ReNeuron

pioneering stem cell therapeutics

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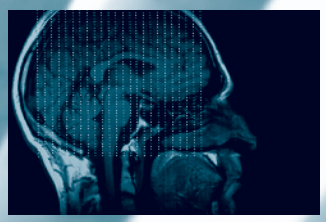
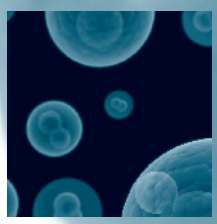
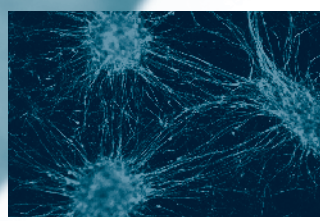
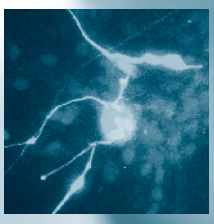








ANNUAL REPORT & ACCOUNTS 2011

ReNeuron

pioneering stem cell therapeutics

ReNeuron in Summary

- We are a leading, clinical-stage stem cell business. Our primary objective is the development of novel stem cell therapies targeting areas of significant unmet or poorly met medical need.
- We have used our unique stem cell technologies to develop cell-based therapies for significant disease conditions where the cells can be readily administered "off-the-shelf" to any eligible patient without the need for additional drug treatments. Our lead therapeutic candidate is our ReN001 stem cell therapy for the treatment of patients left disabled by the effects of a stroke. This treatment is currently in clinical development. We are also developing stem cell therapies for other conditions such as peripheral arterial disease, a serious and common side effect of diabetes, and blindness-causing diseases of the retina.
- We have also developed a range of stem cell lines for non-therapeutic applications – our *ReNcell®* products for use in academic and commercial research. Our *ReNcell®CX* and *ReNcell®VM* neural cell lines are marketed worldwide under license by USA-based Merck Millipore.
- ReNeuron's shares are traded on the London AIM market under the symbol RENE.L. Further information on ReNeuron and its products can be found at www.reneuron.com

Contents

Operational Highlights

- Commencement of landmark PISCES clinical trial of ReN001 stem cell therapy for stroke:
  - First dose cohort of three patients now treated with no safety issues arising
  - Data Safety Monitoring Board to review first dose cohort follow-up data in August
  - Clinical protocol amendments approved to widen patient eligibility criteria
  - Additional efficacy evaluation measures planned based on early observations in first dose cohort
- Emerging data from PISCES trial and extensive pre-existing data package drives decision to accelerate testing of ReNeuron's lead *CTX* stem cell line in other categories of stroke and other major neurological conditions including Alzheimer's disease
- Further positive pre-clinical efficacy data presented with ReN009 stem cell therapy for peripheral arterial disease
- License agreement recently signed with US-based Schepens Eye Research Institute to develop and commercialise ReN003 retinal stem cell therapies
- Applications to commence clinical trials planned across all of the Company's therapeutic programmes in second half of 2012 to build emerging clinical pipeline of high value stem cell therapies
- Further pre-clinical data presented regarding the multiple mechanisms by which *CTX* stem cells may promote recovery from brain damage caused by stroke and other conditions
- Stem cell contract manufacturing arrangements expanded through deal with NHS Blood and Transplant, with further cell manufacturing deals planned in the US
- Senior management strengthened, with further hires at senior management and non-executive Board level

Financial Highlights

- Share placing and share subscription in the year raised £10 million, before expenses, providing pre-clinical and clinical development funding for core therapeutic programmes to late 2012
- Loss for the year increased to £6.1 million (2010: £3.6 million pre-exceptional items; £5.9 million post-exceptional items), reflecting initial clinical costs in stroke programme, increased late pre-clinical activity on other core therapeutic programmes and non-recurring legal and professional fees
- Cash used in operations increased to £5.5 million (2010: £3.3 million), reflecting the above cost increases
- Cash and cash equivalents at 31 March 2011 of £9.7 million (2010: £5.5 million), reflecting the above financing activities

CHAIRMAN'S AND CHIEF EXECUTIVE'S JOINT STATEMENT

Review of Operations

ReN001 stem cell therapy for stroke

During the year, we commenced our landmark first-in-man clinical trial of our ReN001 stem cell therapy for stroke disability, the most significant milestone in the Company's history thus far. The PISCES study (Pilot Investigation of Stem Cells in Stroke) is the world's first fully regulated clinical trial of a neural stem cell therapy for disabled stroke patients. ReNeuron is the first company to have received regulatory approval for any stem cell-based clinical trial in the UK. The trial is being conducted in conjunction with the University of Glasgow and through NHS Scotland at the Institute of Neurological Sciences, Southern General Hospital, Greater Glasgow and Clyde NHS Board.

In this Phase I single administration dose escalation study, our ReN001 stem cell therapy is being administered to a total of 12 stroke patients who have been left disabled by an ischaemic stroke, the most common form of the condition. The aim of the study is to test the safety and tolerability of the treatment in progressive doses while evaluating efficacy measures for the design of future clinical trials with ReN001, including structural and functional MRI imaging measures as well as a number of tests of sensory, motor and cognitive functions.

The first dose cohort of three patients in the PISCES clinical trial has been treated with ReN001. All three patients were safely discharged from hospital two days after the straightforward neurosurgical procedure used to administer the ReN001 cells. To date, the first patient has been assessed at six months post-treatment, the second patient at three months and the third patient at one month. All three patients remain well, with no cell-related adverse events reported. The independent Data Safety Monitoring Board (DSMB) for the clinical trial is expected to review data from the first dose cohort in late August when the third patient has reached his three month assessment point and we will give a further update at that time. Although the PISCES clinical trial is still at a relatively early stage, we are greatly encouraged by the progress of the patients in the trial to date.

Furthermore, since the commencement of the trial, we have been able to agree a number of amendments to the clinical trial protocol with the regulatory authorities, including approval to broaden the eligibility criteria in the trial to capture more potential participants. We will continue to work with the regulatory authorities to further refine the protocol as the clinical trial progresses. In particular, and based on early observations in the first dose cohort, we intend to seek approval to introduce additional and more frequent efficacy evaluation measurements of the patients in the clinical trial.

Assuming the DSMB gives approval for the trial to move on to a higher dose cohort as a result of their review of the data from the first dose cohort, we expect that this higher dose cohort of three further patients will have been treated by the end of this year, assuming no significant recruitment delays. The remaining dose cohorts in the PISCES clinical trial are expected to be treated over the course of 2012, by which point we intend to have discussed and agreed our subsequent clinical development strategy for ReN001 with the relevant regulatory authorities both in the UK and beyond. Subject to ongoing regulatory interactions and a continuation of encouraging data emanating from the PISCES clinical trial, we intend to pursue an accelerated clinical development pathway with ReN001, focusing on particular stroke patient groups who are expected to most benefit from the therapy.

As a consequence of the commencement of the PISCES clinical trial, both ReNeuron's Guildford facility and the clinical site in Glasgow were recently the subject of a routine GCP (Good Clinical Practice) inspection by the MHRA GCP Inspectorate. We were delighted by the small number of findings in the inspection report, all of which were non-critical in nature and are readily addressable. The inspectors were also kind enough to compliment the Glasgow team in particular on their professionalism in the conduct of the trial and the high quality of the clinical trial documentation.

Other therapeutic programmes

Our knowledge of the mechanisms of action of our lead *CTX* stem cell line, together with the extensive pre-clinical data already generated with this cell line and the encouraging early data emerging from the PISCES stroke trial, have driven our decision to accelerate the testing of this cell line in earlier phases of ischaemic stroke damage and in other major neurological conditions such as Alzheimer's disease where we believe those mechanisms of action may also be relevant. This is with a view to commencing further clinical trials in these indications as quickly as possible, thereby taking full advantage of the data we have, and will continue to generate, regarding the *CTX* cell line.

Our ReN009 stem cell therapy for peripheral arterial disease (PAD) continued to make good progress along its pre-clinical development pathway during the year. PAD is a chronic and debilitating disease that progressively restricts blood flow in the limbs, causing cramping, chronic pain and, in extreme cases, loss of limb. The disease is commonly associated with other conditions such as diabetes, obesity and stroke. At least 1 in 20 people over the age of 50 have some degree of PAD and it becomes more common with increasing age.

During the year, our academic collaborators on the ReN009 programme at the Bristol Heart Institute presented further positive pre-clinical efficacy data with ReN009 at the prestigious American Heart Association Scientific Sessions 2010 in Chicago. The study presented showed that our CTX stem cell line produced a significant and dose-dependent recovery of blood flow to the ischaemic limb in a recognised diabetic mouse model of hind limb ischaemia, a result consistent with that seen in earlier pre-clinical studies. We are in the process of refining the cryopreserved *CTXcryo*™ cell formulation that we intend to use clinically in this indication. We have received guidance from regulatory authorities in both the UK and the US regarding the ReN009 programme and, based on this, we are progressing the remaining pre-clinical studies and cGMP cell manufacturing campaign necessary to complete the regulatory data package to be submitted for clinical trial approvals in due course.

