ReNeuron

RENEURON GROUP PLC
ANNUAL REPORT
for the year ended 31 March 2023

Creating a valuable and differentiated drug delivery platform

Contents

Financial and Operational Highlights

Financial Highlights

- Revenue for the year of £0.5 million (2022: £0.4 million) from partner funded development activities and royalty income.
- Cash, cash equivalents and bank deposits at 31 March 2023 of £7.2 million (31 March 2022: £14.5 million) with cash runway extended to 2024.
- Reduced operating costs in the year of £7.6 million (2022: £11.6 million) primarily due to reduction in clinical trial related costs. Full benefit of the January 2023 restructuring will be realised in FY24.
- Loss for the year of £5.4 million (2022: loss of £9.7 million), driven by lower costs and increased revenue.

Operational Highlights

- The Company's R&D team established CustomEX™, the first scalable, consistent, targeted and customisable stem cell-derived exosome drug delivery platform.
- Proof-of-concept studies established unique *in vitro* targeting and delivery characteristics for all seven exosome populations and demonstrated a significant improvement in uptake and subsequent delivery of a therapeutic siRNA cargo using the CustomEX™ platform compared to current delivery methods and a HEK 293-derived exosome.
- *In vivo* studies to generate data to further validate the cellular and tissue targeting capabilities and subsequent functional delivery of therapeutic payloads using the CustomEX™ platform are ongoing.
- ReNeuron negotiated and signed the CTX Technology Transfer Supplemental Terms Agreement with Fosun Pharma (1 July 2022), underscoring Fosun Pharma's continued commitment to the CTX stroke disability programme.
- Senior leadership team changes: Appointment of **Iain Ross** as Executive Chairman, **John Hawkins** joined the Board as Chief Financial Officer, **Dr. Randolph Corteling** assumed the role of Chief Scientific Officer and **Suzanne Hancock** was appointed as Chief Operations Officer and **Simon Dew** as Chief Business Officer. Catherine Isted stepped down as Chief Executive Officer.
- **Professor Stefano Pluchino** assumed the role of Chair of the new Scientific Advisory Board (SAB) that has been established, composed of leading academics and industry executives, Prof. Giuseppe (Beppe) Battaglia, Prof. Edit I Buzás, Prof. Dr. rer. nat. Bernd Giebel and Prof. Kenneth W. Witwer.
- Restructuring of the business with an internal operational re-alignment in line with the business needs resulting in a reduction of headcount of 40% and a lowering of the variable costs of the business.

Executive Chairman, Iain Ross, commented: *"During the last year the Company has undergone a complete transition including an organisational restructuring; a change in management and a strategic re-alignment, to create sustainable value for shareholders with the emphasis on the development, partnering and potential licensing of CustomEX™, our proprietary drug delivery platform. During the year under review the underlying cost base has been reduced and resources re-aligned to meet the immediate needs of the business. I remain very excited about the Company's potential as we are on course to generate validating data which would allow us to complete partnering and license deals in the coming year which will transform the Company."*

Executive Chairman's Statement

Dear Shareholders,

Our immediate strategic focus remains primarily on our CustomEX™ Exosome Technology Platform, producing exosomes with unique tissue targeting capabilities to deliver a payload of choice to a preferred cell type. Our mission is, in collaboration with academic and industry partners, to develop novel exosome therapeutics for diseases with significant unmet needs.

CustomEX™ provides a unique delivery mechanism for a variety of payloads including nucleic acids, proteins, and gene editing technologies. We use our conditionally immortalised induced pluripotent stem cell (CI-iPSC) platform to make allogeneic tissue cells of choice, which have the potential to produce exosomes with tissue specific targeting ability. Both platforms are supported by an extensive and proprietary intellectual property portfolio.

Our overall strategic goal is to exploit the global drug delivery market opportunity by providing exosomes as a vector to facilitate the delivery of therapeutics. It is estimated that the supply of viral and non-viral vectors is worth c. $2.1 billion[1] today increasing up to $3.9 billion[1] by 2026 and there is considerable academic and industry interest in the development of next-generation delivery vectors such as exosomes. Over the past few years, peer companies have raised $403 million[2] in support of exosome-based activities and secured exosome related license agreements with potential revenues in excess of $3 billion[2]. We believe our stem-cell derived exosomes can potentially overcome issues such as tissue specificity, crossing the blood-brain barrier and unwanted immune activation, which have hampered first-generation drug delivery platforms. So, through the combination of our two proprietary platforms we are competitively well positioned to exploit this growing market opportunity.

Financial highlights

In January 2023, the Company undertook a restructuring of the business, reducing headcount by 40% and lowering variable costs of the business, with the latest forecasted cash runway now extending into mid-calendar year 2024. The full benefit of the cost savings from this restructuring will not be seen until financial year 2024. Revenue for the year was £0.5 million (2022: £0.4 million) related to income from partner funded development activities and royalty income. We also saw reduced operating costs of £7.6 million (2022: £11.6 million) primarily due to a reduction in clinical trial related costs following the strategic review in January 2022. This reduction was partly offset by additional investment made in the exosome technology platform.

Net cash used in operating activities was £7.5 million (2022: £7.4 million). Cash used was higher than the loss for the year which is explained by changes in working capital and capital investment made to support exosome platform development. Cash, cash equivalents and bank deposits at 31 March 2023 were £7.2 million (31 March 2022: £14.5 million). Loss for the year was £5.4 million (2022: loss of £9.7 million), the reduction being driven by lower costs and increased revenue as noted above.

Corporate and organisational development

There have been several senior leadership team changes over the last 12 months. In September 2022, the Company announced that **John Hawkins** had been promoted to Chief Financial Officer and joined the ReNeuron Board, **Dr. Randolph Corteling** assumed the role of Chief Scientific Officer, **Suzanne Hancock** was appointed as Chief Operations Officer and **Simon Dew**, an experienced business development professional with significant track record of dealmaking in the exosome filed, would be joining the Company as Chief Business Officer.

In December 2022, Catherine Isted stepped down as Chief Executive Officer and **Iain Ross** was appointed as Executive Chairman. Subsequently the Company undertook a restructuring of the business with an internal operational re-alignment in line with the business needs resulting in a reduction of headcount of 40% and a lowering of the variable costs of the business.

1 Liberum estimates; Viral vector supply – Oxford Biomedica estimates of global viral sector supply (outsourced); LNP vector supply – Allied Market Research; 360 Research Reports
2 Liberum estimates

Executive Chairman's Statement

continued

Professor Stefano Pluchino assumed the role of Chair of the new Scientific Advisory Board (SAB) combining working with ReNeuron with his academic work in Exosomes and Regenerative Neuroimmunology at the University of Cambridge. The new exosome focused SAB has also been established composed of leading academics and industry executives, Prof. Giuseppe (Beppe) Battaglia, Prof. Edit I Buzás, Prof. Dr. rer. nat. Bernd Giebel and Prof. Kenneth W. Witwer and chaired by Prof. Stefano Pluchino. This new SAB brings a world-class breadth of expertise across the extracellular vesicle (EV) field. Its role is to advise the Company on scientific matters relating to its exosome platform research and development strategy.

Research & development

In FY22 the Company's R&D team established CustomEX™, the first scalable, consistent, targeted and customisable stem cell-derived exosome drug delivery platform. This unique exosome platform is based upon the exosomes produced from different stem cells having the unique cellular targeting properties of the stem cells from which the exosomes were produced. Proof-of-concept studies have determined unique *in vitro* targeting and delivery characteristics for all seven exosome populations and demonstrated a significant improvement in uptake and subsequent delivery of a therapeutic siRNA cargo using the CustomEX™ platform compared to current delivery methods and a HEK 293-derived exosome.

Further proof-of-concept *in vitro* studies are ongoing to validate the benefits observed *in vitro* of the CustomEX™ platform to deliver therapeutic cargoes

To demonstrate the enhanced utility of the CustomEX™ drug delivery platform, the R&D team has made significant improvements to the loading of nucleic acid cargos. In-house optimisation and further modifications to the downstream manufacturing process has led to increases in exosome concentration and purity, leading to an approximate 30-fold increase in siRNA being associated with CustomEX™ exosomes. In addition, further *in vitro* proof-of-concept for our engineered exosome product, Exo-BDNF was established through a collaboration with Cardiff University that demonstrated the products efficacy to improve retinal ganglion cell survival in a model of glaucoma.

The Group's iPSC platform continues to support the expansion of the CustomEX™ platform and following Dr Pell's presentation at the 2nd iPSC derived Cell Therapy Summit in December, there is growing interest in the platform in its own right. ReNeuron's iPSCs were developed from the Group's conditionally immortalised CTX stem cell line. This immortalisation characteristic is retained by the iPSCs (conditionally immortalised iPSCs or CI-iPSCs), allowing subsequent cell lines to be rapidly developed that benefit from their highly stable and reproducible expansion. Investigation into the utility of CI-iPSCs continues with two groups at University College London (UCL), firstly investigating the potential use of CI-iPSCs to generate CAR-T / CAR-NK cells and secondly with a separate group at UCL investigating the ability to differentiate into Schwann cells for potential use in peripheral nerve damage repair.

In July, ReNeuron negotiated and signed the CTX Technology Transfer Supplemental Terms Agreement with Fosun Pharma, underscoring Fosun Pharma's continued commitment to the CTX stroke disability programme. The project to transfer both the CTX Drug Product and Working Cell Bank manufacturing processes and quality control testing know-how to Fosun Pharma has continued to make good progress. In addition to the £320k upfront payment received in January 2022 for services delivered in FY23, ReNeuron has received approximately a further £100k for supply of initial CTX working cell bank vials and additional ReNeuron resources and project related costs; with further milestone payments expected in accordance with defined project milestones. Under the Technology Transfer agreement there is potential for the Group to receive up to £5 million over the medium to long term, with further potential milestone payments of up to £74 million linked to the main license agreement signed in 2019.

In 2022, Dr Corteling was a guest speaker at two international conferences where he presented, for the first time, the full breadth of the Group's CustomEX™ exosome platform. Consisting of four distinct neural producer stem cell lines (cortical, striatal, hippocampal and mesencephalic), three non-neural stem cell lines (liver, retinal and pancreatic), and its conditionally immortalised induced pluripotent stem cell line (CI-iPSCs) which can be used to produce further exosome producer cell lines depending on the target required.

Executive Chairman's Statement

continued

Outlook

As of today, ReNeuron has seven proprietary, conditionally immortalised exosome producer stem cell lines. We believe that our catalogue of proprietary stem cells, from neural and non-neural tissue, differentiates us from competitors in the field and leads to a greater chance of success for optimised delivery of a payload to a particular target. The Company has years of experience and knowledge in the manufacture of consistent stem cell banks to good manufacturing practice (GMP), including two investigation new drugs (INDs), and is continuing to work with third parties to develop improvements in downstream processing and analytics.

In summary, over the next 3-6 months the Company will continue to develop its exosomes platform, generating *in vivo* data exemplifying the cellular and tissue targeting capabilities of exosomes produced from its multiple conditionally immortalised producer cell lines and the subsequent functional delivery of therapeutic payloads. Favourable *in vitro* data will allow the Group to differentiate its exosome platform and progress ongoing partnering and licensing discussions. The Board has identified a number of potential sources of revenue and non-dilutive funding in order to maintain the business as a going concern and is confident it will be able to conclude third party transactions and/or issue new equity as required. Such transactions will further strengthen and differentiate our exosomes platform, highlighting our potential leadership in the field.

Finally, I would like to thank past and present members of the Board, Management team and staff for their continued commitment and hard work throughout what has been a tough and challenging year. I would especially like to thank Catherine Isted for her contribution as CFO and latterly as CEO and to wish her well in the future.

I look forward to an exciting and rewarding year ahead and would like to thank the shareholders for their continued support.

Iain Ross
Executive Chairman

Technology Overview

ReNeuron's stem cell derived proprietary exosome technology platform CustomEX™ offers a delivery mechanism for a variety of potential payloads that could include siRNA, mRNA, proteins, small molecules and genes.

What are exosomes?

- Naturally occurring biological nano particles produced by every cell to mediate intercellular communication.
- Can encapsulate various biological molecules within their lipid bilayer membrane or within the lumen of the Exosome.
- Can be engineered to deliver drug cargos to target cells, offering an opportunity to treat diseases.

The benefits of exosomes

- Proven ability to carry and deliver a variety of cargos including proteins and nucleic acids.
- Potential to deliver more than one bio-active cargo simultaneously.
- Target recipient cells via specific surface proteins that are determined by their cell of origin.
- Low or no immunogenicity, thereby evading immune detection.

Current delivery mechanisms have limitations

- Viral vectors have been plagued by side effect issues and high costs, limitation on the type and size of cargo they can deliver.
- Lipid nanoparticles (LNPs) have no natural tissue and cell targeting capabilities with delivery therefore untargeted and mainly to the liver.
- Both have immunogenetic properties that can be problematic.

CustomEx™: A customisable exosome platform

- Seven proprietary **conditionally immortalised*** exosome producer stem cell lines producing unique exosome populations.
- ReNeuron's iPSC platform allows production of exosomes that have the functional properties based on parent stem cells.
- Capable of delivering a variety of payloads including proteins and nucleic acids and the next generation for delivery of gene editing technologies.
- Data highlights increased uptake and delivery of payload when compared to a conventional HEK exosome approach.
- Our CustomEx™ exosomes have distinct surface marker profiles (tropisms) enabling a greater tissue targeting capability.

***Conditional immortalisation** of stem cell exosome producer lines offers an elegant solution to not only consistently produce cell lines that are genetically stable and can be grown at scale, but also to produce a high yielding source of consistent exosomes for the delivery of complex drug modalities. The standard approach used by our competitors is to produce exosomes from a single generic cell line. A one-size-fits-all approach. A single cell line, giving rise to a single outcome.

Technology Overview

continued

At ReNeuron, we have a portfolio of stem cell exosomes that have distinct properties. This allows us to choose the most appropriate exosome delivery vehicle, not only based upon its tissue targeting but also upon the specific requirements of the therapeutic payload in terms of the cellular compartment that the cargo needs to reach to achieve a therapeutic effect (i.e. the fluid that fills the cell (cytoplasm) for RNAi and the nucleus for DNA).

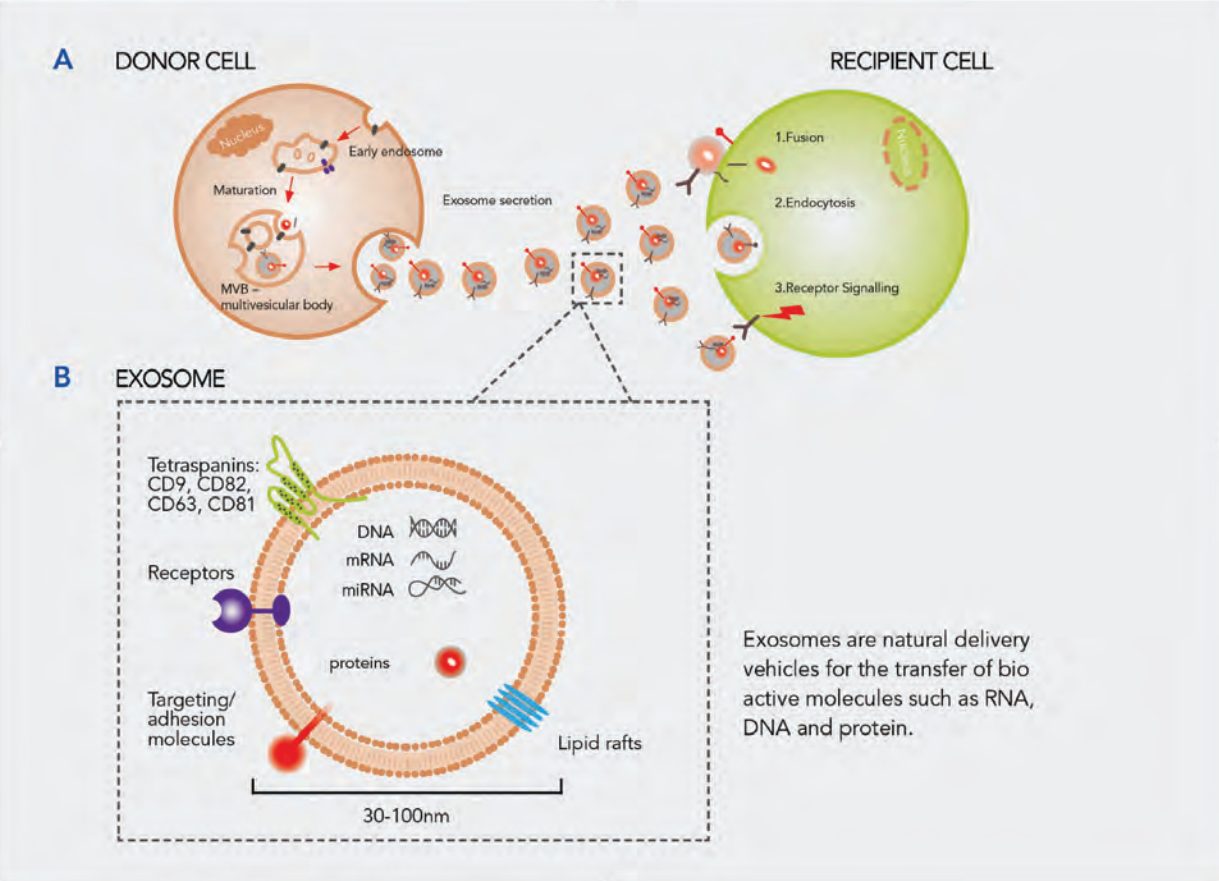
The current portfolio of stem cell exosomes can also be rapidly expanded using ReNeuron's proprietary CI-iPSC lines. Additional stem cell exosome producer lines from any cell lineage can be generated from our iPSCs if the specific exosome population does not already form part of our catalogue.

