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 March 2010 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. To reappoint as a Director, Dr. John David Sinden, 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, Mark James Docherty, 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 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

5. That, in substitution for all existing authorities for the allotment of shares by the Directors, 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 551 of the Companies Act 2006 (the "2006 Act") to:

   (a) allot ordinary shares, and to grant rights to subscribe for or to convert any security into ordinary shares, in the Company (all of which shares and rights are hereafter referred to as "Relevant Securities") representing up to £1,460,103.69 in nominal value in aggregate of shares; and

   (b) allot Relevant Securities (other than pursuant to paragraph (a) above) representing up to £1,460,103.69 in nominal value in aggregate of shares in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer to holders of ordinary shares (and, if so determined by the Directors, the holders of Matrix Warrants and any other person(s) entitled to participate therein) where such issue, offer, dividend, scheme or other allotment is proportionate (as nearly as may be) to the respective number of ordinary shares held by them (and, if so determined by the Directors, the number of ordinary shares as deemed to be held by for such purposes pursuant to the terms of the Matrix Warrants or such other terms of entitlement to participate therein) on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or any stock exchange in any territory, in relation to fractional entitlements, the terms of the Matrix Warrants or any other matter which the Directors consider merits any such exclusion or other arrangements),

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

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6. That the Directors are hereby empowered pursuant to section 570 of the 2006 Act:

   (a) subject to and conditionally upon the passing of Resolution 5 to allot equity securities (as defined by section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 5 as if section 561 of the 2006 Act did not apply to such allotment; and

   (b) to sell ordinary shares if, immediately before such sale, such shares are held as treasury shares (within the meaning of section 724 of the 2006 Act) as if section 561 or the 2006 Act did not apply to such sale,

   provided that such powers

   (1) shall be limited to:

      (i) the allotment of equity securities (or sale of ordinary shares) representing up to £1,460,103.69 in nominal value in aggregate of shares pursuant to the authority conferred by paragraph (b) of Resolution 5;

      (ii) the allotment of equity securities (or sale of ordinary shares) representing up to £438,031.11 in nominal value in aggregate of shares in connection with the grant of options (or other rights to acquire ordinary shares) in accordance with the rules of the Company's share options schemes (as varied from time to time) or otherwise to employees, consultants and/or Directors of the Company and/or any of its subsidiaries; and

      (iii) the allotment of equity securities (or sale of ordinary shares), otherwise than pursuant to sub-paragraphs (i) and (ii) (inclusive) above, representing up to £876,062.21 in nominal value in aggregate of shares; and

   (2) shall, subject to the continuance of the authority conferred by Resolution 5, expire 15 months after the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs first, but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted (or ordinary shares to be sold) after such expiry, revocation or variation and the Directors may allot equity securities (or sell ordinary shares) in pursuance of such offer or agreement as if such powers had not expired or been revoked or varied.

30 July 2010

By Order of the Board
Patrick Huggins
Company Secretary

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

NOTES

(1) In this Notice the following defined terms shall have the following meanings:

"**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).
"**ordinary shares**"	Ordinary shares in the capital of the Company, having a nominal value of 1 pence per share.

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

(3) A corporation which is a shareholder may appoint one or more corporate representatives who have one vote each on a show of hands and otherwise may exercise on behalf of the shareholder all of its powers as a shareholder provided that they do not do so in different ways in respect of the same shares.

(4) To be effective an instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of Computershare Investor Services plc P.O. Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, at not later than 10.00 am on 6 September 2010 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.

(5) 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.

(6) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 10.00 on 6 September 2010 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.

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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 2010 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:

- Dr. John David Sinden, who is an executive Director of the Company; and
- Mark James Docherty, who is a non-executive Director of the Company.

Resolution 4 – 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 5 – This resolution seeks to authorise the Directors to allot shares, subject to the normal pre-emption rights reserved to shareholders contained in the 2006 Act. 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 issued further 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 (b) of Resolution 5 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 Matrix Warrants.

Resolution 6 – This limits the ability of the Company to issue shares free of pre-emption rights. Sub-paragraph (1)(i) of Resolution 6 allows the disapplication of pre-emption rights to allow the issue of shares to existing shareholders (and, if so determined, holders of 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 1(ii) of Resolution 6 represents 10 per cent. The limit imposed in respect of the general disapplication pursuant to sub-paragraph 1(iii) of Resolution 6 represents 20 per cent. of the issued share capital of the Company. Such shares (if any) as may in the future be allotted in connection with the Flexible Use Small Capital Increase Agreement between the Company and Matrix Corporate Capital LLP will be satisfied from the authority sought in sub-paragraph (1)(iii) of Resolution 6. The Directors consider it important that they have the authorities set out in sub-paragraphs (1)(i) and (1)(ii), which would allow them to grant options and issue shares to incentivise employees, Directors and consultants and to issue shares generally for other purposes.

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