We also made good progress in the year with our ReN003 stem cell therapy programme focused on diseases of the retina. This programme is being conducted in collaboration with the Schepens Eye Research Institute at Harvard Medical School. Schepens recently announced that it is to join forces with the Massachusetts Eye and Ear Infirmary in Boston, US, to create the world's largest pre-clinical and clinical ophthalmology research centre. We have been collaborating with Schepens in the early development of our human retinal precursor cells (hRPCs). Based on the successful results of this initial collaboration, we recently announced the signing of a patent and know-how license agreement with Schepens through which ReNeuron has secured the relevant intellectual property rights to develop and commercialise its hRPCs in the field of human retinal stem cell therapeutics.

We are continuing to collaborate closely with the Schepens to take our ReN003 programme through late pre-clinical development and into an initial clinical trial in patients suffering from retinitis pigmentosa, a blindness-causing disease caused by degeneration of the photoreceptor cells in the retina. Researchers at Schepens have already published data describing the ability of the hRPCs to integrate with host retinal tissue in rodent models of damaged retina and differentiate into the light-sensitive rod cells found in healthy retina. Subsequently, a novel and highly efficient proprietary cell expansion process has recently been optimised which does not involve genetic modification or other similar manipulation of the hRPCs. We are currently using this expansion technology to grow and bank clinical-grade hRPCs to the quantities required for future clinical studies.

The initial phase of ReNeuron's collaboration with Schepens has benefited from an industrial grant from a major US specialty healthcare company and ReNeuron intends to build upon this programme-specific funding as further late pre-clinical data emerges over the coming months. Importantly, although retinitis pigmentosa is the initial target disease, the hRPCs developed in the programme will almost certainly be applicable as cell therapy candidates for other blindness-causing diseases, such as age-related macular degeneration and diabetic retinopathy.

Subject to the results of further pre-clinical studies, clinical data from the PISCES stroke trial and further regulatory interactions, we expect to be in a position in the latter part of 2012 to file a number of new applications to commence clinical trials across all of our current development programmes using both *CTX* neural stem cells and hRPC retinal stem cells. As a result, we intend to prioritise these development programmes as necessary when further data emerges over the coming year. This approach will ensure that our resources are focused on a clinical pipeline of stem cell therapies offering the highest potential for clinical benefit and subsequent commercial development partnerships and value realisation for the business.

Other activities

During the year, we presented new pre-clinical data regarding the mechanisms of action of our *CTX* stem cell line at the UK National Stem Cell Network Annual Scientific Conference in Nottingham, UK. These data built on previously presented research findings regarding the way in which our *CTX* cell line may assist the body's own repair mechanisms in vascular conditions such as stroke and peripheral arterial disease and suggest that a number of repair mechanisms may be at work post-implantation of the cells. The results from one series of studies suggest that the *CTX* cells may play a role in promoting functional recovery from stroke damage in the brain through up-regulation of angiogenesis, a process whereby new blood vessels develop from pre-existing vasculature in the region of ischaemic brain damage. In a series of further studies, the *CTX* cells were seen to inhibit T cell activation, suggesting that the *CTX* cells may act to suppress the inflammatory response associated with brain damage, thereby aiding the natural healing processes in the brain.

In October 2010, we were pleased to be given the opportunity to participate in an important stem cell consortium round-table meeting, hosted by the California Institute of Regenerative Medicine, at which leading businesses and academics in the stem cell field came together with representatives from the FDA to share expertise and gain insights into the challenges involved in taking ground-breaking stem cell therapies through pre-clinical development and into the clinic.

We were also pleased to be able to settle an intellectual property dispute with Neuralstem, Inc. during the year, on terms that fell within our existing financial forecasts.

Shortly after the end of the year, we extended our collaborative activities with the UK National Health Service by signing an agreement with NHS Blood and Transplant (NHSBT) to develop and manufacture our *CTXcryo™* stem cell product to clinical and commercial grade standards. The *CTXcryo™* cell product is a second-generation, cryopreserved formulation of our lead *CTX* stem cell line, enabling the cells to be frozen down for storage and distribution and simply thawed when required at the point of clinical use. We are also currently negotiating contract manufacturing arrangements in the US in order to meet the future clinical development needs of both our *CTX* neural stem cell and hRPC retinal stem cell products.

During the year and subsequently, we have strengthened the Company's management capability in both cell manufacturing development and regulatory affairs. We are also in the process of strengthening our clinical and business development capabilities.

Subsequent to our 2011 preliminary results statement, we announced in July 2011 that we had strengthened our Board by the appointment of two further non-executive directors, John Berriman and Simon Cartmell. Their biographies are included in this annual report. We also announced at that time that Bryan Morton, a non-executive director since 2008, is to become Chairman, effective from 1st August 2011. Professor Trevor Jones will step down as Chairman at that time and will establish and chair a Scientific and Strategic Group to advise and assist the Company on strategic matters relating to its scientific and commercial agenda: in particular, the future direction of stem cell and cell replacement theory, links to academic and industrial organisations and relationships with government bodies, the media and the public, both in the UK and internationally. Professor Jones will remain a non-executive director of the Company pending the establishment of the Advisory Group.

Funding

In December 2010, we announced that the Company had raised £10 million, before expenses, by means of an over-subscribed share placing to new and existing investors and a share subscription by the Directors of the Company. As a result of this financing, we expect our existing cash resources will be sufficient to support current operations into the final quarter of 2012. Consequently, the going concern basis has been adopted in the preparation of these financial statements.

Summary of results

In the year to 31 March 2011, revenues were £29,000 (2010: £31,000), representing royalty income from the Group's non-therapeutic licensing activities.

Operating expenses were £6.8 million in the year (2010: £4.0 million before exceptional items; £6.3 million post-exceptional items). Research and development expenditure increased in the year to £3.8 million (2010: £2.1 million before exceptional items; £4.4 million post-exceptional items), due principally to an increase in costs relating to the ReN001 stroke programme arising from commencement of the PISCES clinical trial and also increases in pre-clinical development costs associated with the ReN009 peripheral arterial disease programme. General and administrative costs increased in the year to £3.1 million (2010: £1.9 million), due principally to non-recurring litigation costs associated with running and subsequently settling the intellectual property dispute with Neuralstem, Inc.

Other operating income of £135,000 (2010: £34,000) represents grant income received during the year. Interest received increased in the year to £29,000 (2010: £11,000) as a result of higher levels of cash held on deposit during the year. Interest costs decreased to £2,000 in the year (2010: £12,000).

The Group accrued a research and development tax credit of £0.49 million during the year (2010: £0.37 million), reflecting the increases in clinical and pre-clinical activity noted above.

As a result of the above income statement movements, the post-tax loss for the year increased to £6.1 million (2010: £3.6 million pre-exceptional items; £5.9 million post-exceptional items). The basic and fully-diluted loss per share decreased to 1.3p in the year (2010: 1.8p) due to a higher weighted average number of ordinary shares in issue during the year as a result of the Group's equity-based fundraising activities.

Net cash used in operations increased in the year to £5.5 million (2010: £3.3 million), due principally to the increase in cash-based operating expenses in the year, partly mitigated by an improved working capital position.

As a result of the above cash flow movements and financing activities in the year, the Group had cash and cash equivalents totalling £9.7 million as at 31 March 2011 (2010: £5.5 million).

Summary and outlook

The year under review has been a landmark one for ReNeuron. The commencement of patient dosing in the PISCES clinical trial of our ReN001 stroke therapy has placed ReNeuron at the forefront of the development of treatments for disabled stroke patients using neural stem cells. The therapy appears to be well-tolerated by the first dose cohort of patients in the clinical trial and we look forward to providing further updates later in the year.