EXOSOMES – The science in more detail

Exosomes – a natural next-generation drug delivery vector

Throughout the twentieth century, small molecule drugs made by medicinal chemists drove value in the pharmaceutical industry and comprised essentially all the world's most innovative prescription medicines. As therapeutically relevant targets became harder to identify, the industry turned to drug targets that were unachievable using small molecules. More complex drug modalities such as monoclonal antibodies, therefore, became the predominant therapeutic class in several important disease areas and currently represent the fastest growing segment in the drug industry.

More recently, various gene editing technologies such as RNAi and CRISPR have been used to modulate new classes of intracellular targets and will undoubtedly generate therapeutically useful drugs in the future. However, a major hurdle that continues to hold back the clinical development of many complex drug modalities is delivery.



Technology Overview

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Why stem cell exosomes?
Stem cells naturally communicate with other cells by releasing exosomes, nano-sized **delivery vehicles** that carry biologically active molecules such as RNA and protein from **one cell to another**, thereby enhancing intracellular communication.

The surface membrane of an exosome provides a protected and controlled internal microenvironment, allowing cargo within the exosome to travel long distances within tissues without degradation. Specific characteristics of the exosome (i.e. surface marker profile and lipid composition), determined by their stem cell type of origin, facilitate the delivery of their cargo in a targeted manner. **Charts on page 10 – ELISA surface marker profile** highlight the difference between exosomes produced from different cell types. The charts represent the surface marker profile of four different exosome types; three from our proprietary stem cell lines, compared to a generic HEK 293 cell. While the size distribution for each exosome population is similar for all exosomes, the charts illustrate the unique surface marker profile of the different exosome types. Even the classic markers of exosomes (CD9, CD63 and CD81) are expressed at different levels between the exosome types. This, coupled with the presence or absence of surface markers specific to the cell type of origin, facilitates interactions between the exosome and the target cell. Therefore, choosing the correct cell source is an important consideration when developing any exosome-based drug delivery vehicle.

Interactions between the exosome and the target cell can occur through several different mechanisms, allowing active molecules on the surface or held within the exosome to deliver a functional effect.

Studies have shown that entire exosomes can be internalised or can fuse directly with the cell surface to deliver their payload into the cytoplasm of the cell. Alternatively, proteins expressed on the surface of the exosome can activate specific receptors on the surface of the target cell.

Either way, the net result of exosome-cell interactions is a functional change of the target cell, ultimately influencing the biology of the target tissue.

A significant advantage of an exosome-based delivery vehicle is its superior safety profile. Exosomes have been shown to be non-toxic and non-immunogenic, potentially allowing for larger doses to be administrated and creating the possibility for re-administration, where existing delivery technologies such as lipid nanoparticles (LNPs) or viral vectors have failed.

Other drug delivery systems
Lipid nanoparticles and viral vectors such as lentivirus and adeno-associated virus (AAV) are recognised drug delivery systems for certain complex drug modalities (**see table 1 overleaf** which sets out the relative capabilities of four delivery technologies with +++ being highest and + the lowest). The use of LNPs was first approved in 2018 for the delivery of small-interfering siRNA (Patisiran), however, they have become widely recognised following their use to deliver RNA-based COVID-19 vaccines in 2020. The first AAV-based therapy was approved in 2017 (Luxturna) where the technology was used to deliver a replacement gene for the treatment of an inherited eye disorder causing progressive blindness.

Technology Overview

continued

TABLE 1

	Lipid nanoparticles	Lentivirus	AAVs	Exosomes
Gene delivery in vivo	++	+++	+++	+++ (ExoAAV)
Safety profile	+	++	++	+++
Max payload size	+++	++	+	++
Pre-existing immunity	+++	+++	–	+++
Repeat-dose immunity	+	+	–	+++
Permanent effect	–	+++	+	+
Multiplex payload delivery (2+ payloads)	++	++	–	+++
Ease of manufacture	+++	+	++	++
Tissue targeting	+ (mainly liver)	+	+	+++*
Tissue specificity	–	–	–	+++*
Payload presentation	Internal	Internal	Internal	Internal & external
Payload repertoire	siRNA mRNA Soluble protein Small molecules Genes	Genes	Genes	siRNA mRNA Soluble protein Membrane-assoc. protein Small molecules Genes

Source: ReNeuron estimates.
* ReNeuron predicts an advantage compared to exosomes derived from a single genetic cell line, when matching exosome source to target tissue.

While both viral vectors and LNPs have demonstrated their use in certain situations, there are currently significant limitations to both technologies. Certain components of viral vectors share similarities to their parent viruses, which the mammalian immune system has evolved to recognise as an infectious agent, and this can therefore, trigger an immune response or activate pre-existing immunity.

Key advantages over existing delivery technology

- Multiplex delivery (2 + payloads)
- Tissue targeting
- Safety profile – re-administration possible

Payload versatility of exosomes

Based on clinically proven technology, ReNeuron has developed a platform to exploit the natural function of stem cell-derived exosomes to enable the delivery of complex therapeutics to specific cells and tissues, thereby potentially overcoming many of the challenges facing the drug delivery and targeted therapy fields.

Typical types of therapeutic cargos:

- siRNA
- Soluble protein
- Membrane-associated protein
- Small molecules
- Gene editing systems (i.e. CRISPR/Cas)

Through either genetic modification of the stem cell line or direct loading of therapeutic modalities onto purified exosomes, ReNeuron has developed and patented the technology to modify the cargo of stem cell-derived exosomes to load a range of payloads either on the exosome surface, into the centre (lumen), or both simultaneously.

Technology Overview

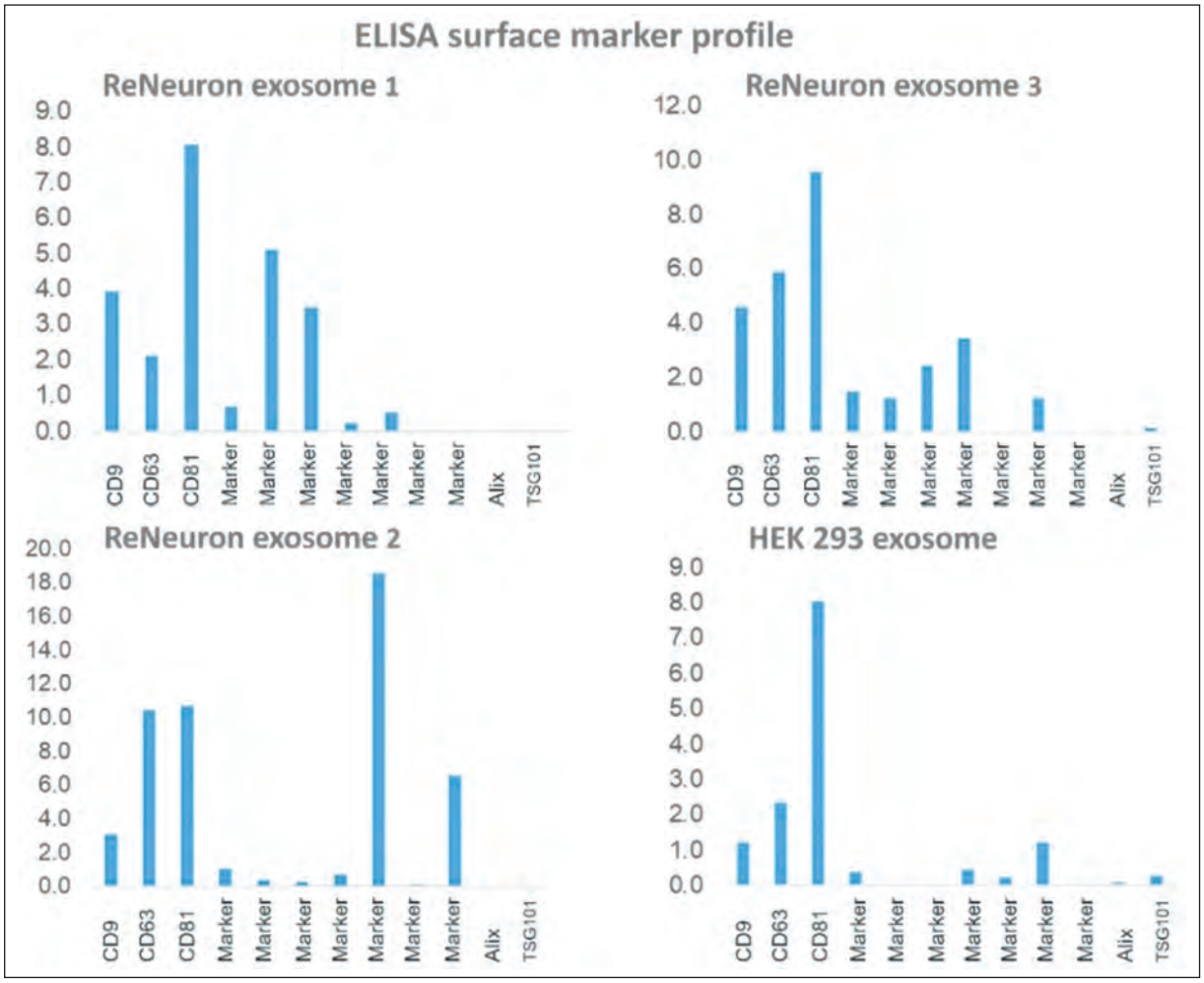
continued

Genetic engineering of our proprietary stem cell lines allows us to not only insert (knock-in) different complex therapeutic molecules, such as proteins or nucleic acids, but also to permanently remove (knock-out) potentially unwanted components from stem cell-derived exosomes, reducing the possibility of off-target effects. This technique creates a stably modified stem cell line and highly consistent loaded exosomes for ease of manufacture at a scale relevant for clinical development. Furthermore, the same approach acts as a blueprint for loading a variety of therapeutic molecules, thus considerably reducing development timelines for other therapeutic candidates.

Depending on the therapeutic modality, an alternative approach is to utilise the native stem cell-derived exosome and passively or actively load therapeutics into the centre or onto the surface of the exosomes. Depending upon the individual properties of the active molecule, loading can be achieved by simply mixing the two components or by utilising a concentration gradient.

ELISA surface marker profile

The charts overleaf clearly demonstrate that each exosome population produced from a specific cell line is unique. The presence or absence of different surface markers will allow the exosome to bind to specific cells to achieve targeted delivery of a payload.



Technology Overview

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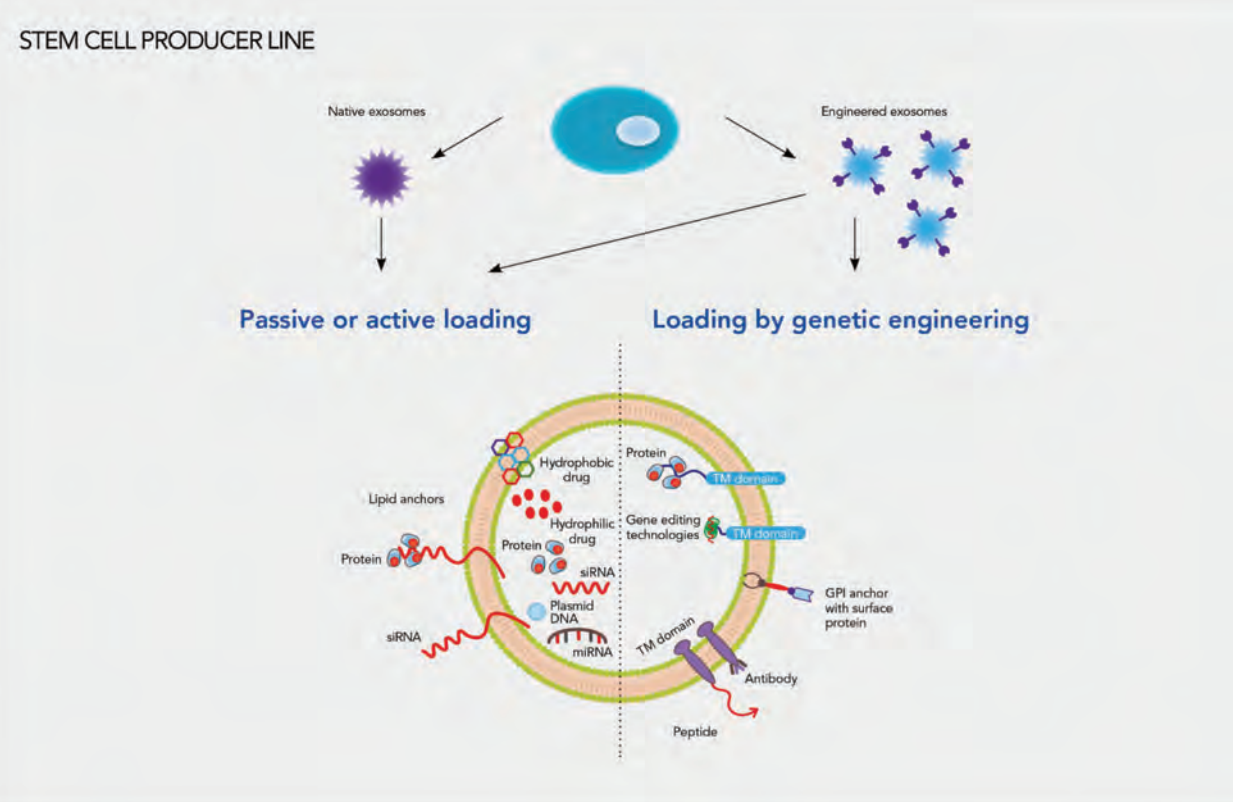
Ability to load exosome through passive, active or genetic engineering
Focus at ReNeuron is on specific loading of exosomes, either through passively loaded exosomes or engineered exosomes. For 'passive loading' (chemical) the exosomes are isolated first, then the cargo is loaded afterwards. In 'engineered' (biological) exosomes you first start by genetically modifying the producer cell line.

These cells are instructed to produce and package molecules of interest during exosome generation. These 'engineered' exosomes are isolated as normal but now carry the intended additional cargo. It is also worth mentioning that the cargo can be placed either inside or outside the exosome, therefore, creating a vast number of possibilities for therapeutic agent delivery.



RENEURON'S EXOSOMES PLATFORM – What makes us different?

OUR TECHNOLOGY

CustomEX™, A customisable exosome delivery platform optimised for specific delivery needs
At ReNeuron, we have developed seven proprietary, conditionally immortalised exosome producer cell lines, each with a distinct surface marker profile determined by their cell type of origin. We believe that this catalogue of exosome producing stem cell lines, from neural and non-neural tissue, differentiates us from others in the field by giving us a truly customisable platform and a greater chance of success when targeting specific tissues within the body.

An essential feature of any delivery vehicle is consistency. Conditional immortalisation of stem cell exosome producer lines offers an elegant solution to not only produce cell lines that are genetically stable and can be grown at scale, but also to produce a high yielding source of consistent exosomes for the delivery of complex drug modalities.

Technology Overview

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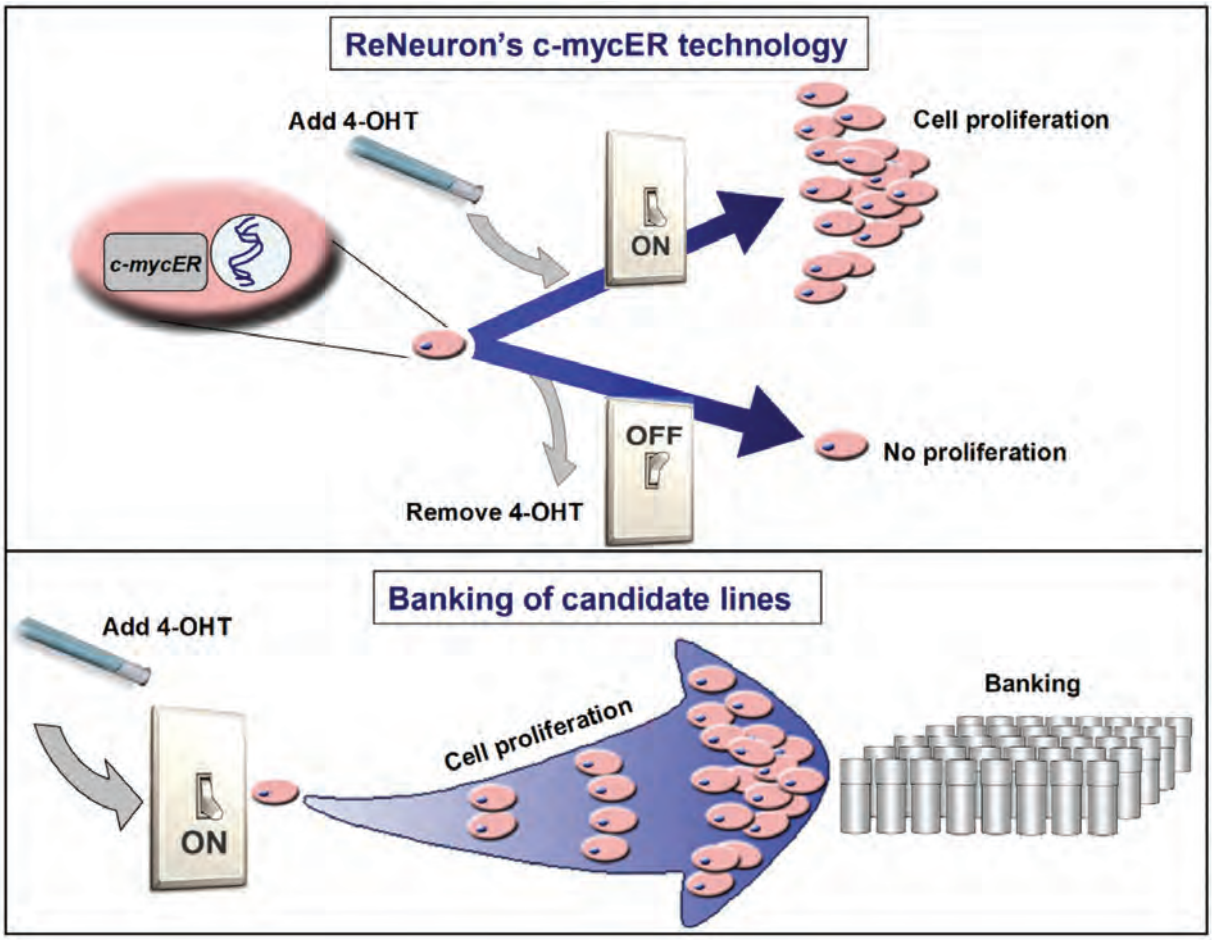


The standard approach used by our competitors is to produce exosomes from a single generic cell line. A one-size-fits-all approach. A single cell line, giving rise to a single outcome. At ReNeuron, we have developed the CustomEX™ platform, a portfolio of stem cell exosomes that have distinct cell and tissue targeting capabilities. This allows us to choose the most appropriate exosome delivery vehicle, not only based upon its tissue targeting but also upon the specific requirements of the therapeutic payload in terms of the cellular compartment that the cargo needs to reach to achieve a therapeutic effect (i.e. the fluid that fills the cell (cytoplasm) for RNAi and the nucleus for DNA).

The current portfolio of stem cell exosomes can also be rapidly expanded using ReNeuron's proprietary CI-iPSC lines. Additional stem cell exosome producer lines from any cell lineage can be generated from our CI-iPSCs if the specific exosome population does not already form part of our catalogue.

OUR KNOW-HOW

The ReNeuron team has extensive know-how in the field with our Chief Scientific Officer having in excess of 15 years' experience in stem cell and stem cell-based exosomes as well as extensive knowledge of the biology of the field.

Through the years of experience gained in the manufacture of consistent stem cell banks to enable the manufacture of drug product, in accordance with good manufacturing practice (GMP), for use in two clinical stem cell programmes, the team has become expert in process and analytical development as well as manufacturing and technology transfer. All of which is highly valuable for the exosomes platform, which involves many of the same upstream processes for exosomes production.

Technology Overview

continued

OUR PATENTS

ReNeuron believes it has the third largest patent estate globally in the field of exosomes, highlighting its strength and depth in the field. The Group has eight different patent families with patent lives in to the 2030s and beyond.

One of our major patent families covers any neural stem cells that make exosomes. It has been granted in the EU and many other countries and is pending in the US. The Group already has a granted patent for the use of an exosome generated from any neural stem cell to treat Nestin positive cancers in the US, EU and other territories.

The other key patent family surrounds ReNeuron's conditional immortalisation technology and covers the use of a conditionally immortalised cell to produce exosomes. It encompasses a wide range of cell types including, but not limited to, mesenchymal stem cells (MSCs), haematopoietic stem cells, very small embryonic-like stem cells (VSELs), iPSCs, fibroblasts and dendritic cells.

OUR INDUCED PLURIPOTENT STEM CELLS (iPSCs)

Human pluripotent stem cells (hPSCs) have great potential in cell therapy because of their unique ability to differentiate into all cell types found in the human body. They provide, at least in theory, an inexhaustible supply of cells to treat any condition caused by cell loss. The archetypal hPSC is the embryonic stem cell (hESC), derived from the preimplantation embryo. Ethical issues surrounding the use of hESCs for medical applications have, however, driven the search for an alternative cell source.

In a method first pioneered by Shinya Yamanaka in 2006, adult cells were reprogrammed to a pluripotent state generating induced pluripotent stem cells (iPSCs). This creates a cell source with all the benefits associated with pluripotency without the associated ethical issues of hESCs.

ReNeuron's neural stem cell line, CTX, is a clinical grade stem cell line capable of generating several types of neural cells. It is immortalised with a transgene whose activity is easily controllable with a synthetic drug.

ReNeuron have successfully reprogrammed CTX cells to pluripotency, to conditionally immortalised induced pluripotent stem cells (CI-iPSCs), and have demonstrated that CI-iPSCs display many features characteristic of pluripotent cells.

Differentiation experiments show that CI-iPSCs can create cells from all three of the early cell lineages (endoderm, mesoderm and ectoderm), confirming that they are truly pluripotent and hence able to create all cell types in the body. This includes clinically important cell types such as mesenchymal stem cells, beating heart muscle, cells of the immune system, including the T-cells used in modern anti-cancer cell therapy, and various types of neural cells.

The preferred therapeutic cells for a given application are often adult stem cells or progenitors rather than the differentiated cells lost in disease. Such cells can be difficult to manufacture, and their short lifespan limits their clinical use.

ReNeuron's unique conditionally immortalised iPSCs has the potential to resolve many of these issues. Following differentiation along a particular lineage, activation of the conditional immortalisation technology within CI-iPSCs allow the resulting cells to be purified, qualified, expanded and banked. Thus, enabling a large number of patients to be treated with CI-iPSC-derived cells or cell products (e.g. exosomes) as an "off-the-shelf" medicine. Furthermore, as these CI-iPSC-derived therapeutics are made from a cell line which has already passed clinical phase safety trials (CTX), their entry into clinical trials for new indications are likely to be more rapid.

Financial Review

During the financial year costs continued to be closely controlled with spend primarily directed towards progressing the CustomEX™ proprietary exosome platform. In January 2023, the Company undertook a restructuring of the business with headcount reducing by 40% and the variable costs of the business lowered.

The full benefit of these cost savings will not be seen until the next financial year, but the decision made in January 2022 to shift away from clinical development programmes to the exosome platform has enabled a reduction in costs of £4.0 million compared to the year ended 31 March 2022. As a result, the total comprehensive loss for the year reduced to £5.4 million (2022: £9.7 million).

At 31 March 2023, the Group had cash, cash equivalents and bank deposits of £7.2 million with the latest base case forecast showing a cash runway to July 2024. This base case forecast includes assumed further revenues/funding. Without such revenues/funding, the forecast indicates a cash runway until February 2024. Details on the Directors' assessment on going concern is provided in note 3 to the financial statements.

FINANCIAL HIGHLIGHTS (£'000)	Year ended 31 March 2023	Year ended 31 March 2022
Cash, cash equivalents & bank deposits	7,153	14,548
Net cash used in operating activities	7,484	7,411
Revenue	530	403
Operating expenses	7,645	11,631
Total comprehensive loss	5,408	9,689

Revenue and other operating income

In the year to 31 March 2023, revenues, which relate to research and collaboration activities and royalty income, were £530,000 (2022: £403,000).

Operating expenses

Total operating expenses reduced in the year to £7.6 million (2022: £11.6 million).

As noted above, this reduction in costs follows the strategic decision made in January 2022 to halt clinical development and instead focus resources on the exosome platform. Research and development costs in the year reduced to £4.5 million (2022: £8.1 million), primarily reflecting the refocussing of activities as described above, together with other cost reductions. General and administrative expenses also reduced in the year to £3.2 million (2022: £3.6 million).

Finance income/expense

Finance income represents income received from the Group's cash and investments and gains from foreign exchange.

Finance income was £478,000 in the year (2022: £195,000), the increase on the prior year being explained by an increase in both interest receivable and foreign exchange gains. In the year, finance expense solely comprises lease interest of £20,000 (2022: £25,000).

Taxation

Taxation for the year at £1.2 million primarily comprises an R&D tax credit (2022: £1.4 million). The amount of the R&D tax credit for the year has reduced as a result of the lower research and development spend in the year.

Financial Review

continued

Cash flow

Net cash used in operating activities in the year increased to £7.5 million (2022: £7.4 million). Cash used was higher than the loss for the year explained by changes in working capital and capital investment made to support exosome platform development.

The Group had cash, cash equivalents and bank deposits totalling £7.2 million as of 31 March 2023 (31 March 2022: £14.5 million).

Statement of financial position

Non-current assets – Property, plant and equipment have increased as we invest in our exosome technology platform.

Current assets – Corporation tax receivable of £1.2 million comprises the amount due from R&D tax credits for the full year ended 31 March 2023 (2022: £1.4 million). This debtor is lower than 2022 due to the reduction in research and development expenditure.

Current liabilities – Trade and other payables at £4.2 million have reduced (2022: £6.9 million). This reduction primarily reflects changes in the level of accruals (mainly across the legacy clinical trials).

John Hawkins
Chief Financial Officer

Directors' Duties

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

As part of their induction, Directors are briefed on their duties and they are regularly updated by both the Company Secretary or external advisers. Directors may also seek advice on their duties at any time, either via the Company Secretary or externally. More details are set out in the Corporate Governance section on page 33.

Section 172 Statement

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

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

The Group has adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the QCA Code). The QCA code is an appropriate code of conduct for the Group's size and stage of development. Details of how the Group applies the ten principles of the QCA Code are set out on pages 31 to 36.

The Executive Chairman's Statement and the rest of the Strategic Report describe the Group's activities, strategy and future prospects including considerations for long-term decision making.

The Board considers the Group's major stakeholders to be its shareholders, its employees, suppliers, collaboration partners and those involved in clinical trials.

Overview as to how the board performed its duties to shareholders

The Board is committed to openly engaging with the Company's shareholders and recognising the importance of an effective dialogue. It is important that shareholders understand the Group's strategy and objectives, so these must be explained clearly and feedback received and issues raised carefully considered. Details of shareholder engagement are set out in sections 2 and 10 of the Corporate Governance Report on pages 31 and 36.

Key decisions

Key decisions taken by the Board included:

- strategic realignment, focusing the Company's resources on the exosome and iPSC research platforms.
- organisational re-structuring to align with the needs of the business and to focus financial and personnel resources accordingly

Directors' Duties

continued

Employees

The Group is a relatively small organisation and Directors have regular day-to-day contact with employees at all levels, both formal and informal. The Executive Chairman and CFO regularly brief employees on developments in the business and conduct question and answer sessions at these times.

Suppliers

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

Community and environment

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

Business reputation

The Group operates in a highly regulated sector and the Board is committed to maintaining the highest standards of conduct. Staff behaviour is governed by appropriate policies, including anti-bribery policies, supported by a whistle-blowing process. There were no reported incidents in relation to these policies in the year ended 31 March 2023.

Sustainability

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

People

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

Reward

The Group recognises the importance of a fair and competitive reward package which seeks to incentivise high performance and align the interests of the employees and the Group. Salaries are competitive, and the bonus scheme is based upon the attainment of both personal and corporate objectives. The Group also offers pension entitlement and health insurance or gym membership.

Details of the Group's employee share schemes are set out in note 26 to the financial statements.

Diversity

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

At 31 March 2023 the Group employed 13 men and 13 women across a diverse range of backgrounds and had 20% female representation on the Board with 33% women on the Senior Management Team. Details of Board membership are on pages 23 to 25 and the Senior Management Team on pages 26 to 27.

Employee engagement

Employee engagement is described in the Section 172 Report on page 17.

Development

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

Health and safety

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

The Group also offers Employee Wellbeing support.

Policies and procedures

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

Our social impacts

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

Environmental impact

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

Risks and Uncertainties

Risk	Potential impact	Mitigation action/control
Clinical and regulatory risk There are significant inherent risks in developing stem cell or stem cell-based exosome therapies for commercialisation due to the long and complex development process. Any therapy that we or our partners/licensees wish to offer commercially in the future to the public must be put through extensive research, pre-clinical and clinical development, all of which takes several years and is extremely costly. The regulatory process is both complex and multi-jurisdictional.	**Clinical potential impact** The Group or licensed partners may fail to successfully develop a drug candidate incorporating the Group's stem cell or delivery technologies because it cannot be demonstrated in clinical trials that it is safe and efficacious. The Group and its partners/licensees may fail to successfully out-license products that have been developed and/or products may be returned from partners. Delays in achieving regulatory approval of any product utilising the Group's stem cell or delivery technology may impose substantial costs on the business. If a product is approved, the regulators may impose additional requirements, for example, restrictions on the therapy's indicated uses or the levels of reimbursement receivable. Once approved, the product and its manufacture will continue to be reviewed by the regulators and may be withdrawn or restricted. **Regulatory potential impact** Reduction of an income stream through regulation could adversely affect the commercial viability of a drug product. Withdrawal of a drug product by a particular regulatory agency would prevent sale in that particular territory and may be followed by regulators in other territories.	The Group's internal drug delivery development expertise and scientific knowledge in its targeted areas will enable its partners/licensees to develop therapeutic products in a manner which will substantially mitigate, but which cannot eliminate this risk in the future. The Group looks to employ suitably qualified and experienced staff. It also consults, where necessary, with regulatory advisers and regulatory approval bodies to ensure that regulatory requirements are met. Additionally, the Group seeks to foster a culture where quality is a key priority. The Group will seek via its partners/licensees to take drug candidates, incorporating the Group's stem cell or delivery technology, to the clinic by working in partnership with other parties. This will increase the pool of expertise available to the Group and mitigate further clinical and regulatory risks. Both the Group and its clinical and manufacturing partners comply with Good Clinical Practice and Good Manufacturing Practice and the Group employs rigorous processes in its research and development of therapeutic products.