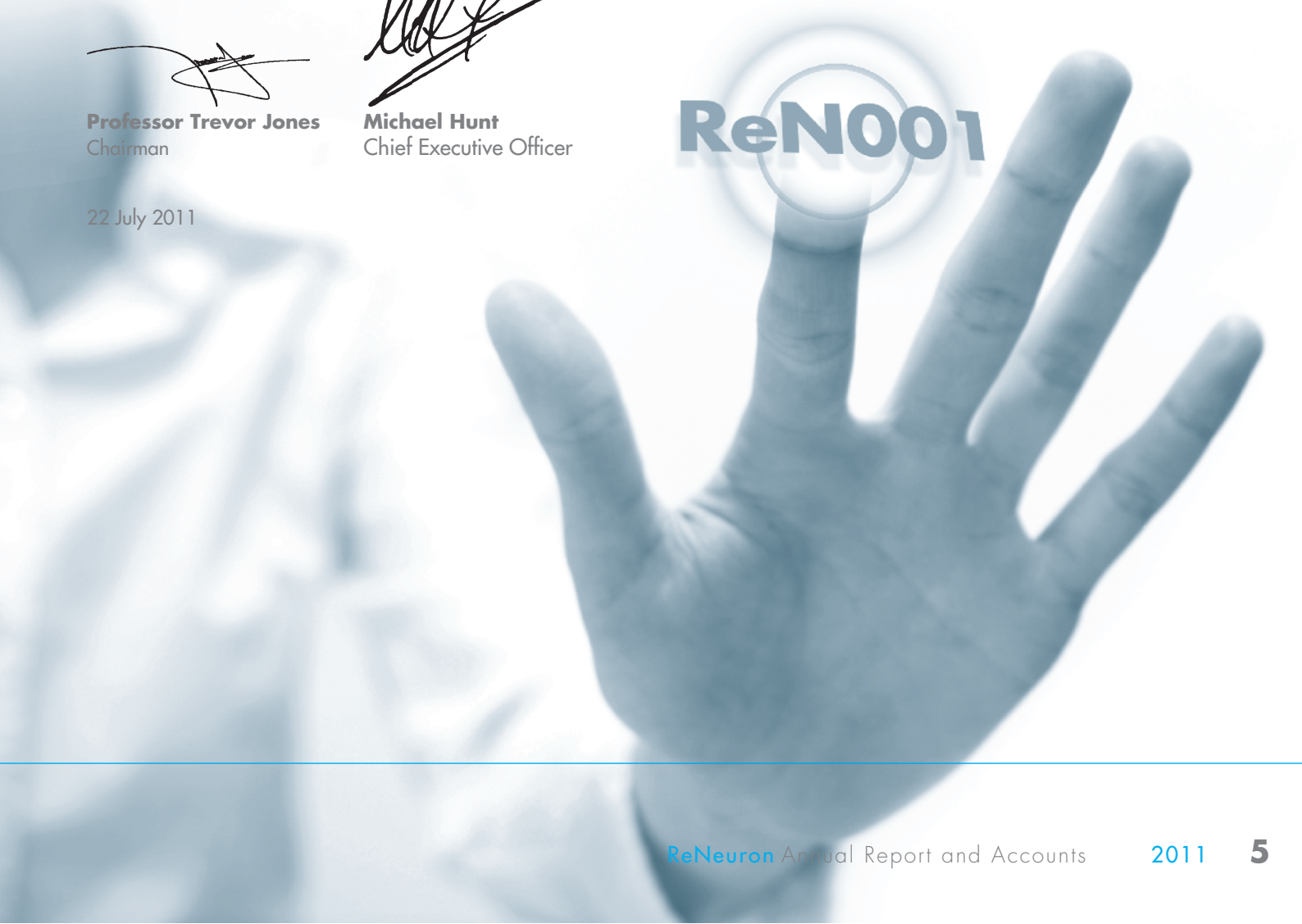
Our other core therapeutic programmes continue to make good progress towards the clinic and we are pursuing further opportunities to exploit the therapeutic potential of our lead *CTX* stem cell line in other neurological conditions. As we gather further clinical data from the PISCES stroke trial over the coming year and complete the pre-clinical development of our other therapeutic programmes, we intend to focus our resources on an emerging clinical pipeline of stem cell therapies offering the greatest potential for clinical benefit, commercial development and consequent value generation for the business.

On page 56 of this report is the notice of the 2011 Annual General Meeting (the AGM) to be held at 10:00 am on 15 September 2011. A short explanation of the resolutions to be proposed at the AGM is set out on page 59. The directors recommend that you vote in favour of the resolutions to be proposed at the AGM, as they intend to do in respect of their own beneficial holdings of ordinary shares. At the end of this document is a form of proxy for use in connection with the AGM which, if you wish to vote by way of proxy at the meeting, should be completed and returned to the Company's registrars in accordance with the instructions set out therein so as to be received not less than 48 hours prior to the AGM.

Professor Trevor Jones
Chairman

Michael Hunt
Chief Executive Officer

22 July 2011



Our vision and strategy

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

Our principal strategy is to gain clinical validation for our cell therapy programmes via well-designed clinical trials in well-regulated territories. Ultimately, we expect to realise value for our technologies and therapeutic programmes via out-license to commercial development partners at the appropriate points in their development. In order to achieve these objectives, we work closely with a number of key academic and industrial partners while continuing to maintain tight control over our financial resources.

Our platform technologies

ReNeuron's stem cell products are derived from non-embryonic human tissue sources. Our stem cell therapy programmes have been built around our unique and highly efficient stem cell expansion technology. This platform enables, from a single tissue sample, the growth of selected human stem cells into banks of quality-assured stem cell lines. These stem cell lines contain enough stem cells to treat many hundreds of thousands of potential patients. This capability has enabled us to focus on developing off-the-shelf, or allogeneic, stem cell treatments addressing diseases with large patient populations. The stem cell expansion process is fully regulated by way of a chemically induced safety switch so that cell growth can be arrested before implantation of the stem cells into the patient.

Using our cell expansion technology, we are able to readily scale-up our stem cell lines for clinical and commercial use without the need to re-derive those cell lines from an earlier, non-quality assured prototype. This gives ReNeuron a significant competitive advantage in terms of the time and expense in moving a potential stem cell therapy through a clinical development programme.

We have also developed a unique screening platform that enables the selection of optimal stem cell lines for further development as a treatment for the relevant disease. Selection criteria during cell screening include cell phenotype, ability to expand into large-scale culture, and capacity to engraft in the relevant disease model with minimal immune rejection by the host.

The results of pre-clinical testing of our various technologies and stem cell products have been published in nine peer-reviewed scientific journals to date.

Our products

We have used our cell expansion and screening technologies to develop "off-the-shelf" stem cell therapies for serious conditions such as stroke where the patient populations are significant and where few if any alternative treatments exist. Unlike conventional drug treatments which typically address the symptoms of disease, the potential of stem cell treatments such as ours is to address the underlying causes of the target disease. Our stem cell treatments have been shown in pre-clinical testing to stimulate natural repair mechanisms in the organs affected by the disease in question, leading to a reduction in the functional impairments associated with the disease.

Our lead therapeutic candidate is our ReN001 stem cell therapy for the treatment of patients left disabled by the effects of a stroke. This treatment is currently in clinical development. We are also developing stem cell therapies for other conditions such as peripheral arterial disease, a serious and common side effect of diabetes, and blindness-causing diseases of the retina.

Our stem cell therapies for stroke and peripheral arterial disease utilise our lead *CTX* neural stem cell line. The characteristics of this cell line give ReNeuron some distinct technical and competitive advantages in the field. The *CTX* cell line has been taken through a full manufacturing scale-up and quality-testing process. As such, it represents a standardised, clinical and commercial-grade cell therapy product capable of treating all eligible patients presenting with the diseases targeted, without the need for additional immunosuppressive drug treatments. The *CTX* cells that are being used in the ongoing PISCES Phase I clinical trial with ReN001 in disabled stroke patients have been taken from the existing manufactured cell banks that will form the basis of the eventual marketed product. There will therefore be no need to re-derive and test new cell lines for subsequent ReN001 clinical trials of for the market – all such cells can simply be expanded from the existing banked and tested product.

We have also developed a range of stem cell lines for non-therapeutic applications – our *ReNcell®* products for use in academic and commercial research. Our *ReNcell®CX* and *ReNcell®VM* neural cell lines are marketed worldwide under license by USA-based Merck Millipore.

ReN001 for stroke

A stroke occurs when blood flow leading to, or in, the brain is blocked (ischaemic stroke) or a blood vessel in the brain ruptures (haemorrhagic stroke), which can result in damage to the nerve cells in the brain and a loss of bodily functions. Stroke is the third largest cause of death and the single largest cause of adult disability in the developed world. Over 150,000 people suffer a stroke each year in the UK, and over 700,000 people in the US. Approximately 80% of these strokes are ischaemic in nature. Our ReN001 stem cell therapy seeks initially to treat those patients who have suffered an ischaemic stroke and have been left disabled by it. These patients constitute approximately one half of stroke survivors.

The annual health and social costs of caring for disabled stroke patients is estimated to be in excess of £5 billion in the UK, with stroke patients occupying 25 per cent of long term hospital beds. In the US, the annual direct and indirect costs of stroke are estimated to be in excess of US$50 billion. The type of stroke treatment a patient should receive depends on the stage of disease. Generally there are three treatment stages of stroke:

Prevention – treatments to prevent a first or recurrent stroke are based on treating associated risk factors, e.g. high cholesterol, smoking and diabetes;

Treatment – immediately after the stroke; acute-phase stroke treatments attempt to arrest a stroke whilst it is happening by dissolving the blood clot that has caused the infarct; and

Post stroke rehabilitation – the aim of post stroke rehabilitation is to improve both functional and cognitive recovery in the patient some weeks or months after the stroke event.

It is this third treatment stage that our ReN001 stem cell therapy seeks to address. A number of treatments exist or are in development to treat stroke patients in the acute phase. However, there are currently no therapies available for patients who have a stable and fixed neurological deficit following a stroke. Our ReN001 cell therapy, which uses our lead *CTX* neural cell line, has been shown to reverse the functional deficits associated with stroke disability when administered several weeks after the stroke event in relevant pre-clinical models. Extensive pre-clinical testing also indicates that the therapy is safe, with no adverse safety effects arising from the administration of the cells. Clinically, the potential of the ReN001 treatment is to engender a degree of recovery of function in disabled stroke patients sufficient to give them an improved quality of life and a reduced reliance on health and social care.

A ground-breaking first-in-man clinical trial with ReN001, the PISCES study, is underway in the UK.

Data sources: UK Stroke Association; American Stroke Association

The PISCES clinical trial in disabled stroke patients

The PISCES study (Pilot Investigation of Stem Cells in Stroke) is the world's first fully regulated clinical trial of a neural stem cell therapy for disabled stroke patients. ReNeuron is the first company to have received regulatory approval for any stem cell-based clinical trial in the UK.

The PISCES clinical trial is being conducted in Scotland at the Institute of Neurological Sciences, Southern General Hospital, Greater Glasgow and Clyde NHS Board. In this Phase I single administration dose escalation safety study, ReNeuron's ReN001 stem cell therapy is being administered to a total of 12 stroke patients who have been left disabled by an ischaemic stroke, the most common form of the condition. The Principal Investigator for the trial is Professor Keith Muir, SINAPSE Professor of Clinical Imaging, Division of Clinical Neurosciences at the University of Glasgow. The aim of the clinical trial is to evaluate the safety of the implantation technique and to establish the side effect profile associated with the implantation of ReN001 stem cells in patients who have suffered an ischaemic stroke.

Patients in the PISCES trial will be followed up over a two year period. Ongoing monitoring of the patients will also continue in the longer term following the two year end-point. Although the primary endpoints of the clinical trial relate to the safety and tolerability of the ReN001 treatment, a number of clinical assessments of the patients in the trial will be made to evaluate changes in both motor and cognitive function over time. We hope to use these potential efficacy measures in the design of subsequent clinical studies where efficacy of the treatment would be the primary endpoint.

The first dose cohort of three patients in the PISCES clinical trial have been successfully treated with ReN001 with no acute safety issues arising. All three patients were discharged two days after their respective treatments and are back in their local communities in the Greater Glasgow area. The Data Safety Monitoring Board for the trial is expected to review data from this first dose cohort in late August and, all being well, give approval for the trial to move on to a higher dose cohort at that time. We therefore expect that this higher dose cohort of three further patients would have been treated by the end of this year assuming no significant recruitment delays.

The remaining dose cohorts in the PISCES clinical trial are expected to be treated in 2012, at which point we intend to have discussed and agreed our subsequent clinical development strategy for ReN001 with the relevant regulatory authorities both in the UK and beyond.

Other therapeutic programmes

Beyond ReN001 for stroke, our other cell therapy programmes are at the research or pre-clinical stages of development. Our ReN009 stem cell therapy is being developed as a treatment for peripheral arterial disease, a serious and common side-effect of diabetes. Our ReN003 programme for blindness-causing diseases of the retina is partnered with the Schepens Eye Research Institute (an affiliate of Harvard Medical School in Boston, USA). This programme is initially focused on retinitis pigmentosa, a disease leading to progressive loss of vision due to loss of the photoreceptor cells found in the retina.

We are also exploring the clinical potential of our lead *CTX* stem cell line in other categories of the stroke patient population and in other neurological conditions, such as Alzheimer's disease, where the mechanisms of action of the cells may be relevant. This is with a view to commencing further clinical trials in these indications as quickly as possible, based on the very significant pre-clinical safety and efficacy data package already in existence with the *CTX* cells, as well as the emerging early clinical data from the PISCES stroke clinical trial, in which the *CTX* cells are being used clinically.

Directors

Professor Trevor Jones CBE, Non-executive Chairman
Michael Hunt, Chief Executive Officer
Dr John Sinden, Chief Scientific Officer
John Berriman, Non-executive Director (appointed 19 July 2011)
Simon Cartmell, Non-executive Director (appointed 19 July 2011)
Mark Docherty, Non-executive Director
Dr Paul Harper, Non-executive Director
Bryan Morton, Non-executive Director

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Professor Trevor Jones CBE Ph.D. DSc FKC FPS FRSC Hon FRCP FBPharmcolS, Non-executive Chairman
Professor Trevor Jones has been Chairman of the ReNeuron Group since February 1999. He was formerly Director General of the Association of the British Pharmaceutical Industry (ABPI), and was, until 1994, Research & Development Director at Wellcome plc. He has been awarded honorary doctorates and Gold Medals from six universities; he has fellowships from Kings College London, the Royal Society of Chemistry, the Royal Pharmaceutical Society of Great Britain, the British Pharmacological Society, the Royal College of Physicians and its Faculty of Pharmaceutical Medicine. He is a founder member of the Geneva-based public/private partnership, the Medicines for Malaria Venture and in 2004 he was appointed to the World Health Organisation Commission on Innovation and Public Health Organisation on Intellectual Property Rights Health. He was for 12 years a member of The UK Government regulatory agency, The Medicines Commission. He sits on the Boards of a number of life science companies including Allergan, Inc. and Sigma-Tau S.p.A. Aged 68.

Michael Hunt BSc ACA, Chief Executive Officer
Michael Hunt joined ReNeuron as Chief Financial Officer and was appointed Chief Operating Officer in September 2003 and Chief Executive Officer in July 2005. Prior to ReNeuron, he spent six years at Biocompatibles International plc (sold to BTG plc) where he held a number of senior financial and general management positions. His early industrial career was spent at Bunzl plc. He sits on the BioIndustry Association's Cell Therapy and Regenerative Medicine Advisory Committee and its Finance and Tax Advisory Committee. He is a Senior Industry Group member of the UK Government's Office for Life Sciences and a member of the UK Technology Strategy Board's RegenMed Advisory Group. He read economics at University College London and qualified as a chartered accountant with Ernst & Young in London. Aged 48.

Dr John Sinden BA MA Ph.D., Chief Scientific Officer
Dr Sinden is a scientific co-founder of ReNeuron. Prior to joining ReNeuron as Chief Scientific Officer in October 1998, he was Reader in Neurobiology of Behaviour at the Institute of Psychiatry at Kings College London. He graduated in Psychology from the University of Sydney and completed a Ph.D. in Neuroscience from the University of Paris at the College de France. He subsequently held post-doctoral appointments at Oxford University and the Institute of Psychiatry prior to joining the permanent staff of the Institute in 1987. He is a member of the Royal Society of Medicine, the Society for Neuroscience and the International Society for Cellular Therapies. He sits on the Industry Committee of the International Society for Stem Cell Research, the Scientific Advisory Board of the Minda de Gunzburg Center for Ocular Regeneration, Schepens Eye Research Institute at Harvard Medical School, and the Expert Working Group on Cell and Gene Therapies for the Bioindustry Organization BioSafe Committee. Aged 60.

John Berriman BEng MBA, Non-executive Director
John Berriman was appointed to the Board in July 2011. He is the Chairman of Heptares Therapeutics Ltd, Pronota NV and past Chairman (now deputy Chairman) of Algeta ASA (listed on the Oslo stock exchange). He is also a non-executive director of MicroMet, Inc. (listed on NASDAQ). Previously he was a director of Abingworth Management, an international healthcare venture capital firm, where he was involved in founding, financing and serving as a director of several biotechnology companies in Europe and the USA – many of which obtained listings on public stock exchanges. Prior to that, he spent 14 years with Celltech Group plc and was a member of its Board when it listed on the London Stock Exchange in 1994. He has a degree in Chemical Engineering from the University of Cambridge and an MBA from the London Business School. In addition to the positions mentioned above, he has in the last five years been a non-executive director of Ablynx NV and Oxxon Therapeutics Holdings, Inc. Aged 63.