Risks and Uncertainties

continued

Risk	Potential impact	Mitigation action/control
Intellectual property risk Intellectual property protection remains fundamental to the Group's strategy of developing novel delivery technologies for the delivery of novel drug candidates. The Group's ability to stop others making a drug, using it or selling the invention or proprietary rights by obtaining and maintaining protection is critical to our success. The Group manages a portfolio of patents and patent applications which underpin its research and development programmes.	There is a risk that intellectual property may become invalid or expire before, or soon after, commercialisation of a drug product and the Group may be blocked by other companies' patents and intellectual property.	The Group invests significantly in maintaining and protecting this intellectual property through the use of expert lawyers and patent agents to reduce the risks over the validity and enforceability of our patents. The protection of the Group's intellectual property is a significant consideration throughout the Group's contracting activity.
Manufacturing and supply risk The Group's and its partners'/licensees' ability to successfully manufacture and scale up production processes is vital to the development and commercial viability of any product.	**Manufacturing potential impact** Could impact speed of development and the ability to sell a drug product on a commercially viable scale. Product manufacture is subject to continual regulatory control and products must be manufactured in accordance with Good Manufacturing Practice. Any changes to the approved process may require further regulatory approval. Availability of raw materials is extremely important to ensure that manufacturing campaigns are performed on schedule. **Supply potential impact** Substantial cost increases and delays in production, which could adversely impact on the Group's activities, financial results and cash liquidity.	The Group utilises reputable contract manufacturing organisations, experienced in meeting the requirements of Good Manufacturing Practice. The Group maintains contractual relationships with key manufacturers and suppliers to ensure availability of supply and sufficient notice of disruption. Additionally, the Group seeks to avoid reliance upon any single supplier or manufacturer. The Group continually develops its manufacturing processes and is building its in-house capabilities to reduce its reliance on third parties.

Risks and Uncertainties

continued

Risk	Potential impact	Mitigation action/control
Financial risk The financial risks faced by the Group include foreign currency risk, liquidity risk and risk associated with cash held on deposit with financial institutions.	These risks may adversely affect the Group's financial results and cash liquidity.	The Board reviews and agrees policies for managing each of these risks. The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit, balanced with the need to safeguard the assets of the business. The Group does not enter into forward currency contracts. The Group holds currency in US dollars and euros to cover short and medium-term expenses in those currencies.
Fundraising risk The Group has incurred considerable losses since its inception and is dependent upon equity, partnerships and public grant financing. It does not currently have any approved revenue generating products/technologies although it does generate some revenue from partner collaborations.	The Group may not be able to raise additional funding that will be needed to support its delivery technologies' development efforts. Any new equity funds raised may lead to dilution of existing investors. In the light of the strategic changes to the business in the year and the inability to raise additional funds in the latter part of the year, the Board considers this risk to have increased in comparison with previous years.	The Group is continually seeking business development opportunities which enable it to support the future costs of development of its exosomes platform and other proprietary drug delivery technologies. Additionally, the Board places considerable emphasis on communication with shareholders and potential investors, to maximise the chances of successful future fundraising. For further information, please refer to the Directors' Report on page 29 and the Corporate Governance Section on pages 31 to 36.
Cyber risk There is risk that third parties may seek to disrupt the Group's business or perpetrate acts of fraud using digital media.	Loss of IT systems for a significant period may result in delays in the development of drug products for ReNeuron or partners and for platform developments. Fraud may result in financial loss.	The Group is focused on maintaining a robust and secure IT environment that protects its corporate data and systems. IT systems are continuously monitored and upgraded and employees are trained to be aware of cyber security and the associated risks.
Site and system disruption risk Unexpected events could disrupt the business by affecting its key facility, critical equipment, IT systems or a number of employees.	Loss of IT systems for a significant period or key employees may result in delays in the development of drug products for ReNeuron or partners and for platform developments.	The Group has developed a business continuity plan to ensure that it can respond effectively to identified risks. All critical equipment will have active service contracts in place. Business continuity insurance is in place.

Risks and Uncertainties

continued

Risk	Potential impact	Mitigation action/control
Staff turnover risk The Group is dependent upon its ability to attract and retain highly qualified and skilled staff.	Loss of key staff could delay the development of drug products for ReNeuron or partners and for platform developments.	The Group offers attractive employment packages, including share incentive plans, and actively encourages employee engagement in the business. Employees also have significant opportunities for learning and development as well as promotion opportunities born out of the Group's staff appraisal and succession planning processes.
Risks associated with a global pandemic and associated public health measures In any future pandemic, governments may institute public health measures similar to those used in respect of COVID-19, which may constrain economic activity and inhibit the Group's activities.	The Group's research and development activities either for itself or partners may be delayed and additional costs incurred.	The Group has demonstrated its ability to continue its research and development activities using modified working practices.
Russia/Ukraine war The Russia/Ukraine war has stimulated surges in energy and raw material costs and also dampened investor confidence.	The Russia/Ukraine War could adversely affect the Group's operations through increased costs, possible supply chain interruptions and reduced investor appetite. There is also increased risk of cyber-attacks.	The Group is a low energy user and will seek to manage cost pressure through its normal procurement processes. The Group's cyber risk measures are described above.

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

- the early stage of development of the business;
- availability and terms of capital needed to sustain operations, and failure to secure partnerships that will fund further pre-clinical development;
- competition from other companies and market acceptance of its products; and
- its reliance on consultants, contractors and personnel at third-party research institutions.

Pages 2 to 22 of this Annual Report and Accounts comprise the Strategic Report for the Group, which has been prepared in accordance with chapter 4A of part 15 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Iain Ross
Executive Chairman
15 June 2023

Board of Directors

Iain Ross
Executive Chairman

N&CG (Chair)

Appointed
Iain Ross was appointed to the Board as Non-Executive Chairman in July 2021. He has assumed Executive responsibility in the absence of a CEO.

External Appointments
Currently Iain is Non-Executive Chairman at Silence Therapeutics PLC (NASDAQ), Kazia Therapeutics Limited (ASX/NASDAQ) and a Non-Executive Director of BiVitriX Therapeutics plc.

Experience and skills
Iain Ross is a highly experienced board director with a career in the international life sciences and technology sectors that spans 40 years. He held senior commercial roles at Sandoz, Fisons and Hoffman-La Roche before moving into the biotechnology sector where he has been chairman, CEO and director of several international biotechnology companies including Celltech Group plc, Quadrant Healthcare plc and Redx Pharma plc.

Mr Ross is a qualified Chartered Director, Fellow of the Institute of Directors and Honorary Fellow of Royal Holloway, London University.

John Hawkins
Chief Financial Officer & Company Secretary

Appointed
John Hawkins joined ReNeuron in October 2014 and was appointed Chief Financial Officer in September 2022.

Experience and skills
John is an experienced finance professional with a breadth of experience gained within a variety of businesses, from large PLCs to family-owned SMEs. He joined ReNeuron, after leaving his role as Finance Director of an insurance business, having previously worked for a number of years in the financial services sector where he specialised in business partnering, helping to drive growth and profitability. During this time, he played a lead role in a number of acquisitions and played a key role in the sale of a division of Standard Chartered Bank to The Lloyds Banking Group.

John graduated from university with a 1st class honours degree in industrial chemistry and started his career with KPMG, where he qualified as a Chartered Accountant.

Board of Directors

continued

Barbara Staehelin
Senior Independent Non-Executive Director

Audit (Chair), N&CG, Rem

Appointed
Barbara Staehelin was appointed to the Board as Senior Independent Non-Executive Director in July 2021.

External Appointments
Barbara is Non-Executive Chair for Resistell AG. She is a board member at Assura Group, a Swiss medical insurance company, where she is President of the Audit and Risk Committee. She is also co-founder and Chair at Axicos AG.

Experience and skills
Barbara Staehelin began her professional career in management consultancy, focusing on healthcare at McKinsey & Co., Inc. She has also served as a member of the Global Executive Committee at F. Hoffman-La Roche Diagnostics. Her wide experience both in senior leadership roles and in founding companies has given her extensive high-level exposure to commercial, regulatory and governance matters in the biotech sector.

Ms. Staehelin holds a Directors Certificate from Harvard University, USA, an MBA from INSEAD Fontainebleau, France and an MSc in biochemistry from ETH Zurich.

Dr. Mike Owen
Non-executive Director

Rem (Chair), N&CG, Audit

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

External Appointments
Mike currently serves as a Director of Zealand Pharma, Sareum Holdings plc and Ossianix Inc. He is also a member of the scientific advisory board at Avacta Group plc.

Experience and skills
Mike's career in biotech, the pharmaceutical industry and academia spans more than 40 years. He was formerly senior vice president for biopharmaceuticals research at GlaxoSmithKline and was also a founder and chief scientific officer of Kymab Ltd, an antibody-based biotech company. He has also previously served as a director for BLINK Biomedical SAS. For many years he held a research position at the Imperial Cancer Research Fund (now "CR-UK") and he has previously served on the scientific advisory board of the CRT Pioneer Fund LP.

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

He is a Fellow of the Academy of Medical Sciences.

Board of Directors

continued

Martin Walton
Non-executive Director

Rem, N&CG, Audit

Appointed
Martin Walton was appointed to the Board in March 2022.

External Appointments
Martin currently serves as Chairman and CEO of Bradshaw Consulting Ltd. He is CEO of virtual biotech Excalibur Medicines Ltd, Board Director of Interrad Medical and a Board Member of the Liverpool Life Sciences Accelerator Partnership.

Experience and skills
Martin spent 25 years in global investment banking and asset management, culminating as vice chair in charge of Wholesale and Commercial Banking for Europe and Asia Pacific at Toronto Dominion Bank.

Martin is co-founder of LSE-listed Arix Bioscience plc (LSE: ARIX) and since 2010, he has been an active VC/PE investor, portfolio manager, and advisor in life sciences involving a number of executive and non executive positions, completing over 25 transactions (spinouts, financings, M&A, IPOs and divestitures) and has raised over £1 billion in investment and co-investment capital.

In addition to a wealth of experience in the life sciences sector, he also has extensive governance, oversight, audit committee and risk committee experience as well as specific experience in start-up, growth (organic and acquisition), turnaround and consolidation strategies.

Key: Committees
Audit - Audit committee

Rem – Remuneration committee

N&CG - Nominations and Corporate Governance committee

Senior Management

Randolph Corteling
Chief Scientific Officer

Appointed
Dr Randolph Corteling rejoined ReNeuron as Vice President of Research in March 2022 and was appointed Chief Scientific Officer in September 2022.

Experience and skills
Dr Randolph Corteling has 24 years' experience in medical research and drug discovery, spanning academia, biotechnology and the pharmaceutical industry. He gained his PhD in Medical and Surgical Sciences at Nottingham University, followed by three years as a Heart and Stroke Foundation Postdoctoral Fellow at the University of Calgary, Canada.

In 2007 he joined ReNeuron as a senior member of the research team where he established a deep understanding of stem cell biology and in particular the role of extracellular vesicles in cell to cell communication. In 2011 he was appointed Head of Cell Biology where he established the first exosome programmes at ReNeuron, which are now a major commercial opportunity for the Company. He was later promoted to Head of Research at ReNeuron.

At Evox Therapeutics, a private company focused on exosome-based therapeutics for rare diseases, Dr Corteling led its Disease Biology and Exosome Payloads teams.

Simon Dew
Chief Business Officer

Appointed
Simon Dew was appointed Chief Business Officer in November 2022.

Experience and skills
Simon joined ReNeuron from Mereo BioPharma Plc, where he was Vice President Business and Corporate Development. Prior to that he was Vice President Business Development at Evox Therapeutics, where he was responsible for several transformative deals in the exosome space.

Simon has over 25 years' experience in pharmaceutical Business Development, Corporate Development and Corporate Strategy, responsible for multiple BD&L and M&A transactions.

Over his career, he has held senior leadership roles in Pharma and Biotech, including VP Corporate Strategy at Gyroscope Therapeutics, prior to its acquisition by Novartis and as SVP Corporate Strategy and Business Development as Astellas Pharmaceuticals, as well as operational leadership roles in Quintiles (IQVIA), Parexel, Phytopharm plc and GSK/SB, in Europe and in international markets.

He is currently on the Business Development Board of Sunstone Capital a Danish Venture Capital Company.

He holds a degree in Pharmacy and is a member of the Royal Pharmaceutical Society of Great Britain.

Senior Management

continued

Suzanne Hancock
Chief Operations Officer

Appointed
Suzanne Hancock was appointed Chief Operations Officer in September 2022, having joined ReNeuron as a Programme Manager in 2017.

Experience and skills
Suzanne has broad experience of both leadership and technical scientific roles. She joined ReNeuron from GE Healthcare, where she spent almost 12 years and held a number of managerial roles forming and leading global cross functional teams engaged in the development and delivery of new products in the Life Sciences and Cell Therapy industry. Suzanne began her career as a scientist with Amersham International where she was involved in developing cell-based assays and high content image analysis platforms for drug development.

She holds a BSc in Applied Biological Sciences and in 2019 successfully completed an MSP Practitioner qualification at Cardiff University.

Professor Stefano Pluchino
Chair of the Scientific Advisory Board

Appointed
Dr Stefano Pluchino was appointed Chair of the Scientific Advisory Board in September 2022 having previously served as Chief Scientific Officer from May 2021.

Experience and skills
Stefano is Professor of Regenerative Neuroimmunology and Honorary Consultant at the University of Cambridge since 2010. He obtained his MD and PhD at the University of Siena, Italy and progressed to two consecutive post doctorate appointments at the San Raffaele Scientific Institute in Milan.

Stefano has more than 230 publications to his credit and is internationally recognised as a leader and pioneer in the field of regenerative neuroimmunology. He was the recipient of the 2003 European Charcot Foundation (ECF) Award, the 2006 Sorono Foundation Multiple Sclerosis Award, the 2007 Rita Levi-Montalcini Award, the 2009 Italian Ministry of Health Young Investigator Award and the 2010 International Royan Award for outstanding research in Stem Cell Biology and Technology.

Directors' Report

For the year ended 31 March 2023

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 March 2023.

Presentation of financial statements

The Group financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2023.

Future developments

Future developments are set out in the Strategic Report on pages 2 to 22.

Results and dividends

The results for the year are given in the Group statement of comprehensive income set out on page 51. The Directors do not recommend the payment of a dividend (2022: £Nil).

Research and development

During the year, the Group incurred research and development costs of £4,463,000 (2022: £8,068,000) all charged to the statement of comprehensive income.

Financial risk management

Financial risk management is set out in note 23 to the financial statements and also in risks and uncertainties on pages 19 to 22.

Directors

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

Iain Ross
Executive Chairman

John Hawkins ACA
(appointed 14 September 2022)
Chief Financial Officer

Barbara Staehelin
Senior Independent Non-Executive Director

Dr Mike Owen
Non-Executive Director

Martin Walton
Non-Executive Director

Catherine Isted resigned on 31 December 2022.

Qualifying third-party indemnity

Certain Directors benefited from qualifying third-party indemnity provisions in place during the year and to the date of signing the financial statements.

Going concern

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

The goal of the Group is to achieve the commercial validation of the CustomEx™ platform by generating in vivo data aimed at differentiating the platform from that of the Group's competitors. In addition, the plan is to realise value from the Group's other assets via potential out-licencing and/or disposal. The Directors continue to seek opportunities to secure further revenues/funding sufficient for the short to medium term future needs of the business and favourable in vivo data should enhance those opportunities.

As previously noted, in January 2023, the Group undertook a restructuring of the business with the underlying cost base reduced and resources re-aligned to meet the immediate needs of the business. Based on the Directors base case assessment, the current cash runway is forecast to extend until July 2024, at which point a further capital injection would be required. The base case assessment includes assumed upfront payments over the next 6 to 12 months from potential future partners and collaborators on the Group's exosome platform, intellectual property (IP) and legacy assets and potential further equity fund raising. The Directors recognise that not all of these assumed inflows are fully within the control of the Group and Company and have prepared a further plausible but downside scenario which excludes these inflows and indicates a cash runway until February 2024.

Based on the forecasts prepared and considered by the Board, the Directors consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements. However, there is no guarantee that attempts to secure adequate cash inflows from the Group's exosome platform, IP and legacy assets or through equity fund raising with the timescales stated above will be successful. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Engagement with suppliers, customers and others

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

Energy and carbon reporting

The Company and its subsidiaries are low energy users and also fall below Streamlined Energy and Carbon Reporting requirements, hence no energy usage information is provided.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2023 and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

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

Directors' Report

continued

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations

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

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

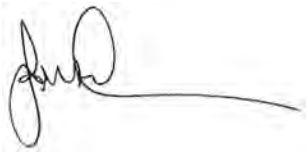
Independent auditors

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

Annual General Meeting

The date and location of the Annual General Meeting of the Company will be communicated separately.

On behalf of the Board



John Hawkins
Chief Financial Officer

15 June 2023

Corporate Governance

The Directors remain committed to maintaining high standards of transparency, ethics and corporate governance.

The Quoted Companies Alliance Corporate Governance Code (The QCA Code)

ReNeuron has adopted, as far as possible, the principles of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long-term shareholder value, encompassing an efficient, effective and dynamic management framework accompanied by good communication to promote confidence and trust.