Simon Cartmell BSc MSc, Non-executive Director
Simon Cartmell was appointed to the Board in July 2011. He was, until June 2010, Chief Executive Officer of ApaTech Ltd, which he built into a world leader in orthobiologics. Its sale to Baxter International Inc for $330m was completed in March 2010. Prior to ApaTech he was CEO of Celltech Pharmaceuticals and a director of Celltech Group plc. Before that, he was Chief Operating Officer of Vanguard Medica plc. His early career was spent at Glaxo plc in multiple senior UK and global commercial strategy, product development, supply chain, marketing, sales and business development roles. He is a Medical Microbiology graduate from Manchester University and an alumnus of the London Business School Sloan Fellowship Programme. He is currently Executive Chairman of OSspray Ltd, an emerging dental company, and he is also a non-executive director of Phase4 Ventures, an adviser to the MTI/University of Manchester Premier Fund and to several emerging life science and medical technology companies in the UK and internationally. Aged 51.

Mark Docherty BEng ACA, Non-executive Director
Mark Docherty was appointed to the Board in March 2003. He is a chartered accountant and holds a BEng in Mechanical Engineering from Sheffield University. He was a founding director of Merlin Biosciences Limited (now Excalibur Fund Managers Limited) and was actively involved in the structuring and financing of many of the Merlin portfolio companies. Previously, he was a Manager in the Corporate Finance Group of Arthur Andersen. He is also a non-executive director of CBT Development Limited and Pantherix Limited. Aged 47.

Dr Paul Harper BSc Ph.D., Non-executive Director
Dr Harper was appointed to the Board in August 2005. He is a graduate of Leeds University (Microbiology/Virology). He initially pursued a career in drug discovery and development with Glaxo Group Research as Head of Antimicrobial Chemotherapy, Johnson & Johnson Limited as Director of R&D and with Unipath plc. This was followed by work in a number of start-up companies and SMEs as Chief Executive Officer or adviser. These included, as CEO, preparing Cambridge Antibody Technology PLC for flotation on the London Stock Exchange and founding Provensis Limited to develop a drug device product. Currently Chairman of Angel Biotechnology plc, Physiomics plc, Sareum Holdings plc and three other private biotechnology/devices businesses. Aged 65.

Bryan Morton BSc MBA, Non-executive Director
Bryan Morton was appointed to the Board in October 2008. He is Chief Executive Officer of EUSA Pharma, Inc., a growing specialty pharmaceutical company he founded in 2006. He is a non-executive director of Dechra Pharmaceuticals plc, Aircraft Medical Ltd, and is a member of the Pilgrim Software global advisory board. He began his pharmaceutical career in sales and has held positions in medical information, marketing, sales management, business development and general management during a 30 year career in the healthcare industry, largely with Merck and Co. Inc. and Bristol Myers Squibb. In 2003, he founded Zeneus Pharma, which was sold to Cephalon Inc. in late 2005 for US$360 million. He has a BSc in Pharmacology from Aberdeen University and a MBA from Durham University. Aged 55.

SENIOR MANAGEMENT

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

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

Caroline McManamon Bsc Hons, MTOPRA, Head of Regulatory Affairs
Caroline McManamon joined ReNeuron as Head of Regulatory Affairs in April 2011, having previously worked with the Company over a period of 7 years as a CMC and regulatory adviser. She graduated in Microbiology at Newcastle upon Tyne University and has 24 years experience in Regulatory Affairs, mainly in the development of biological medicines. Caroline has worked in small to medium sized companies (Evans Medical, Medeva) and as a senior consultant with various CRO's (Quadramed, Fulcrum, Pharma, NDA) and latterly as Deputy Director Regulatory Affairs in NDA UK where she developed the company's expertise in Advanced Therapy Medicinal Products, working with Stem Cell companies in Europe and USA.

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

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

CLINICAL ADVISORY BOARD

We have established a Clinical Advisory Board, split by therapeutic programme, whose principal objectives are to advise the Company on the clinical development of our stem cell therapies, to review and monitor progress with our therapeutic programmes and to provide a rigorous critique of our programme strategies going forward.

ReN001 stem cell therapy for stroke

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

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

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

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

Professor Philip Bath BSc, MB, BS, MD, FRCPath, FRCP, FESC
Professor Bath is the Stroke Association Professor of Stroke Medicine at the University of Nottingham. He is an expert in pharmaceutical studies in stroke at both pre-clinical and clinical level.

ReN009 stem cell therapy for peripheral arterial disease (PAD)

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

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

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

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

Principal activities, risks, business review and future prospects

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

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

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

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

Financial risks

The financial risks faced by the Group include interest rate risk, foreign currency risk, liquidity risk and risk associated with cash held on deposit with financial institutions. The Board reviews and agrees policies for managing each of these risks. The Group's main objectives in using financial instruments is the maximisation of returns from funds held on deposit. The Group does not enter into forward currency contracts. Due to the nature of the Group's activities, the directors do not currently consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates as these exposures are not considered significant. A summary of the Group's financial instruments is set out in note 23 to the financial statements.

Key Performance Indicators

The ongoing performance of the Group is managed and monitored using a number of key performance indicators, both financial and qualitative. In terms of financial performance, the Group does not currently generate profits and utilises cash for its operational activities. The forecasting and monitoring of the Group's cash resources is therefore critical in terms of the efficient allocation of those resources and in predicting future cash requirements. A key feature of the Group's internal management reporting systems is therefore the emphasis placed on operational cash spend by category and against forecast, which is monitored at both Management Committee and Board level on a monthly basis. The Group's net cash outflow from operating activities for the year ended 31 March 2011 was £5,148,000 (2010: £2,629,000). Cash flow forecasts are adjusted on a regular basis to take account of changing circumstances in the business. In this way, the Group's forward cash requirements can be predicted with a high degree of accuracy.

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

Presentation of financial statements

The consolidated accounts include the financial statements of the Company and its subsidiary undertakings, made up to 31 March 2011.

Results and dividends

The results for the year are given in the Consolidated Statement of Comprehensive Income set out on page 25. The directors do not recommend the payment of a dividend (2010: £nil).

Research and development

During the year the Group charged research and development costs of £3,763,000 (2010: £2,078,000 before exceptional items) to the Statement of Comprehensive Income. Total research and development costs charged to the Statement of Comprehensive Income post exceptional items were £3,763,000 (2010: £4,369,000).

Directors and directors' interests

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

Professor Trevor Jones, Non-executive Chairman
Michael Hunt, Chief Executive Officer
Dr John Sinden, Chief Scientific Officer
John Berriman, Non-executive Director (appointed 19 July 2011)
Simon Cartmell, Non-executive Director (appointed 19 July 2011)
Mark Docherty, Non-executive Director
Dr Paul Harper, Non-executive Director
Bryan Morton, Non-executive Director

Directors' emoluments

	Salaries and fees £'000	Bonuses £'000	Benefits in kind £'000	Pension contributions £'000	**2011 Total £'000**	2010 Total £'000
Michael Hunt	180	51	2	17	**250**	216
Dr John Sinden	168	36	1	16	**221**	208
Professor Trevor Jones	23	–	–	–	**23**	23
John Berriman	–	–	–	–	**–**	–
Simon Cartmell	–	–	–	–	**–**	–
Mark Docherty	15	–	–	–	**15**	15
Dr Paul Harper	20	–	–	–	**20**	20
Bryan Morton	25	–	–	–	**25**	25
Total	431	87	3	33	**554**	507

Emoluments in the financial year ending 31 March 2010 included non-cash deferred bonuses awarded under the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in that year and were settled in nominally priced share options under the Group's Share Option Scheme, following announcement of the Group's preliminary results for that year. Non-cash deferred share-based bonuses awarded to directors in the current year were £nil (2010: £20,000) to Michael Hunt and £nil (2010: £26,000) to John Sinden. Bonuses awarded in respect of financial year ending 31 March 2011 were settled in cash.

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

		2011 Number	2010 Number
Michael Hunt	Ordinary shares of 1p each	**328,023**	237,113
Dr John Sinden	Ordinary shares of 1p each	**1,486,902**	1,395,993
Professor Trevor Jones	Ordinary shares of 1p each	**202,109**	111,200
John Berriman	Ordinary shares of 1p each	**–**	–
Simon Cartmell	Ordinary shares of 1p each	**–**	–
Mark Docherty	Ordinary shares of 1p each	**219,854**	174,400
Dr Paul Harper	Ordinary shares of 1p each	**201,709**	110,800
Bryan Morton	Ordinary shares of 1p each	**90,909**	–

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

Michael Hunt

	Note	At 1 April 2010 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2011 Number**	*Exercise Price	** Exercise Period
Options – approved	1	711,456	14,228	–	**725,684**	5.62p	August 2005 – July 2014
Options – unapproved	1	857,317	17,145	–	**874,462**	5.62p	August 2005 – July 2014
Options – unapproved	2	1,743,080	34,859	–	**1,777,939**	14.06p	August 2008 – August 2015
Options – unapproved	2	435,270	8,705	–	**443,975**	5.63p	August 2009 – August 2016
Options – unapproved	2	435,270	8,705	–	**443,975**	8.45p	August 2009 – August 2016
Options – unapproved	3	759,063	15,180	–	**774,243**	13.56p	August 2010 –August 2017
Options – unapproved	3	759,063	15,180	–	**774,243**	24.22p	August 2010 – August 2017
Options – unapproved	5	933,333	–	509,554	**1,442,887**	1.0p	August 2011 – August 2020
Options – unapproved	6	1,772,728	–	–	**1,772,778**	1.0p	August 2012 – August 2019
Options – unapproved	7	–	–	2,071,066	**2,071,066**	1.0p	August 2013 – August 2020
		8,406,580	114,002	2,580,620	**11,101,202**		

John Sinden

	Note	At 1 April 2010 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2011 Number**	*Exercise Price	** Exercise Period
Options – approved	1	711,456	14,228	–	**725,684**	5.62p	August 2005 – July 2014
Options – unapproved	1	851,530	17,029	–	**868,559**	5.62p	August 2005 – July 2014
Options – unapproved	2	1,743,080	34,859		**1,777,939**	14.06p	August 2008 – August 2015
Options – unapproved	2	435,270	8,705	–	**443,975**	5.63p	August 2009 – August 2016
Options – unapproved	2	435,270	8,705	–	**443,975**	8.45p	August 2009 – August 2016
Options – unapproved	3	759,063	15,180	–	**774,243**	13.56p	August 2010 –August 2017
Options – unapproved	3	759,063	15,180	–	**774,243**	24.22p	August 2010 – August 2017
Options – unapproved	5	902,222	–	662,420	**1,564,642**	1.0p	August 2011 – August 2020
Options – unapproved	6	1,713,637	–	–	**1,713,637**	1.0p	August 2012 – August 2019
Options – unapproved	7	–	–	1,918,782	**1,918,782**	1.0p	August 2013 – August 2020
		8,310,591	113,886	2,581,202	**11,005,679**		

Professor Trevor Jones

	Note	At 1 April 2010 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2011 Number**	*Exercise Price	** Exercise Period
Options – unapproved	1	174,308	3,486	–	**177,794**	5.62p	August 2005 – July 2014
Options – unapproved	2	87,154	1,743	–	**88,897**	14.06p	August 2008 – August 2015
Options – unapproved	2	87,054	1,741	–	**88,795**	5.63p	August 2009 – August 2016
Options – unapproved	3	227,719	4,554	–	**232,273**	13.56p	August 2010 – August 2017
Options – unapproved	4	200,000	4,000	–	**204,000**	5.39p	– August 2012 – August 2019
Options – unapproved	4	–	–	250,000	**250,000**	4.925p	– August 2013 – August 2020
		776,235	15,524	250,000	**1,041,759**		

Mark Docherty

	Note	At 1 April 2010 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2011 Number**	*Exercise Price	** Exercise Period
Options – unapproved	3	227,719	4,554	–	**232,273**	13.56p	August 2010 –August 2017
Options – unapproved	4	200,000	4,000	–	**204,000**	5.39p	– August 2012 – August 2019
Options – unapproved	4	–	–	250,000	**250,000**	4.925p	– August 2013 – August 2020
		427,719	8,554	250,000	**686,273**		

Dr Paul Harper

	Note	At 1 April 2010 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2011 Number**	*Exercise Price	** Exercise Period
Options – unapproved	2	87,154	1,743	–	**88,897**	14.06p	August 2008 – August 2015
Options – unapproved	2	87,054	1,741	–	**88,795**	5.63p	August 2009 – August 2016
Options – unapproved	3	227,719	4,554	–	**232,273**	13.56p	August 2010 –August 2017
Options – unapproved	4	200,000	4,000	–	**204,000**	5.39p	– August 2012 – August 2019
Options – unapproved	4	–	–	250,000	**250,000**	4.925p	– August 2013 – August 2020
		601,927	12,038	250,000	**863,965**		

Bryan Morton

	Note	At 1 April 2010 Number	*Adjusted during the year Number	Granted during the year Number	**At 31 March 2011 Number**	*Exercise Price	** Exercise Period
Options – unapproved	4	200,000	4,000	–	**204,000**	5.39p	– August 2012 – August 2019
Options – unapproved	4	–	–	250,000	**250,000**	4.925p	– August 2013 – August 2020
		200,000	4,000	250,000	**454,000**		

* The number of share options and exercise price for share options issued under notes 1, 2, 3 and 4 below were adjusted during the year in accordance with the Rules of the Scheme to adjust for the variation in share capital since their issue.

** The exercise periods indicate the earliest dates by which options are exercisable subject to meeting the performance conditions disclosed below. As at 31 March 2011 the performance conditions in notes 3, 4, 6 and 7 had not been met. Performance conditions in relation to Note 2 were met in the year.

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

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

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

Note 4:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in a second clinical trial, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 5:
These options have been issued under the Group's Share Option Scheme. The options were awarded in accordance with the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ending 31 March 2009 and as such carry no further performance conditions. The options are exercisable in whole or in part at any time between the second anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 6:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

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

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

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

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

Note 7:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

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

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

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

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

Qualifying third party indemnity

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

Policy and practice on payment of creditors

It is the Group's policy, in respect of all suppliers, to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade payables of the Group at the year end as a proportion of amounts invoiced by suppliers during the year represent 71 days (2010: 50 days). Trade payables of the Company at the year end as a proportion of amounts invoiced by suppliers during the year represent 2 days (2010: 41 days).

Corporate Governance

As an AIM-listed Company, ReNeuron is not required to comply with the 2008 Combined Code, a set of recommended corporate governance principles for UK public companies issued by the Financial Reporting Council. However, the directors support high standards of Corporate Governance and have established a set of corporate governance principles which they regard as appropriate for the stage of development of the Group. For example, the Company has adopted a share dealing code for directors and senior employees on substantially the same terms as AIM's model code on directors' dealings in company shares.

The Board has established an Audit Committee, Remuneration Committee and Nominations Committee with formally delegated duties and responsibilities. Bryan Morton chairs the Audit Committee, Professor Trevor Jones chairs the Remuneration Committee and Dr Paul Harper chairs the Nominations Committee. The membership and chairmanship of these Committees is being reviewed as a result of the appointment of John Berriman and Simon Cartmell as non-executive directors of the Company in July 2011.

The Audit Committee normally meets twice a year and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements and involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures auditors' independence as well as focusing on compliance with legal requirements and accounting standards.

It is also responsible for ensuring that an effective system of internal controls is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

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

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

Communications

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

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

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

Health and safety and the environment

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

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

Directors' responsibilities statement

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the Group website www.reneuron.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement on disclosure of information to auditors

In accordance with Section 418 of the Companies Act, in the case of each of the persons who are directors at the time when the report is approved, the following applies:

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

Independent Auditors

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

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Covington & Burling LLP, 265 Strand, London, WC2R 1BH on 15 September 2011 at 10:00am. The notice of the 2011 Annual General Meeting is enclosed on page 56 this document.

By order of the Board

Michael Hunt
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENEURON GROUP PLC

We have audited the Group and Parent Company financial statements (the ''financial statements'') of ReNeuron Group Plc for the year ended 31 March 2011 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group and Company Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 22 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Chartered Accountants and Statutory Auditors
Reading
22 July 2011

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Note	**2011 £'000**	2010 Pre-exceptional items £'000	2010 Exceptional items (note 7) £'000	2010 Total £'000
Revenue	5	**29**	31	–	31
Research and development costs	6	**(3,763)**	(2,078)	(2,291)	(4,369)
General and administrative costs	6	**(3,067)**	(1,914)	–	(1,914)
Other operating income	8	**135**	34	–	34
Operating loss		**(6,666)**	(3,927)	(2,291)	(6,218)
Finance income	9	**29**	11	–	11
Finance costs	9	**(2)**	(12)	–	(12)
Loss before income tax		**(6,639)**	(3,928)	(2,291)	(6,219)
Tax on loss on ordinary activities	12	**491**	369	–	369
Loss and total comprehensive loss for the year		**(6,148)**	(3,559)	(2,291)	(5,850)
Total loss and total comprehensive loss attributable to:					
– Equity owners of the Company		**(6,148)**	(3,559)	(2,291)	(5,850)
Basic and diluted loss per ordinary share	14	**(1.3p)**			(1.8p)