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

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

The strategy and business operations of the Group are set out in the Strategic Report on pages 2 to 22.

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

The Group's overall strategic objective is to develop a best-in-class exosomes delivery platform, harnessing its unique stem cell technologies to develop off-the-shelf treatments for diseases with significant unmet needs, either alone or with partners.

The Group deploys its financial and other resources towards gaining collaborative development opportunities in areas of scientific and commercial interest for its exosome and induced pluripotent stem cell (iPSC) technology platforms. Concurrently, it continues to seek further out-licensing opportunities for its legacy CTX and hRPC therapeutic products, which have already been licensed to Fosun Pharma in China. Ultimately, the Directors believe that this approach will deliver significant long-term value for shareholders if the data are compelling.

The short term strategy of the Group is to realise monetary value in a platform technology or a therapeutic product via high-value out-licensing deals with pharmaceutical or biotechnology companies with interests in the relevant therapeutic field and/or geographical territories. In the medium term, if resources permit, and with shareholder support, the Group may choose to advance a therapeutic candidate through early-stage clinical development unpartnered in order to increase value in the programme prior to out-licensing to a suitable partner to complete further clinical development.

The Group operates in an inherently high risk and heavily regulated sector and this is reflected in the principal risks and uncertainties set out on pages 19 to 22. In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with these key risks and uncertainties, and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.

2. Seek to understand and meet shareholder needs and expectations

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

Beyond the Annual General Meeting, the Executive Chairman, Chief Financial Officer and, where appropriate, other members of the senior management team meet regularly with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

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

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

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

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.

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

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are appropriate to a business of this size and complexity and are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually. Key elements of the system of internal control include:

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

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

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

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

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 19 to 22.

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

At 31 March 2023, the Board comprised the Executive Chairman, three Non-Executive Directors, and one Executive Director.

Directors' biographies are set out on pages 23 and 25.

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

The Board is responsible to the shareholders for the proper management of the Group and meets at least six times a year to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval. A schedule of Matters Reserved for the Board may be found in the Corporate Governance Policies on the Group's website.

There were 13 formal Board meetings held in the year ended 31 March 2023. 11 of these meetings were held remotely.

A summary of Board and Committee meetings attended in the year ended 31 March 2023 is set out below:

	Board meetings		Nominations and Corporate Governance Committee		Audit Committee		Remuneration Committee	
Director	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
I Ross	13	13	–	–	–	–	–	–
J Hawkins	8	10	–	–	–	–	–	–
B Staehelin	13	13	–	–	2	2	4	4
M Owen	11	13	–	–	2	2	4	4
M Walton	13	13	–	–	2	2	4	4
C Isted	9	11	–	–	–	–	–	–

The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-Executive Directors. Barbara Staehelin is Senior Independent Non-Executive Director (SINED). She, Dr Mike Owen and Martin Walton are regarded as independent Non-Executive Directors under the QCA's Code's guidance for determining such independence.

The Board has deemed that Iain Ross who is Executive Chairman, is not independent because his remuneration package includes eligibility to receive share options with a performance condition.

Non-Executive Directors receive their fees in the form of a basic cash fee. Non-Executive Directors do not receive share options as part of their remuneration package. The current remuneration structure for the Board's Non-Executive Directors is deemed to be proportionate and in line with general market practice.

The Executive Chairman has received share options which are set out in the Directors' Remuneration Report on page 41.

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

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

Directors' biographies are set out on pages 23 to 25. The Board regularly reviews its composition to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

The Executive Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to

the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from various external advisers on a number of corporate governance matters.

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

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

The Board has a process for evaluation of its own performance, that of its committees and individual Directors, including the Executive Chairman. This process is conducted biennially and last took place in April 2021 and is scheduled to be completed in June 2023. The Executive Chairman and SINED are managing the 2023 evaluation process. Evaluation criteria include Controls and Procedures, Strategic Aims, Entrepreneurial Leadership and Communications and Relationships and will be conducted through a series of questionnaires and face to face interviews.

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

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

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. Regular meetings are held with an opportunity for anonymous Q&A and suggestions on any aspect of the business. The Executive Committee regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

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

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

The Board has overall responsibility for promoting the success of the Group. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions.

Following the departure of the CEO, the Chairman has assumed executive responsibility for the running of the business and has regular meetings (at least every two weeks) with the SINED to discuss key developments and ongoing plans. The Chairman is also responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group.

Senior Independent Non-Executive Director

The principal role of the SINED is to support the Executive Chairman in their role; to act as an intermediary for other Non-Executive Directors when necessary; to lead the Non-Executive Directors in the oversight of the Executive Chairman; and to ensure there is an appropriate division of responsibility between the Executive Chairman and the CFO and leadership team.

The SINED provides an alternative to the Executive Chairman or CFO for communication with shareholders, providing an additional conduit for issues, concerns or observations to be expressed. Additionally, the SINED

will lead the Non-Executive Directors in the annual performance evaluation of the Executive Chairman, including the working relationship between the Executive Chairman, the CFO and the leadership team.

The Executive Chairman is responsible for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

Board committees
The Board has established an Audit Committee, Remuneration Committee and Nominations and Corporate Governance Committee with formally delegated duties and responsibilities.

Audit Committee
The Audit Committee comprises Barbara Staehelin (Chair), Dr Mike Owen and Martin Walton. It normally meets twice a year, which the Board deems to be sufficiently frequent in order for the Committee to discharge its responsibilities in the normal course of annual events. It has responsibility for, amongst other things, planning and reviewing the Annual Report and Accounts and interim statements involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence, as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

The Audit Committee Report is set out on pages 37 to 38.

Remuneration Committee
The Remuneration Committee comprises Dr Mike Owen (Chair), Barbara Staehelin and Martin Walton. It meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors. It also supervises the Company's share incentive schemes and sets performance conditions for share options granted under the schemes.

During the year ended 31 March 2023, the Remuneration Committee met 4 times. The Committee reviewed and approved:

- the degree of achievement of objectives for the year ended 31 March 2022;
- the corporate and personal objectives for the Group and Executive Directors for the year ended 31 March 2023;
- the exercise of share options;
- Executive and senior management remuneration; and
- the granting of share options to Directors and employees.

Award of share options
Following the award of share options during the year ended 31 March 2023, the total outstanding options exceeded 10% of the total shares in issue. Whilst the 10% figure is regarded as best practice, the Board is conscious of the need to incentivise and retain valued employees in order to generate value for shareholders and is also mindful that many of the extant options are unlikely to become exercisable in the foreseeable future. Having consulted with several key investors, the Board therefore approved the award of options as set out in note 26.

The Directors' Remuneration Report is set out on pages 39 to 43. The Directors believe that this, together with the above mentioned summary of the work of the Remuneration Committee, constitutes sufficient disclosure to meet the QCA Code's requirement for a Remuneration Committee Report. Consequently, a separate Remuneration Committee Report is not presented.

Nominations and Corporate Governance Committee
The Nominations and Corporate Governance Committee comprises Iain Ross (Chair), Barbara Staehelin, Dr Mike Owen and Martin Walton. It meets as required and has responsibility for reviewing the size and composition of the Board, the appointment of replacement or additional Directors, the monitoring of compliance with applicable laws, regulations and corporate governance guidance and making appropriate recommendations to the Board.

During the year ended 31 March 2023, the Nominations and Corporate Governance Committee did not meet, primarily because matters within its remit have been discussed by the full Board.

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

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

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

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

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

By order of the Board.

Iain Ross
Executive Chairman

15 June 2023

Audit Committee Report

For the year ended 31 March 2023

As Chair of the Audit Committee, I am pleased to present the Committee's Report for the year ended 31 March 2023.

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

The Audit Committee consists of three Non-Executive Directors. It is chaired by me and its other members are Dr Mike Owen and Martin Walton.

I am an independent Director and have relevant financial experience. Audit Committee meetings are also attended, by invitation, by the Chief Financial Officer and, where appropriate, other members of the Board. Representatives of the external auditors also attend by invitation and meet with the Audit Committee at least twice a year, with time allowed for discussion without any members of the Executive team being present, to allow the external auditors to raise any issues of concern.

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

The principal duties of the Committee are to:

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

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

This includes:

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

Audit Committee Report

continued

During the year ended 31 March 2023, the Audit Committee met twice. The Committee reviewed and approved the financial statements and the auditors' findings report for the year ended 31 March 2022, the interim results for the six months to 30 September 2022 and the external auditors' plan and fee for the 2023 external audit. The Audit Committee considers risk areas in the financial statements throughout the year and before the audit commences. It also approved an updated Whistle Blowing Policy.

The Committee considered the following items to be areas of risk.

The Group is expected to incur further costs as it continues to develop its technologies through the research and pre-clinical development pathway. The Group recognises this expenditure in line with the management's best estimation of the stage of completion of each research and development project. This includes the calculation of accrued costs at each period end to account for expenditure that has been incurred. This requires management to estimate full costs to complete for each project and also to estimate its current stage of completion. The Committee pays particular attention to management's estimates of these items, its analysis of any unusual movements and their impact on cost recognition.

The Committee reviews the going concern basis upon which the accounts are prepared. The Group is in pre-clinical-stage development and suffers significant planned operating losses from expenses incurred in research and development of its platform and therapeutic programmes, as well as from general and administrative costs. The Group expects to continue to incur significant operating losses for the foreseeable future as it furthers its exosome platform and therapeutic programmes.

The Committee has reviewed cash balances and short and long-term cashflow forecasts as well as plans to raise funding and considers the going concern basis to be appropriate, whilst highlighting a material uncertainty as further referenced in note 3 to the financial statements.

The Audit Committee has satisfied itself that the external auditor is independent. The Audit Committee has concluded that the external audit process was effective, that the scope of the audit was appropriate and that significant judgements have been robustly challenged.

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

No formal recommendations other than the approval of the Interim Results and Annual Report and Financial Statements have been made to the Board by the Audit Committee and no external reports have been commissioned on financial control processes during the year ended 31 March 2023.

By order of the Board.

Barbara Staehelin
Chair – Audit Committee

15 June 2023

Directors' Remuneration Report

For the year ended 31 March 2023

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

Remuneration policy for Executive Directors

The Remuneration Committee sets the remuneration policy that aims to align Executive Director remuneration with shareholders' interests and to attract and retain the best talent for the benefit of the Group. The Committee has sought independent advice when setting the remuneration policy. Executive Directors are appointed under service contracts with notice periods not exceeding 6 months. The basic contractual working week is 37.5 hours, but contracts stipulate that Executive Directors are required to work whatever hours are necessary in order for them to fulfil their Executive responsibilities.

Remuneration for Executive Directors is composed of the following elements:

Basic salary

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

Bonuses

Annual bonuses are based on achievement of Group strategic and operational objectives, and personal performance objectives. The maximum annual bonus that may be payable in cash is set at 50% of base salary for the Executive Directors. This may be paid in cash or share options under the Company's Long-Term Incentive Plan.

Longer-term incentives

In order to further incentivise Executive Directors and align their interests with shareholders, the Company operates a Long-Term Incentive Plan under which share options may be granted from time to time. The quantum of these awards is approved by the Remuneration Committee and are considered in line with market levels and consistent with positions held.

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

The Company has the ability to grant share options under its active share option schemes which in accordance with best practice are ordinarily granted subject to a cap of up to 10% of total issued share capital in any ten-year period. The rules of the share options scheme give the Board the flexibility to exceed this 10% limit. During the year, in accordance with the rules of the share option schemes, the Board approved the grant of share options to the Executive Chairman, Executive Director, senior management and staff which led to the 10% cap being exceeded. The Board took the decision following consultation with several key shareholders being conscious of the need to incentivise and retain valued employees in order to generate value for shareholders whilst also being mindful of the fact that many of the extant options were unlikely to become exercisable in the foreseeable future.

Pension

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

Directors' Remuneration Report

continued

Other benefits

Other benefits provided are life assurance, private medical insurance and professional subscriptions, where relevant to the duties of the Executive Director (disclosed as part of Salaries and fees in the following remuneration table).

Non-Executive Directors' remuneration

The remuneration of the Non-Executive Directors is set at a level that is sufficient to attract and retain high-calibre non-executives who contribute to the business. Fee levels are determined by the Remuneration Committee with regard to market comparatives, Board Committee responsibilities and ongoing time commitments. Non-Executive Directors are appointed for an initial three-year term via an appointment letter from the Company, with a three months' notice period, with the exception of the Executive Chairman who has a six months' notice period. The appointment term is renewable for further three-year terms after the initial term has expired. Appointment letters stipulate that the Non-Executive Director is expected to commit sufficient time to the role to meet the Company's expectations.

Non-Executive Directors receive their fees in the form of a basic cash fee. The Executive Chairman receives share options as part of his remuneration package. Details are set out below.

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

Directors' emoluments

The Directors received the following remuneration during the year:

	Year	Salary and fees £'000	Bonus £'000	Payment in lieu of notice £'000	Benefits in Kind £'000	Pension contributions £'000	Total £'000
Executive Directors							
Iain Ross[3,4,5]	2023	255	175	0	0	0	430
	2022	103	0	0	0	0	103
Catherine Isted[2]	2023	202	0	150	2	20	374
	2022	109	85	0	1	10	205
John Hawkins[1,5]	2023	98	0	0	2	10	110
	2022	0	0	0	0	0	0
Non-Executive Directors							
Barbara Staehelin	2023	60	0	0	0	0	60
	2022	43	0	0	0	0	43
Dr Mike Owen	2023	48	0	0	0	0	48
	2022	48	0	0	0	0	48
Martin Walton	2023	50	0	0	0	0	50
	2022	2	0	0	0	0	2

1 Appointed as Chief Financial Officer on 14 September 2022 on a base salary of £180,000.

2 Resigned 31 December 2022.

3 From February 2022, Iain Ross assumed temporary Executive responsibility which continued until the appointment of Catherine Isted as CEO. Mr Ross then resumed his role as Non-Executive Chairman. In recognition of the additional responsibility and in addition to his monthly Chairman/Director fees of £8,333 per month Mr Ross was paid an additional remuneration of £17,500 per month. Iain Ross continued to be paid £17,500 on a monthly basis until one month following the appointment of a new CEO in September 2022. Following appointment of a new CEO or after achievement of certain corporate objectives, Iain was eligible to receive a bonus of £175,000 on the understanding that he invested £75,000 of the net amount in Company shares.

4 Following the departure of the CEO on 31 December 2022, Iain Ross was appointed as Executive Chairman, Iain Ross's fees were increased to £250,000 per annum, together with a discretionary bonus available in each financial year to a maximum of 50% of annual fees.

5 Additionally, in the event the shareholders approve a corporate merger or acquisition of the Company, Iain Ross and John Hawkins are eligible to receive a bonus equivalent to 100% of annual fees and 75% of annual salary respectively.

The Directors, who held office at the end of the year, and/or at the date of signing of the financial statements, held the following interests in the Ordinary shares of the Company.

	Ordinary shares of 1p each	
	31 March 2023 Number	31 March 2022 Number
Iain Ross	400,000	–
John Hawkins	147,668	–
Barbara Staehelin	300,000	43,000
Dr Mike Owen	11,379	11,379
Martin Walton	15,000	15,000

During the year ended 31 March 2023, Iain Ross and John Hawkins received share options as set out in the tables below. At the date of grant, no gains arose.