GROUP AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Assets					
Non-current assets					
Property, plant and equipment	15	**419**	541	**–**	–
Intangible assets	16	**1,272**	1,272	**–**	–
Investment in subsidiaries	17	**–**	–	**7,710**	7,601
Trade and other receivables	18	**135**	135	**–**	–
		1,826	1,948	**7,710**	7,601
Current assets					
Trade and other receivables	18	**358**	284	**28,538**	24,630
Corporation tax receivable	18	**491**	366	**–**	–
Cash and cash equivalents	19	**9,668**	5,525	**9,531**	4,482
		10,517	6,175	**38,069**	29,112
Total assets		**12,343**	8,123	**45,779**	36,713
Equity					
Equity attributable to owners of the company					
Share capital	26	**6,199**	4,377	**6,199**	4,377
Share premium account		**28,811**	21,310	**28,811**	21,310
Capital redemption reserve		**8,964**	8,964	**8,964**	8,964
Merger reserve		**2,223**	2,223	**1,858**	1,858
Warrant reserve		**108**	108	**108**	108
Share-based credit reserve		**1,271**	876	**1,271**	876
Retained deficit		**(36,574)**	(30,426)	**(6,924)**	(6,272)
Total equity		**11,002**	7,432	**40,287**	31,221
Liabilities					
Non-current liabilities					
Provisions	21	**100**	75	**–**	–
Financial liabilities: finance leases	22	**9**	19	**–**	–
		109	94	**–**	–
Current liabilities					
Trade and other payables	20	**1,222**	587	**5,492**	5,492
Financial liabilities: finance leases	22	**10**	10	**–**	–
		1,232	597	**5,492**	5,492
Total liabilities		**1,341**	691	**5,492**	5,492
Total equity and liabilities		**12,343**	8,123	**45,779**	36,713

The financial statements, comprising the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity and the Group and Parent Company Statements of Cash Flows, and related notes, were approved by the Board of Directors on 22 July 2011 and were signed on their behalf by:

Michael Hunt
Director

Company Registered Number 5474163

GROUP AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Warrant reserve £'000	Share-based credit reserve £'000	Retained deficit £'000	Total equity £'000
As at 1 April 2009	**1,542**	**14,358**	**8,964**	**2,223**	**583**	**504**	**(24,689)**	**3,485**
Issue of new ordinary shares	2,678	7,385	–	–	–	–	–	10,063
Costs of share issue	–	(746)	–	–	–	–	–	(746)
Conversion of convertible loan to equity	157	313	–	–	(470)	–	–	–
Share-based credit	–	–	–	–	–	372	–	372
Issue of warrants	–	–	–	–	108	–	–	108
Expiry of warrants	–	–	–	–	(113)	–	113	–
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(5,850)	(5,850)
As at 31 March 2010	**4,377**	**21,310**	**8,964**	**2,223**	**108**	**876**	**(30,426)**	**7,432**
Issue of new ordinary shares	1,822	8,197	–	–	–	–	–	10,019
Costs of share issue	–	(696)	–	–	–	–	–	(696)
Share-based credit	–	–	–	–	–	395	–	395
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(6,148)	(6,148)
As at 31 March 2011	**6,199**	**28,811**	**8,964**	**2,223**	**108**	**1,271**	**(36,574)**	**11,002**

GROUP AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Warrant reserve £'000	Share-based credit reserve £'000	Retained deficit £'000	Total equity £'000
As at 1 April 2009	**1,542**	**14,358**	**8,964**	**1,858**	**583**	**504**	**(3,540)**	**24,269**
Issue of new ordinary shares	2,678	7,385	–	–	–	–	–	10,063
Costs of share issue	–	(746)	–	–	–	–	–	(746)
Conversion of convertible loan to equity	157	313	–	–	(470)	–	–	–
Share-based credit	–	–	–	–	–	273	–	273
Equity granted to employees of subsidiary	–	–	–	–	–	99	–	99
Issue of warrants	–	–	–	–	108	–	–	108
Expiry of warrants	–	–	–	–	(113)	–	113	–
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(2,845)	(2,845)
As at 31 March 2010	**4,377**	**21,310**	**8,964**	**1,858**	**108**	**876**	**(6,272)**	**31,221**
Issue of new ordinary shares	1,822	8,197	–	–	–	–	–	10,019
Costs of share issue	–	(696)	–	–	–	–	–	(696)
Share-based credit	–	–	–	–	–	286	–	286
Equity granted to employees of subsidiary	–	–	–	–	–	109	–	109
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(652)	(652)
As at 31 March 2011	**6,199**	**28,811**	**8,964**	**1,858**	**108**	**1,271**	**(6,924)**	**40,287**

GROUP AND PARENT COMPANY STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Group		Company	
		2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Cash used in operations	29	**(5,515)**	(3,328)	**(379)**	(287)
Interest paid		**(2)**	(4)	**–**	–
Income tax credit received		**369**	703	**–**	–
Cash used in operating activities		**(5,148)**	(2,629)	**(379)**	(287)
Cash flows from investing activities					
Capital expenditure	15	**(32)**	(8)	**–**	–
Loans provided to subsidiaries		**–**	–	**(3,904)**	(3,319)
Interest received		**29**	11	**28**	10
Net cash (consumed)/generated in investing activities		**(3)**	3	**(3,876)**	(3,309)
Cash flows from financing activities					
Finance lease principal payments		**(10)**	(13)	**–**	–
Proceeds from issuance of ordinary shares		**10,000**	7,842	**10,000**	7,842
Costs of share issue		**(696)**	(621)	**(696)**	(621)
Net cash generated from financing activities		**9,294**	7,208	**9,304**	7,221
Net increase in cash and cash equivalents		**4,143**	4,582	**5,049**	3,625
Cash and cash equivalents at the start of year		**5,525**	943	**4,482**	857
Cash and cash equivalents at the end of year		**9,668**	5,525	**9,531**	4,482

1. General information

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

2. Accounting policies and basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the financial years presented to the consolidated results and those for the Company. The accounting policies relate to the Group unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the interpretations of International Financial Reporting Interpretations Committee (IFRIC) and the Companies Act 2006 applicable to companies reporting under IFRS.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, made up to 31 March 2011.

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

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

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

Significant accounting judgements, estimates and assumptions

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

a) Going concern

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

b) Impairment of non-financial assets

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

2. Accounting policies and basis of preparation (continued)

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 Statement of Comprehensive Income. Assets and liabilities of the Company's US subsidiary are translated to Sterling at the year-end exchange rate. Redundant assets at the US subsidiary's former laboratories have been written down to a book value of zero and have no impact on present or future exchange differences. Following the closure of the Company's US subsidiary, ReNeuron Inc, its functional currency has changed to sterling.

Revenue

Revenue is measured at the fair value of the consideration received from the provision of products and services net of Value Added Tax. Revenue represents income received from royalties and licensing income arising from collaborations with third parties. Differences between cash received and amounts recognised are included as deferred revenue where cash received exceeds revenue recognised and as accrued revenue where revenue has yet to be billed to the customer.

Research and development expenditure

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

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

Exceptional items

Exceptional items are those material items, which by virtue of their size or incidence, are presented separately in the Statement of Comprehensive Income to enable a full understanding of the Group's financial performance. In the financial year ending 31 March 2010, the Group recognised exceptional costs of £2.3 million. The costs comprised a non-cash write off of previously capitalised intangible assets considered to be non-core to the future development of the Company's scientific therapies together with a non-cash write off of property, plant and equipment following an operational review of ongoing laboratory space requirements. There are no exceptional items in year ending 31 March 2011.

Pension benefits

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

Leases

Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of assets are treated as finance leases, as if the asset had been purchased outright. The assets are included within the relevant category of property, plant and equipment and the capital elements of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated over the lower of their useful live and the terms of the lease. The interest element of the lease rental is included in the Group Statement of Comprehensive Income.

2. Accounting policies and basis of preparation (continued)

Leases (continued)

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

Government and other grants

Revenue grants are credited to other operating income within the Group's Statement of Comprehensive Income on a case-by-case basis, assessed by the level of expenditure incurred on the specific grant project, when it is reasonably certain that amounts will not need to be repaid.

Share-based payments

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

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

The fair value calculation of share-based payments requires several assumptions and estimates. The details are disclosed in Note 28 and are calculated using the Black-Scholes model. Such assumptions could change and could affect the amount recorded. 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 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 determined by reference to the relative market values of the warrants. The proportion of the proceeds that relates to the warrants is credited to a warrant reserve within shareholders' funds.

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

Intangible assets

Intangible assets, relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historic cost less accumulated amortisation and any provision for impairment, where the useful life of the asset is finite and the asset is likely to generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested annually for impairment. There is no identifiable useful life of the asset at this time. 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.

2. Accounting policies and basis of preparation (continued)

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 rates used for this purpose are:

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

Investments

Investments are shown at cost less any provision for impairment.

Current tax

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

Deferred tax

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position include cash in hand and deposits held on call with banks with original maturities of three months or less. Bank deposits with original maturities between three months and twelve months are included in current assets.