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

Iain Ross

	Note	At 1 April 2022 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2023 Number	Exercise price	Exercise period*
Options – unapproved	2	100,000	–	–	100,000	£0.01	November 2021 – October 2031
Options – unapproved	2	100,000	–	–	100,000	£1.07	November 2021 – October 2031
Options – unapproved	1	–	–	300,000	300,000	£0.315	August 2022 – July 2032
Options – unapproved	1	–	–	250,000	250,000	£0.50	March 2023 – February 2033
Options – unapproved	2	–	–	750,000	750,000	£0.1025	March 2023 – February 2033
		200,000	–	1,300,000	1,500,000		

Directors' Remuneration Report

continued

John Hawkins

	Note	At 14 September 2022 Number	Lapsed during the year Number	Granted during the period Number	At 31 March 2023 Number	Exercise price	Exercise period*
Options – unapproved	4	4,000	–	–	4,000	£3.45	September 2017 – September 2024
Options – unapproved	4	4,000	–	–	4,000	£1.00	October 2018 – October 2025
Options – unapproved	4	4,000	–	–	4,000	£1.00	July 2019 – July 2026
Options – unapproved	4	4,000	–	–	4,000	£1.00	September 2020 – September 2027
Options – unapproved	4	4,000	–	–	4,000	£1.00	September 2021 – September 2028
Options – unapproved	4	20,000[1]	–	–	20,000	£0.01	April 2022 – April 2029
Options – unapproved	4	50,000	–	–	50,000	£0.01	February 2024 – February 2031
Options – unapproved	3	250,000	–	–	250,000	£0.315	July 2023 – July 2032
Options – unapproved	3	–	–	250,000	250,000	£0.315	February 2024 – February 2033
Options – unapproved	4	–	–	250,000	250,000	£0.1025	February 2024 – February 2033
		340,000	–	500,000	840,000		

[1] 12,288 of these shares are parallel options exercisable either as a non-tax advantaged option at an exercise price of £0.01 or as a tax-advantaged option at an exercise price of £2.22

Dr. Mike Owen

	Note	At 1 April 2022 Number	Lapsed during the year Number	Granted during the year Number	At 31 March 2023 Number	Exercise price	Exercise period*
Options – unapproved	1	3,000	–	–	3,000	£1.00	August 2016 – July 2026
Options – unapproved	1	5,000	–	–	5,000	£1.00	October 2017 – September 2027
Options – unapproved	1	17,700	–	–	17,700	£0.01	October 2018 – September 2028
Options – unapproved	1	6,000	–	–	6,000	£0.01	May 2019 – April 2029
Options – unapproved	1	13,500	–	–	13,500	£0.01	March 2021 – February 2031
		45,200	–	–	45,200		

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

Note 1: These options were issued under the Group's Non-Executive Share option Scheme. They vest monthly over three years on a straight-line basis and carry no performance conditions.

Note 2: These options were issued under the Group's Non-Executive Share option Scheme. They vest monthly over three years on a straight-line basis and carry a performance condition based upon a share price target.

continued

Note 3: These options were issued under the Group's Long-Term Incentive Plan. They carry no performance conditions.

Note 4: These options were issued subject to performance conditions. These performance conditions may be market related or relating to clinical, scientific or commercial targets. Certain options issued from 2018 on, were issued as a parallel option, exercisable either as a tax-advantaged option (with an exercise price equal to the market price on the date of grant) or as a non-tax advantaged option (with an exercise price of one pence.

By order of the Board.

Dr Mike Owen
Chair – Remuneration Committee

15 June 2023

Independent Auditors' Report to the Members of ReNeuron Group Plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company Statements of Financial Position as at 31 March 2023; the Group Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the group's and the company's ability to continue as a going concern. Based on the current financial forecasts, the directors expect that upfront payments from future partners and collaborators on their IP and legacy assets will enable a cash runway to July 2024, at which point further capital injection would be required. If those upfront payments, which are not wholly within the control of the Group and Company, are not received then the cash runway would extend until February 2024. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- we evaluated the directors' model supporting their going concern assessment and considered whether the assumptions made supported their conclusion;
- we tested the mathematical accuracy of the model and considered the reasonableness of the assumptions made and the availability of cash throughout the going concern period;
- we compared underlying base assumptions against comparable costs incurred in the year to 31 March 2023;
- we verified certain assumptions to supporting documentation; and
- we considered whether the key matters in relation to going concern are appropriately disclosed within the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Overview

Audit scope

- We have performed full-scope audit procedures in respect of the Company, ReNeuron Group plc and it's subsidiary ReNeuron Limited
- Our audit scope included limited desktop audit procedures on the subsidiary, ReNeuron Inc., which were performed by the Group engagement team
- Our audit procedures, all of which have been performed by the Group engagement team and which included the Group finance consolidation and financial statement disclosures, covered 100% of the Group's loss before tax for the year ended 31 March 2023. Our audit scope provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole.

Key audit matters

- Material uncertainty related to going concern (group and company)
- Completeness of research and development accruals (group)
- Valuation of the Company's investment in ReNeuron Limited (company)

Materiality

- Overall group materiality: £332,900 (2022: £552,000) based on 5% of loss before tax.
- Overall company materiality: £282,000 (2022: £300,000) based on 5% of loss before tax, restricted to 85% of group materiality.
- Performance materiality: £249,600 (2022: £414,675) (group) and £211,500 (2022: £225,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

Independent Auditor's Report

continued

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Completeness of research and development accruals (group) Due to the nature of the clinical trials and general research, it is often difficult to estimate the amount of time a particular trial is going to take. The Group outsources most of its research and development to third parties which restricts visibility and the ability to monitor the progression of a piece of research, or a trial's stage of completion. As a result, it can be difficult for the Group to measure which costs have been incurred in relation to a trial at a particular point in time and as such, based on billings received, whether project accruals are reasonably estimated. Our audit risk is focussed on whether the relevant accruals have been appropriately calculated and reflected on the balance sheet including assessing whether any releases have appropriate justification. As at 31 March 2023, the Accruals and deferred income balance for the group amounted to £3.8m.	We performed the following procedures: • We verified the status of projects through a meeting with the Chief Operations Officer where the progress and status of each project was discussed. • We obtained management's calculations that support the research and development costs incurred during the year and verified the mathematical formulae used. • We sampled management's calculations back to invoices and contracts • We obtained management's calculation of the accrual and verified the mathematical formulae. • We reviewed invoices received and payments post 31 March 2023 and performed analytical procedures to identify any costs not included in management's schedules We concluded that management's recording of the accruals balance as at 31 March 2023 was appropriate.
Valuation of the Company's investment in ReNeuron Limited (company) The Group's market capitalisation as at 31 March 2023 was £5.2m compared to investments in its subsidiary, ReNeuron Limited, of £23.3m pre any impairment. Accordingly, management has identified that an impairment indicator exists and an impairment assessment has been undertaken. The impairment assessment compares the carrying value to the recoverable amount, which is calculated as the higher of the value in use and the fair value less costs to sell. Management has performed a value in use calculation, based on its forecasts for the next five years. In the absence of other information, management has used the market capitalisation of the Company at 31 March 2023 as a proxy for the fair value less costs to sell. The recoverable amount, based on using the higher of these two models, is £nil, after taking into account the other assets that are held by the Company and which are considered as part of the Group's market capitalisation. Accordingly an impairment of £23.3m has been recorded. There is complexity and judgement involved in calculating the valuation of the investments. The key judgement in regard to this balance is using market capitalisation as a proxy for fair value less costs to sell. The key estimate in regards to the value in use calculation is the revenue growth and R&D expenditure over the next 5 years.	We have performed the following procedures: • Assessed whether market capitalisation is appropriate, recalculated the exercise and concluded that the exclusion of costs to sell and control premium in the fair value less costs to sell calculation was reasonable. • Considered any post year-end movements in share price and concluded that none were indicative of conditions existing before year end and should not therefore be reflected in the year-end fair value less costs to sell calculation. • We have confirmed the mathematical accuracy of the value in use model, confirmed the growth forecasts are in line with the Board-approved plan and that the growth assumptions are in line with IAS 36. We have concluded that management's assessment that an impairment of £23.3m is required in relation to the carrying value of the investment is appropriate.

How we tailored the audit scope

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

ReNeuron Group plc's shares are admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange and its principal activities are research and clinical development of cell-based therapeutics. The Group's accounting function is structured around a local finance function based in the United Kingdom. There are three active entities in the Group; ReNeuron Group plc (which raises the equity to support the principal activity of the Group), ReNeuron Limited (which records the majority of Group activity) and ReNeuron, Inc. (which incurs certain operating costs and recharges these back to ReNeuron Limited). For each active entity we determined whether we required an audit of their complete financial information ("full scope") or whether specified procedures addressing specific risk characteristics of particular financial statement line items would be sufficient. It was assessed that ReNeuron Group plc and ReNeuron Limited required full scope audit procedures whilst ReNeuron, Inc. did not as it contributed less than 1% of the loss before tax and 1% of Group total assets and contain no financial statement items that comprise more than 15% of the Group total.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

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

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

	Financial statements - group	**Financial statements - company**
Overall materiality	£332,900 (2022: £552,000).	£282,000 (2022: £300,000).
How we determined it	5% of loss before tax	5% of loss before tax, restricted to 85% of group materiality
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, loss before tax is the most relevant measure in assessing the performance of the Group and is a generally accepted auditing benchmark.	Based on the benchmarks used in the Annual Report, loss before tax is the most relevant measure in assessing the performance of the group and company and is a generally accepted auditing benchmark. In the prior year total assets was the most appropriate measure for the company since the principal activity of the company was to hold the investment in subsidiary. However in the current year, this investment has been fully impaired and the primary activity is now expense based. Materiality has been restricted in line with Group scoping in 2023 and 2022.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £282,000 and £316,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £249,600 (2022: £414,675) for the group financial statements and £211,500 (2022: £225,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £16,645 (group audit) (2022: £27,600) and £14,100 (company audit) (2022: £15,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to product safety (including but not limited to drug regulation) and employment legislation (including health & safety regulation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries and management bias in accounting entries. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing Board minutes and legal expenses;
- Identifying and testing journal entries, in particular those having unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, extent and timing of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Independent Auditor's Report

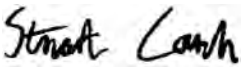
continued

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.



Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
15 June 2023

Group Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	5	530	403
Research and development costs	6	(4,463)	(8,068)
General and administrative costs	6	(3,182)	(3,563)
Operating loss		(7,115)	(11,228)
Finance income	7	478	195
Finance expense	8	(20)	(25)
Loss before income tax		(6,657)	(11,058)
Taxation	11	1,249	1,369
Loss and total comprehensive loss for the year		(5,408)	(9,689)
Loss and total comprehensive loss attributable to equity owners of the Company		(5,408)	(9,689)
Basic and diluted loss per Ordinary share	13	(9.5p)	(17.0p)

Group and Company Statements of Financial Position

As at 31 March 2023

	Note	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Assets					
Non-current assets					
Property, plant and equipment	14	338	288	–	–
Right-of-use asset	15	283	373	278	373
Intangible assets	16	186	186	–	–
Investment in subsidiaries	17	–	–	–	17,500
		807	847	278	17,873
Current assets					
Trade and other receivables	18	500	536	26	5
Income tax receivable		1,185	1,392	–	–
Investments – bank deposits	19	1,000	5,000	1,000	5,000
Cash and cash equivalents	20	6,153	9,548	5,616	8,153
		8,838	16,476	6,642	13,158
Total assets		9,645	17,323	6,920	31,031
Equity					
Equity attributable to owners of the Company					
Share capital	24	572	571	572	571
Share premium account	24	113,925	113,925	113,925	113,925
Capital redemption reserve		40,294	40,294	40,294	40,294
Merger reserve		2,223	2,223	1,858	1,858
Accumulated losses					
At 1 April		(147,125)	(138,085)	(126,182)	(62,311)
Loss for the year attributable to the owners		(5,408)	(9,689)	(24,539)	(64,520)
Other changes in accumulated losses		576	649	576	649
At 31 March		(151,957)	(147,125)	(150,145)	(126,182)
Total equity		5,057	9,888	6,504	30,466
Liabilities					
Current liabilities					
Trade and other payables	21	4,167	6,873	–	3
Lease liabilities	22	153	146	151	146
		4,320	7,019	151	149
Non-current liabilities					
Lease liabilities	22	268	416	265	416
		268	416	265	416
Total liabilities		4,588	7,435	416	565
Total equity and liabilities		9,645	17,323	6,920	31,031

The financial statements on pages 51 to 76 were approved by the Board of Directors on 15 June 2023 and were signed on its behalf by:

John Hawkins
Director

Company registered number: 05474163

Group and Company Statements of Changes in Equity

For the year ended 31 March 2023

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 April 2021	569	113,904	40,294	2,223	(138,085)	18,905
Exercise of employee share options	2	21	–	–	–	23
Credit on share-based payment	–	–	–	–	649	649
Loss and total comprehensive loss for the year	–	–	–	–	(9,689)	(9,689)
As at 31 March 2022	571	113,925	40,294	2,223	(147,125)	9,888
Exercise of employee share options	1	–	–	–	–	1
Credit on share-based payment	–	–	–	–	576	576
Loss and total comprehensive loss for the year	–	–	–	–	(5,408)	(5,408)
As at 31 March 2023	572	113,925	40,294	2,223	(151,957)	5,057

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 April 2021	569	113,904	40,294	1,858	(62,311)	94,314
Exercise of employee share options	2	21	–	–	–	23
Credit on share-based payment	–	–	–	–	649	649
Loss and total comprehensive loss for the year	–	–	–	–	(64,520)	(64,520)
As at 31 March 2022	571	113,925	40,294	1,858	(126,182)	30,466
Exercise of employee share options	1	–	–	–	–	1
Credit on share-based payment	–	–	–	–	576	576
Loss and total comprehensive loss for the year	–	–	–	–	(24,539)	(24,539)
As at 31 March 2023	572	113,925	40,294	1,858	(150,145)	6,504

Group and Company Statements of Cash Flows

For the year ended 31 March 2023

	Note	Group 2023 £'000	Group 2022 Restated £'000	Company 2023 £'000	Company 2022 Restated £'000
Cash flows from operating activities					
Cash used in operations	27	(8,920)	(9,196)	(1,147)	(1,104)
Overseas taxes paid		(5)	(52)	–	–
Income tax credit received		1,461	1,862	–	–
Interest paid		(20)	(25)	(19)	(24)
Net cash used in operating activities		(7,484)	(7,411)	(1,166)	(1,128)
Cash flows from investing activities					
Capital expenditure		(220)	(302)	–	–
Investment in subsidiaries		–	–	(5,684)	(5,338)
Bank deposit matured	2	4,000	2,500	4,000	2,500
Interest received		131	26	131	26
Net cash generated from/(used in) investing activities		3,911	2,224	(1,553)	(2,812)
Cash flows from financing activities					
Proceeds from the issue of ordinary shares		1	23	1	23
Principal element of lease payments		(148)	(157)	(146)	(140)
Net cash used in financing activities		(147)	(134)	(145)	(117)
Net decrease in cash and cash equivalents		(3,720)	(5,321)	(2,864)	(4,057)
Effect of foreign exchange movements on cash		325	166	327	161
Cash and cash equivalents at the start of the year		9,548	14,703	8,153	12,049
Cash and cash equivalents at the end of the year		6,153	9,548	5,616	8,153

Notes to the Financial Statements

For the year ended 31 December 2023

1. General information

ReNeuron Group plc (the Company or ReNeuron) and its subsidiaries (together, the Group or ReNeuron) research and develop therapies using stem cells. The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Pencoed Business Park, Pencoed, Bridgend CF35 5HY. Its shares are admitted to trading 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 for both the Group and the Company. The accounting policies relate to the Group unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Accounting Standards (IFRS) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

As permitted by Section 408 of the Companies Act 2006, the Parent Company's statement of comprehensive income has not been presented in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2023.

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

Intercompany transactions and balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated, but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Significant accounting judgements, estimates and assumptions

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

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

Recognition of research and development expenditure

The Group incurs research and development expenditure from third parties. The Group recognises this expenditure in line with the management's best estimation of the stage of completion of each research and development project. This includes the calculation of accrued costs at each period end to account for expenditure that has been incurred. This requires management to estimate full costs to complete for each project and also to estimate its current stage of completion. Costs relating to clinical research organisation expenses in the year were £0.1 million, none of which met the criteria for capitalisation. The related accruals were £1.1 million.

Estimated future recoverability of investment in subsidiary companies

The Company holds an investment balance with its subsidiary companies. This is reviewed for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment.

The directors have considered the Group's market capitalisation at 31 March 2023 and the carrying value of other assets held by the Parent Company when making an assessment of the fair value less costs to sell of its investment in subsidiaries. Consequently, this has been written down to £nil, giving rise to an impairment charge of £23.3 million (2022: £62.9 million).

Foreign currency translation

The consolidated financial statements are presented in pounds sterling (£), which is the Company's functional and presentational currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Group statement of comprehensive income in the year in which they occur.

Revenue

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

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

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

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

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

Agreements that are related to development activities or technology transfer can contain a number of elements and provide for varying consideration terms such as payment for utilisation of staff resources and for the purchase of cell line related products. Such arrangements are within the scope of IFRS 15 and are assessed under its five-step model to determine revenue recognition. The distinct performance obligations (that can include agreed assigned staff resources) within the contract and the arrangement transaction price are identified. The fair value of the arrangement transaction price is allocated to the different performance obligation based on the stand-alone selling price of that obligation together with the performance obligation activity to which the terms of payment specifically relate. The allocated transaction price relating to the utilisation of staff is recognised over time and that relating from the sale of cell lines is at a point in time.

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

Research and development expenditure

Capitalisation of expenditure on product development commences from the point at which technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product once completed. No such costs have been capitalised to date, given the early stage of the Group's intellectual property.

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

Pension benefits

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the Group statement of comprehensive income. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Group and Parent Company statements of financial position. The Group has no further payment obligations once the contributions have been paid.

Leases

IFRS 16 Leases applies a single recognition and measurement approach for all applicable leases under which the Group is the lessee.

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

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

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

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

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment.

Government and other grants

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

Share-based payments

The Group operates a number of equity-settled share-based compensation plans. The fair value of share-based payments under such schemes is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of market-based vesting conditions. Vesting periods are estimated to be two years for options issued under the deferred bonus and four years for other schemes.

The fair value calculation of share-based payments requires several assumptions and estimates as disclosed in note 26. The calculation uses the Black-Scholes model. At each balance sheet date, the Group reviews its estimate of the number of options that are expected to vest and recognises any revision to original estimates in the Group statement of comprehensive income, with a corresponding adjustment to equity.

For equity-settled share-based payments, where employees of subsidiary undertakings are rewarded with shares issued by the Parent Company, a capital contribution is recorded in the subsidiary, with a corresponding increase in the investment in the Parent Company.

Warrants

Where warrants have been issued together with Ordinary shares, the proportion of the proceeds received that relates to the warrants is credited to reserves.

Where warrants have been issued as recompense for services supplied, the fair value of warrants is charged to the Group statement of comprehensive income over the period the services are received and a corresponding credit is made to reserves.

Intangible assets

Intangible assets relating to licence fees have infinite lives and are not amortised but are tested for impairment annually. Intangible assets relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historical cost less accumulated amortisation and any provision for impairment. Milestone payments associated with these rights are capitalised when incurred. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested for impairment annually or more frequently, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No amortisation other than historical impairment has been charged to date as the products underpinned by the intellectual property rights are not yet available for commercial use.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual periods used for this purpose are:

Plant and equipment	3–8 years
Computer equipment	3–5 years

The residual values and estimated useful lives are reviewed annually.

Profits or losses on disposal of property, plant and equipment reflect the difference between net selling price and carrying amount at the date of disposal and are recognised in the consolidated income statement.

Investments in subsidiaries

Investments in subsidiaries are shown at cost less any provision for impairment. Any monies paid to subsidiaries are deemed to be a capital contribution.

Current income tax

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

Deferred tax

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

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

Trade and other receivables

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

Bank deposits, cash and cash equivalents

Cash and cash equivalents in the Group and Parent Company statements of cash flows and the Group and Parent Company statements of financial position include cash in hand and deposits with banks with original maturities of three months or less. Bank deposits with original maturities in excess of three months are classed as investments and measured at amortised cost using the effective interest rate method. Bank deposits with maturities between four and 12 months are disclosed within current assets and those with maturities greater than 12 months are disclosed within non-current assets.

The prior year statement of cash flows has been restated due to a reclassification from financing activities to investing activities of a £2.5m cash inflow relating to the maturity of short term investments. This restatement does not impact the opening or closing cash balances.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured and are, when correctly submitted, usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Capital redemption reserve

Section 733 of the Companies Act 2006 provides that where shares of a company are redeemed or purchased wholly out of the Company's profits, or by a fresh issue, the amount by which the Company's issued share capital is diminished on cancellation of the shares shall be transferred to a reserve called the "capital redemption reserve". It also provides that the reduction of the Company's share capital shall be treated as if the capital redemption reserve were paid-up capital of the Company.

Provisions

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

Contractual milestone payments

The Group is expected to incur future contractual milestone payments linked to the future development of its therapeutic programmes. These costs will be recognised as and when a contractual milestone is expected to be achieved.

Accounting developments

The following new standards, new interpretations and amendments to standards and interpretations are applicable for the first time for the financial year ended 31 March 2022. None of them have any impact on the financial statements of the Group:

- Amendments to IFRS 3 'business combinations' IAS 16 'property, plant and equipment' and IAS 38 'provisions, contingent liabilities and contingent assets'; and
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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

- IFRS 17, 'Insurance contracts' as amended in December 2021 (effective 1 January 2023);
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective 1 January 2023);
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023);
- Amendment to IAS 1 – Non current liabilities with covenants (effective 1 January 2024); and
- Amendment to IFRS 16 – Leases on sale and leaseback (effective 1 January 2024).

3. Going concern

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

The goal of the Group is to achieve the commercial validation of the CustomEx™ platform by generating in vivo data aimed at differentiating the platform from that of the Group's competitors. In addition, the plan is to realise value from the Group's other assets via potential out-licencing and/or disposal. The Directors continue to seek opportunities to secure further revenues/funding sufficient for the short to medium term future needs of the business and favourable in vivo data should enhance those opportunities.

As previously noted, in January 2023, the Group undertook a restructuring of the business with the underlying cost base reduced and resources re-aligned to meet the immediate needs of the business. Based on the Directors' base case assessment, the current cash runway is forecast to extend until July 2024, at which point a further capital injection would be required. The base case assessment includes assumed upfront payments over the next 6 to 12 months from potential future partners and collaborators on the Group's exosome platform, IP and legacy assets and potential further equity fund raising. The Directors recognise that not all of these assumed inflows are fully within the control of the Group and Company and have prepared a further severe but plausible downside scenario which excludes these inflows and indicates a cash runway until February 2024.

Based on the forecasts prepared and considered by the Board, the Directors consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements. However, there is no guarantee that attempts to secure adequate cash inflows from the Group's exosome platform, IP and legacy assets or through equity fund raising with the timescales stated above will be successful. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

4. Segment analysis

The Group has identified the Executive Chairman, as the Chief Operating Decision Maker (CODM). The CODM manages the business as one segment, the development of cell-based therapies, and activities and assets are predominantly based in the UK. Since this is the only reporting segment, no further information is included. The information used internally by the CODM is the same as that disclosed in the financial statements.

5. Revenue

	2023 £'000	2022 £'000
Royalty income	136	119
Income associated with development activities	394	284
Total	530	403

Royalty income is derived from the licensed sale of the Group's products to customers in the USA.

Income associated with development activities relates to fees received under research agreements and is generated in the United Kingdom, the USA, the People's Republic of China and South East Asia. At 31 March 2023, an amount of £227,000 (31 March 2022: £320,000) is included in deferred revenue in relation to development contracts, with £320,000 being released from deferred income in the year.

6. Operating expenses

	2023 £'000	2022 £'000
Loss before income tax is stated after charging:		
Research and development costs:		
Employee benefits (note 10)	2,162	2,530
Depreciation of property, plant and equipment (note 14)	160	199
Other expenses	2,141	5,339
Total research and development costs	4,463	8,068
General and administrative costs:		
Employee benefits (note 10)	1,943	2,308
Legal and professional fees	596	504
Depreciation of property, plant and equipment (note 14)	10	25
Depreciation of right-of-use asset (note 15)	97	100
Loss on disposal of fixed assets	–	3
Other expenses	536	623
Total general and administrative costs	3,182	3,563
Total research and development costs and general and administrative costs	7,645	11,631

During the year, the Group obtained services from the Group's auditors and its associates as detailed below:

Services provided by the Group's auditors	2023 £'000	2022 £'000
Fees payable to the Group's auditors:		
– for the audit of the Company and consolidated financial statements	56	25
– for the audit of the Company's subsidiaries pursuant to legislation	46	26
Total	102	51

7. Finance income

	2023 £'000	2022 £'000
Interest receivable on short-term and investment bank deposits	153	29
Foreign exchange gains	325	166
Total	478	195

8. Finance expense

	2023 £'000	2022 £'000
Total: Lease interest	20	25

9. Directors' emoluments

The Directors of the Company have authority and responsibility for planning, directing and controlling the activities of the Group and they, therefore, comprise key management personnel as defined by IAS 24 Related Party Disclosures.

	2023 £'000	2022 £'000
Aggregate emoluments of Directors:		
Salaries and other short-term employee benefits	892	863
Termination costs	150	483
Pension contributions	30	43
	1,072	1,389
Share-based payments	105	293
Directors' emoluments including share-based payments	1,177	1,682

One director (2022: one) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

The Directors exercised no share options during the year (2022: Nil).

For detailed disclosure of Directors' emoluments, including highest paid Director, please refer to the Directors' Remuneration Report on pages 39 to 43.

Directors' emoluments include amounts payable to third parties as described in note 32.

10. Employee information

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

	2023 Number	2022 Number
By activity:		
Research and development	27	29
Administration	7	7
Total	34	36

The headcount reduction following the January 2023 restructuring does not have a material effect on the average headcount for the year.

	2023 £'000	2022 £'000
Staff costs:		
Wages and salaries	2,808	3,164
Termination costs	192	483
Social security costs	375	414
Share-based payment charge	576	649
Other pension costs	154	128
Total	4,105	4,838

The Company holds the employment contracts for the Executive Directors but all employment costs relating to these individuals are incurred by ReNeuron Limited. At 31 March 2023 there were two (2022: one) Executive Directors in office.

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 £154,000 (2022: £128,000). There were no prepaid or accrued contributions to the scheme at the year-end (2022: £Nil).

11. Taxation

	2023 £'000	2022 £'000
UK research and development tax credit at 14.5% (2022: 14.5%)	1,185	1,392
Overseas taxation	(5)	(53)
Adjustments in respect of prior years	69	30
Total tax credit	1,249	1,369

No UK corporation tax liability arises on the results for the year due to the loss incurred.

As a loss-making small and medium sized enterprise, the Group is entitled to research and development tax credits at 14.5% (2022: 14.5%) on 230% (2022: 230%) of qualifying expenditure for the year to 31 March 2023.

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

	2023 £'000	2022 £'000
Loss before income tax	6,657	11,058
Loss before income tax multiplied by the small companies rate of corporation tax of 19% (2022: main rate of 19%)	1,265	2,101
Effects of:		
– difference between depreciation and capital allowances	13	42
– expenses not deductible for tax purposes	(143)	(108)
– losses not recognised	50	(643)
– adjustments in respect of prior year	69	30
Overseas taxes paid	(5)	(53)
Total tax credit	1,249	1,369

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

Following the enactment of the Finance Act 2021, potential deferred taxation has been calculated at 25% (2022: 25%).

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

	Amount not recognised 2023 £'000	Amount not recognised 2022 £'000
Tax effect of timing differences because of:		
Accelerated capital allowances	53	53
Losses carried forward	28,304	27,694
Total	28,357	27,747

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

	Amount not recognised 2023 £'000	Amount not recognised 2022 £'000
Tax effect of timing differences because of:		
Losses carried forward	2,342	2,181

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 and total comprehensive loss for the financial year was £24,539,000 (2022: £64,520,000). The loss in the current year was primarily derived from the impairment of investment in subsidiaries.

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 £5,408,000 (2022: £9,689,000) by 57,125,960 shares (2022: 56,975,677 shares), being the weighted average number of one pence ordinary shares in issue during the year.

Potential dilutive ordinary shares relating to share options are anti-dilutive as they would have decreased the loss per share and are excluded from the calculation of diluted loss per share. Therefore, the weighted average shares outstanding used to calculate both the basic and diluted loss per share are the same.

The weighted average number of diluted one pence ordinary shares (including potential dilutive ordinary shares related to share options) is 58,607,176 shares (2022: 58,751,314 shares).

14. Property, plant and equipment

Group	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2021	1,277	240	1,517
Additions	294	9	303
Reclassification	343	62	405
Disposals	(29)	(94)	(123)
At 31 March 2022	1,885	217	2,102
Accumulated depreciation			
At 1 April 2021	1,071	233	1,304
Charge for the year	200	24	224
Reclassification	367	39	406
Disposals	(29)	(91)	(120)
At 31 March 2022	1,609	205	1,814
Net book amount:			
At 31 March 2022	276	12	288
Cost			
At 1 April 2022	1,885	217	2,102
Additions	201	19	220
Disposals	–	(20)	(20)
At 31 March 2023	2,086	216	2,302
Accumulated depreciation			
At 1 April 2022	1,609	205	1,814
Charge for the year	161	9	170
Disposals	–	(20)	(20)
At 31 March 2023	1,770	194	1,964
Net book amount:			
At 31 March 2023	316	22	338

The Company had no property, plant or equipment at 31 March 2023 (2022: £Nil).

Notes to the Financial Statements

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15. Right-of-use asset

Group	2023 £'000	2022 £'000
At beginning of the year	373	473
Additions	7	–
Depreciation charge	(97)	(100)
At end of the year	283	373

The depreciation charge relating to the Right-of use asset is as follows:

	2023 £'000	2022 £'000
Land and buildings	95	96
Computer and office equipment	2	4
At end of the year	97	100

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

Group	31 March 2023 £'000	31 March 2022 £'000
Land and buildings	278	373
Computer and office equipment	5	–
At end of the year	283	373

Company	31 March 2023 £'000	31 March 2022 £'000
At beginning of the year	373	469
Depreciation charge	(95)	(96)
At end of the year	278	373

The above comprises land and buildings. The associated lease liabilities are set out in note 22.

16. Intangible assets

Group	Licence fees £'000	Intellectual property rights not amortised £'000	Total £'000
At 1 April 2021 and 1 April 2022			
Cost	2,070	6,143	8,213
Impairment	(1,884)	(6,143)	(8,027)
Net book amount at 31 March 2022 and 31 March 2023	186	–	186

The Company holds no intangible assets (2022: £Nil).

17. Investment in subsidiaries

Company	2023 £'000	2022 £'000
At the beginning of the year	17,500	75,000
Increased investment in subsidiaries	5,684	5,338
Capital contribution arising from share-based payments	151	115
Impairment of investments in subsidiaries	(23,335)	(62,953)
Net book amount at 31 March	–	17,500

The Company has invested in ReNeuron Limited to allow it to carry on the trade of the Group. A capital contribution arises where share-based payments are provided to employees of subsidiary undertakings settled with equity to be issued by the Company.

The main element of the Group's funds are raised by ReNeuron Group plc, with funds then being passed to subsidiary companies via intercompany transactions. The resultant intercompany debtor is reclassified to investment in subsidiaries as a capital contribution. At 31 March 2023 the Group's market capitalisation was £5.2 million as determined by the closing share price, which, when taking into account other assets held by the Parent Company, resulted in a further impairment of £23,335,000. The directors consider this to be a reasonable representation of fair value less costs to sell. The Company's investments comprise interests in Group undertakings, details of which are shown below:

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

ReNeuron Limited is the principal trading company in the Group. ReNeuron Inc provides a point of contact with the FDA in the USA and ReNeuron Ireland Limited has been incorporated to enable the Group to maintain a presence in the EU after the United Kingdom's exit, and to mitigate the risks and uncertainties surrounding future relations between the EU and the UK. The other subsidiaries are dormant.

ReNeuron Limited, ReNeuron Holdings Limited and ReNeuron, Inc. are held directly by ReNeuron Group plc. ReNeuron (UK) Limited is held directly by ReNeuron Holdings Limited. ReNeuron Ireland Limited is held directly by ReNeuron Limited. The registered office address for the UK subsidiaries is Pencoed Business Park, Pencoed, Bridgend CF35 5HY. The registered office addresses of the non-UK subsidiaries are:

- ReNeuron Inc., 21/2 Beacon Street, Concord, New Hampshire 03301-4447; and
- ReNeuron Ireland Limited, The Black Church, St Mary's Place, Dublin 7, Ireland D07 P4AX.

Notes to the Financial Statements

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18. Trade and other receivables

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Current				
Other receivables	226	164	26	5
Prepayments and accrued income	274	372	–	–
Total trade and other receivables	500	536	26	5

The classes within trade and other receivables do not include impaired assets. Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

19. Investments – bank deposits

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Deposits with an original maturity at four to 12 months:				
Current asset investments	1,000	5,000	1,000	5,000

The £1,000,000 bank deposit at 31 March 2023 matured in May 2023 and is now deemed to be classified as cash and cash equivalents.

20. Cash and cash equivalents

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Cash at bank and in hand	6,153	9,548	5,616	8,153

21. Trade and other payables

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Trade payables	319	734	–	3
Taxation and social security	96	103	–	–
Accruals and deferred income	3,752	6,036	–	–
Total payables falling due within one year	4,167	6,873	–	3

Amounts owed by the Company to Group undertakings were not interest-bearing and had no fixed repayment date. Trade payables are unsecured and are usually paid within 35 days of recognition. Included within accruals and deferred income are government grants of £457,000 (2022: £457,000).

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

22. Lease liabilities

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Current lease liabilities	153	146	151	146
Non-current lease liabilities	268	416	265	416
Total lease liability	421	562	416	562

The associated right-of-use asset is set out in note 15.

Maturity of lease liabilities

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

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Less than one year	168	165	165	165
One year to two years	168	165	165	165
Two years to three years	110	165	110	165
Three years to four years	–	110	–	110

The interest expense on lease liabilities in the years ended 31 March 2023 and 31 March 2022 is shown in note 8.

Other information

The principal lease commitment is in respect of the lease of offices and laboratories in Pencoed. The ten-year lease was signed by the Company with the Welsh Ministers on 11 February 2016 for the offices and laboratory space in new premises in Pencoed, South Wales, with the initial rent being reduced over the first three years. The incremental borrowing rate for the lease is 3.8%.

23. Financial risk management

Capital management

The Group's key objective in managing its capital is to safeguard its ability to continue as a going concern. In particular, it has sought and obtained equity funding alongside non-dilutive grant support commercial partnerships and collaborations to pursue its programmes. The Group strives to optimise the balance of cash spend between research and development and general and administrative expenses and, in so doing, maximise progress for all pipeline products.

Risk

The financial risks faced by the Group include liquidity and credit risk, interest rate risk and foreign currency risk.

Liquidity and credit risk

The Group seeks to maximise the returns from funds held on deposit balanced with the need to safeguard the assets of the business.

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

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

At 31 March 2023 and 31 March 2022, no current asset receivables were aged over three months. No receivables were impaired or discounted.

The Group's cash and cash equivalents and bank deposits are analysed below according to the credit ratings of the deposit holding financial institutions:

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
F1/P-1	4,153	9,548	3,616	8,153
F2/P-1	3,000	5,000	3,000	5,000

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

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

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Trade and other payables due within 12 months	4,071	6,770	–	3
Current lease liabilities – due within one year	153	146	151	146
Non-current lease liabilities – due after more than one year	268	416	265	416
	4,492	7,332	416	565

The undiscounted cash flows for leases are shown in note 22, trade and other payables exclude taxation and social security and are not discounted.

Interest rate risk

A portion of the Group's cash resources are placed on fixed deposit, with an original term of between three and 12 months, to secure fixed and higher interest rates. The Directors do not currently consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates.

Foreign currency risk

The Group holds part of its cash resources in US dollars and euros to cover payments committed in the immediate future. At 31 March 2023, cash of £1,114,000 (2022: £4,213,000) was held in these currencies. Creditors of the Group include £1,400,000 (2022: £429,000) denominated in US dollars and £66,000 (2022: £149,000) denominated in euros. Of the Group's debtors, £nil (2022: £6,000) is denominated in euros. The remainder are denominated in pounds sterling.

At 31 March 2023, if pounds sterling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the recalculated post-tax loss for the year would have been £31,000 (2022: £156,000) higher/lower.

At 31 March 2023, if pounds sterling had weakened/strengthened by 5% against the euro with all other variables held constant, the recalculated post-tax loss for the year would have been £14,000 (2022: £25,000) higher/lower.

The Group has not entered into forward currency contracts.

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

	Group		Company	
Currency	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Pounds sterling	5,039	5,335	4,828	2,999
US dollars	778	3,548	523	4,645
Euros	336	665	265	509
	6,153	9,548	5,616	8,153

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

	Group		Company	
Currency	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Pounds sterling	1,000	5,000	1,000	5,000

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair value of the Group's and the Company's financial assets and liabilities measured at amortised cost at 31 March. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest.

	31 March 2023		31 March 2022	
Group	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Investments – bank deposits	1,000	1,000	5,000	5,000
Cash at bank and in hand	6,153	6,153	9,548	9,548
Trade and other receivables excluding prepayments and accrued income	226	226	164	164
Trade and other payables excluding taxation and social security and accruals and deferred income	319	319	734	734
Lease liabilities	421	421	562	562

Company	31 March 2023 Book value £'000	31 March 2023 Fair value £'000	31 March 2022 Book value £'000	31 March 2022 Fair value £'000
Investments – bank deposits	1,000	1,000	5,000	5,000
Cash at bank and in hand	5,616	5,616	8,153	8,153
Receivables: current	26	26	5	5
Trade and other payables	–	–	3	3
Lease liabilities	416	416	562	562

24. Share capital and share premium

	Number of shares	Issued and fully paid share capital £'000	Share premium £'000	Total £'000
Authorised share capital	Unlimited			
At 1 April 2021 shares of 1 pence each	56,855,705	569	113,904	114,473
Issue of new shares – exercise of employee share options	207,918	2	21	23
As at 31 March 2022	57,063,623	571	113,925	114,496
At 1 April 2022 shares of 1 pence each	57,063,623	571	113,925	114,496
Issue of new shares – exercise of employee share options	110,137	1	–	1
At 31 March 2023 shares of 1 pence each	57,173,760	572	113,925	114,497

25. Warrants

Warrant instrument with Novavest Growth Fund Limited

Novavest Growth Fund Limited ("Novavest") 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 (UK) Limited shares acquired by Novavest are exchanged directly for 5,823 Ordinary shares of the Company.

26. Share options

The Group operates share option schemes for Directors and employees of Group companies and specific consultants. Options have been issued through a combination of an Inland Revenue-approved Enterprise Management Incentive (EMI) scheme and Company Share Option Scheme (CSOP).

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

The awards of share options to Executive Directors and employees of the Group are made in accordance with the Group's previous Deferred Share-based Bonus Plan, its Long-Term Incentive Plans and US Incentive Stock Option Plan. Total options existing over one pence Ordinary shares in companies in the Group as at 31 March 2023 are summarised below. At 31 March 2023, the total outstanding options represented 15.4% of the total shares in issue.

Notes to the Financial Statements

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Scheme name	Number of options at 1 April 2022	Granted during the year	Exercised during the year	Lapsed during the year	Number of options as at 31 March 2023	Note	Weighted average exercise price	Weighted average life
Non-Executive Director Scheme	20,000	–	–	(20,000)	–	1	–	–
2009 Employees' Share Option Plan (EMI)	116,195	–	–	(5,752)	110,443	2	£1.17	1.50
2009 Employees' Share Option Plan	1,256,906	–	–	(234,620)	1,022,286	2	£1.00	1.85
2016 Non-Executive Director Scheme	314,225	1,300,000	(27,867)	(41,158)	1,545,200	3	£0.27	3.46
2018 Employees' Share Option Plan	2,014,628	5,680,000	(82,270)	(1,463,127)	6,149,231	2	£0.20	3.3
	3,721,954	6,980,000	(110,137)	(1,764,657)	8,827,160			

Note 1: These options were issued under the Non-Executive Directors' Scheme and were subject to clinically related performance targets.

Note 2: With the exception of 388,400 options held by current and former Executive Directors, these options were issued subject to performance conditions. These performance conditions may be market related or relating to clinical, scientific or commercial targets. Certain options issued from 2018 on were issued as a parallel option, exercisable either as a tax-advantaged option (with an exercise price equal to the market price on the date of grant) or as a non-tax advantaged option (with an exercise price of one pence).

Note 3: These options were issued under the Group's 2016 Non-Executive Share option Scheme. They vest over three years on a straight-line basis and with the exception of 750,000 options held by Mr Iain Ross, they carry no performance conditions. 750,000 of the options held by Mr. Ross are subject to share price based performance targets.

Fair value charge

Fair value charges for share options have been prepared based on a Black-Scholes model with the following key assumptions:

	Exercise price £	Share price at date of grant £	Risk-free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option £
September 2018 UK Plan	0.01*	0.68	1.60	5	58.9	0.67
February 2019 UK Plan	0.01*	0.53	1.18	5	57.7	0.52
April 2019 UK plan	0.01*	2.16	1.10	5	84.6	2.15
July 2019 UK Plan	0.01*	2.45	0.82	5	86.8	2.44
February 2021 UK Plan	0.01*	1.10	0.49	5	80.4	1.09
October 2021 UK Plan	0.01	1.14	1.20	5	66.6	1.13
October 2021 UK Plan	1.07	1.14	1.20	5	66.6	0.65
July 2022 UK Plan	0.315	0.315	2.06	5	85.3	0.21
February 2023 UK Plan	0.1025	0.1025	3.54	5	70.5	0.06
February 2023 UK Plan	0.315	0.1025	3.54	5	70.5	0.04
February 2023 UK Plan	0.50	0.1025	3.54	5	70.5	0.03

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

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

Notes to the Financial Statements

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The weighted average exercise prices for options were as follows:

	2023		2022	
	Number of options '000	Weighted average exercise price £		Weighted average exercise price £
Outstanding at 1 April	3,722	0.51	4,340	0.40
Granted	6,980	0.25	748	0.47
Exercised	(110)	0.01	(208)	0.11
Lapsed	(1,765)	0.45	(1,158)	0.35
Outstanding at 31 March	8,827	0.32	3,722	0.51
Exercisable at 31 March	1,139	0.88	1,354	0.97

The share price on 31 March 2023 was 9.05 pence (2022: 30.5 pence).

The pattern of exercise price and life is shown below:

	2023 Weighted average remaining life (years)				2022 Weighted average remaining life (years)			
Range of exercise prices	Weighted average exercise price	Number of options	Expected	Contractual	Weighted average exercise price	Number of options	Expected	Contractual
Up to £1.00	£0.31	8,719,410	3.13	8.40	£0.47	3,588,452	2.09	7.41
From £1.01 to £10.00	£1.24	107,750	3.36	8.27	£1.65	133,502	3.09	8.15
Total		8,827,160				3,721,954		

27. Cash used in operations

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loss before income tax	(6,657)	(11,058)	(24,539)	(64,520)
Adjustments for:				
Finance income	(478)	(195)	(479)	(191)
Finance expense	20	25	19	24
Depreciation of property, plant and equipment	170	224	–	–
Depreciation of right-of-use asset	97	100	95	96
Loss on disposal of fixed assets	–	3	–	–
Share-based payment charges	576	649	425	534
Impairment of investment in subsidiary companies	–	–	23,335	62,953
Changes in working capital:				
Receivables	58	(90)	–	–
Payables	(2,706)	1,146	(3)	–
Cash used in operations	(8,920)	(9,196)	(1,147)	(1,104)

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

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Decrease in cash and cash equivalents	(3,720)	(5,321)	(2,864)	(4,057)
Effect of foreign exchange differences	325	166	327	161
Cash inflow from increase in lease liability	(7)	–	–	–
Lease repayments	168	182	165	165
Lease interest	(20)	(25)	(19)	(24)
Net funds at start of year	8,986	13,984	7,591	11,346
Net funds at end of year	5,732	8,986	5,200	7,591

29. Analysis of net funds

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash and cash equivalents	6,153	9,548	5,616	8,153
Lease liabilities	(421)	(562)	(416)	(562)
Net funds	5,732	8,986	5,200	7,591

30. Financial commitments

The Company had no other financial commitments at 31 March 2023 (2022: £Nil).

The Group is expected to incur future contractual milestone payments linked to the future development of its legacy therapeutic programmes. These costs will be recognised when each contractual milestone has been achieved.

31. Contingent liabilities

The Group and Company had no contingent liabilities as at 31 March 2023 (2022: £Nil).

32. Related party disclosures

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

Services provided

Aesclepius Consulting Limited charged fees of £nil (2022: £16,000) in respect of services provided as a Non-Executive Director by Dr Tim Corn.

Notes to the Financial Statements

continued

Directors' purchases of shares

	Ordinary shares of 1p each			
	31 March 2023		31 March 2022	
	Number	Consideration £	Number	Consideration £
Iain Ross	400,000	55,838	–	–
John Hawkins	147,668	14,878	N/A	N/A
Barbara Staehelin	257,000	51,733	43,000	49,950
Catherine Isted	50,000	15,950	–	–

All the above purchases were made on the open market.

Subsequent to the year-end, Barbara Staehelin purchased a further 50,000 shares at an open market price of 8.7p per share, giving total consideration of £4,350.

Parent Company and subsidiaries

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

Company: transactions with subsidiaries	2023 £'000	2022 £'000
Purchases and staff:		
Parent Company expenses paid by subsidiary	1,000	1,100
Transactions involving Parent Company shares:		
Share options	151	115
Cash management:		
Capital contribution to subsidiary	5,684	5,338

Company	2023 £'000	2022 £'000
Year-end balance of investment in subsidiary after impairment	–	17,500

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Share price information
London Stock Exchange AIM ("AIM") symbol: RENE

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

Financial calendar

Financial year-end	31 March 2023
Full year-end results announced	25 May 2023
Annual General Meeting	To be confirmed (prior to 30 September 2023)

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Glossary of Scientific Terms

Adeno associated virus (AAV):
AAV based vectors are small and are generally administered directly to patients into target tissues or into the blood.

They allow expression of the therapeutic protein in cells that generally do not divide such as in the liver, the brain or eye.

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

CAR-T/CAR-NK Cells:
These are T-cells or NK cells that have been modified or engineered to produce proteins on their surface called chimeric antigen receptors (CARs). CAR-T cells main use is as a cancer therapy.

Cell line:
A well characterised cell culture that has been demonstrated to be consistent. Cell lines may comprise a family of cells isolated from a single tissue or organ, or may be clonally derived from a single ancestor cell.

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

CMC:
To appropriately manufacture a pharmaceutical or biologic product, specific manufacturing processes, product characteristics and product testing must be defined in order to ensure that the product is safe, effective and consistent between batches. These activities are known as chemistry, manufacturing and controls (CMC).

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

Cytoplasm:
Clear, gel-like substance that fills the inside of a cell but excluding the nucleus.

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

DNA:
Deoxyribonucleic acid (DNA) is a molecule that carries genetic information.

Ectoderm:
One of the three primary germ layers formed in early embryonic development. It is the outermost layer and differentiates to form epithelial and neural tissues (spinal cord, peripheral nerves and brain).

Endocytosis:
A cellular process in which substances are brought into the cell. The material to be internalised is surrounded by an area of cell membrane, which then buds off inside the cell to form a vesicle containing the ingested material.

Endoderm:
The innermost of the three germ layers, or masses of cells (lying within ectoderm and mesoderm), which appears early in the development of an animal embryo.

Glossary of Scientific Terms

continued

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

FDA:
US Food and Drug Administration (FDA) is responsible for protecting the public health by assuring the safety, effectiveness, quality, and security of human and veterinary drugs, vaccines and other biological products, and medical devices.

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

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

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

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

Induced pluripotent stem cells (iPSC):
iPSCs are cells that are reprogrammed back into an embryonic-like pluripotent state that enables the development of an unlimited source of any type of human cell needed for therapeutic purposes.

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

Lentivirus:
Lentiviral based vectors integrate into patients' cells and give rise to long term expression and can be used in both dividing and non-dividing cells.

Ligand:
A substance that forms a complex with a biomolecule to serve a biological purpose.

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

Mesoderm:
One of the three primary germ layers in the very early embryo. The other two layers are the ectoderm (outside layer) and endoderm (inside layer), with the mesoderm as the middle layer between them.

MHRA:
Medicines and Healthcare products Regulatory Agency (MHRA) is an Executive agency of the Department of Health and Social Care in the United Kingdom which is responsible for ensuring that medicines and medical devices work and are acceptably safe.

Glossary of Scientific Terms

continued

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

Monoclonal antibodies:
Identical antibodies derived from a group of identical cloned cells or from an expression vector. Monoclonal antibodies recognise only one kind of antigen, i.e. they bind to the same site on a protein.

mRNA:
Messenger RNA is a type of single stranded RNA that carries codes from the DNA in a cell's nucleus to the sites of protein synthesis in the cell's cytoplasm. One of the uses of synthetic mRNA is in the development of vaccines.

Nano-sized:
Between One–1000nm in size.

Peptides:
Short chains of between two and 50 amino acids, linked by peptide bonds.

Plasmid:
A small circle of DNA, which can be engineered to introduce genes of interest into cells.

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

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

Proteins:
Large, complex molecules made up of amino acids. Proteins are required for the structure, function and regulation of the body's tissues and organs.

RNA:
Ribonucleic acid (RNA) is a polymeric molecule essential in various biological roles in coding, decoding, regulation and expression of genes.

siRNA (small interfering RNA):
siRNA is a class of double-stranded RNA and non-coding RNA molecules with a length of 18–25 base pairs.

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

TM Domain:
Transmembrane domain.

Viral vectors:
Tools commonly based on viruses used by molecular biologists to deliver genetic material into cells.

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