Capital redemption reserve

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

Provisions

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

2. Accounting policies and basis of preparation (continued)

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 has been achieved.

Accounting developments

Standards, amendments and interpretations effective up to 31 March 2011

IAS 27 (revised), 'Consolidated and separate financial statements' (effective 1 July 2009). This requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

Amendment to IFRS 2, 'Share-based payments – Group cash-settled payment transactions' (effective 1 January 2010). These amendments provide a clear basis to determine the classification of share-based payment awards in consolidated and separate financial statements. The amendment incorporates IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', into the standard; expands on the guidance given in IFRIC 11 to address plans that were not considered in the interpretation; and clarifies the definitions section of IFRS 2.

Annual improvements to IFRSs (2009) (effective 1 January 2010). This is a collection of amendments to standards as part of the IASB's programme of annual improvements. The standards impacted and relevant for the group are:

- IFRS 2, 'Share based payment'.
- IFRS 8, 'Operating segments'.
- IAS 1, 'Presentation of financial statements'.
- IAS 7, 'Statement of cash flows'.
- IAS 17, 'Leases'.
- IAS 18, 'Revenue'.
- IAS 36, 'Impairment of assets'.
- IAS 38, 'Intangible assets'.

Standards, amendments and interpretations effective up to 31 March 2011 but not relevant to the Group

Amendment to IFRS 1, 'First-time adoption', on 'Additional exemptions' (effective 1 January 2010).

Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on 'Eligible hedged items' (effective 1 July 2009).

Amendments IAS 32, 'Financial instruments: Presentation', on 'Classification of rights issues' (effective 1 February 2010).

IFRIC 15, 'Agreements for construction of real estate' (effective 1 January 2009; EU-endorsed for annual periods beginning on or after 1 January 2010).

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective 1 October 2008; EU-endorsed for use annual periods beginning on or after 1 July 2009).

IFRIC 17, 'Distributions of non-cash assets to owners' (effective 1 July 2009).

IFRIC 18, 'Transfer of assets from customers' (effective for transfers of assets from customers received on or after 1 July 2009; EU-endorsed for use in annual periods beginning on or after 31 October 2009).

2. Accounting policies and basis of preparation (continued)

Annual improvements to IFRSs (2009) (effective 1 January 2010). This is a collection of amendments to standards as part of the IASB's programme of annual improvements. The standards impacted but not relevant for the group are:

- IFRS 5, 'Non-current assets held for sale and discontinued operations'.
- IAS 39, 'Financial instruments: Recognition and measurement'.
- IFRIC 9, 'Reassessment of embedded derivatives'.
- IFRIC 16, 'Hedges of a net investment in foreign operation'.

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

Amendment to IAS 24, 'Related party disclosures'.

Annual improvements 2010.

Amendment to IAS 12, 'Income taxes' on deferred tax.

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

Amendment to IFRS 1, 'First time adoption' – financial instrument disclosures.

Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation.

Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition.

IFRS 9, 'Financial instruments' – classification and measurement'

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement'.

These new and amended standards have not had a material impact on the presentation of the Group's financial statements, compared to the prior year.

3. Going concern

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

The Group is developing its technologies for the marketplace and as such absorbs cash until sufficient funds from either licensing or products sold are generated. The directors estimate that the cash held by the Group will be sufficient to support the current level of activities into the final quarter of 2012.

4. Segment analysis

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

5. Revenue

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

6. Expenses by nature

	2011 £'000	2010 £'000
Loss before tax is stated after charging:		
Research and development costs:		
Employee benefits (note 11)	**924**	986
Depreciation of property, plant and equipment (note 15)	**141**	146
Other expenses	**2,698**	1,062
Exceptional items (note 7)	**–**	2,175
Total research and development costs	**3,763**	4,369
General and administrative costs:		
Employee benefits (note 11)	**881**	586
Legal and professional fees	**1,277**	333
Depreciation of property, plant and equipment (note 15)	**13**	11
Operating lease charges:		
– land and buildings	**243**	243
Losses on exchange	**–**	19
Other expenses	**653**	722
Total general and administrative costs	**3,067**	1,914
Total research and development costs and general and administrative costs	**6,830**	6,283

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

	Group		Company	
Services provided by the Group's auditor	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**15**	11	**15**	11
Fees payable to the Company's auditor and its associates for other services:				
– The audit of the Company's subsidiaries pursuant to legislation	**20**	20	**–**	–
– Other services pursuant to legislation	**–**	–	**–**	4
– Tax compliance and advisory services	**–**	17	**4**	4
Total	**35**	48	**19**	19

7. Exceptional items

The exceptional research and development costs expensed in the year ended 31 March 2010 arose following the completion of the cost-reduction programme instigated in mid-2008 and a consequent impairment review of the carrying values of research and development-related assets in the Group's Statement of Financial Position. The directors considered it appropriate to write down in full previously capitalised intangible assets, which were non-core to the future development of the Company's therapeutic programmes, together with a write-down of property, plant and equipment following an operational review of ongoing laboratory space requirements.

This impairment review resulted in non-recurring, non-cash exceptional charges totalling £2.3 million in the Group's Statement of Comprehensive Income for the year ended 31 March 2010, of which £2.15 million related to intangible assets and £0.15 million related to property, plant and equipment.

8. Other operating income

	2011 £'000	2010 £'000
Grant income	**135**	34

9. Net interest received/(paid)

	2011 £'000	2010 £'000
Interest receivable on short-term bank deposits	**29**	11
Finance lease interest	**(2)**	(4)
Interest on convertible loan notes	**–**	(8)
Net interest receivable/(payable)	**27**	(1)

10. Directors' emoluments

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

	2011 £'000	2010 £'000
Aggregate emoluments:		
Emoluments in respect of qualifying services	**521**	478
Pension contributions	**33**	29
	554	507

	2011 £'000	2010 £'000
Highest paid director:		
Emoluments in respect of qualifying services	**233**	181
Pension contributions	**17**	15
	250	196

10. Directors' emoluments (continued)

Two directors (2010: two) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

None of the directors exercised share options during the year (2010: none).

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

£15,000 (2010: £15,000) payable to Merlin Biosciences Limited in respect of directors' fees for Mark Docherty, and £20,000 (2010: £20,000) payable to Dr Paul Harper, trading as BioMedicon, in respect of directors' fees.

Directors' emoluments including share-based payments

	2011 £'000	2010 £'000
Salaries and other short-term employee benefits	**521**	478
Pension contributions	**33**	29
Share-based payments	**286**	273
	840	780

11. Employee information

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

	2011 Number	2010 Number
By activity:		
Research and development	**14**	15
Administration	**4**	2
	18	17

Group	**2011 £'000**	2010 £'000
Staff costs:		
Wages and salaries	**1,211**	1,021
Social security costs	**127**	111
Share-based payment charge	**395**	372
Pension costs (see note 25)	**72**	68
	1,805	1,572

12. Tax credit on loss on ordinary activities

	2011 £'000	2010 £'000
United Kingdom research and development tax credit at 14% (2010: 14%)		
Current year	**488**	332
Adjustment in respect of prior year	**3**	37
	491	369

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

At 31 March 2011, there were tax losses available for carry forward of approximately £37 million subject to agreement with the HM Revenue & Customs (2010: £33 million).

	2011 £'000	2010 £'000
Loss before income tax	**6,639**	6,219
Loss before income tax multiplied by the UK small profits rate of tax for small companies of 21% (2010: 21%)	**1,394**	1,306
Effects of:		
– difference between depreciation and capital allowances	**(26)**	(62)
– expenses deductible/(not deductible) for tax purposes	**337**	(242)
– losses not recognised	**(891)**	(426)
– tax rate difference	**(245)**	(78)
– other short term timing differences	**(81)**	(166)
– adjustment in respect of prior year	**3**	37
	491	369

13. Loss for the financial year

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Statement of Comprehensive Income for the current year has not been presented in these financial statements. The Parent Company's loss and total comprehensive loss for the financial year was £652,000 (2010: £2,845,000).

14. Basic and diluted loss per ordinary share

The basic and diluted loss per share is calculated by dividing the loss for the financial year of £6,148,000 (2010: £5,850,000) by 486,506,803 shares (2010: 327,168,945 shares), being the weighted average number of ordinary 1p shares in issue during the year.

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

15. Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 April 2009	1,635	830	76	2,541
Additions	–	1	7	8
At 31 March 2010	**1,635**	**831**	**83**	**2,549**
Accumulated depreciation				
At 1 April 2009	922	721	64	1,707
Charge for the year	120	31	6	157
Impairment (note 7)	144	–	–	144
At 31 March 2010	**1,186**	**752**	**70**	**2,008**
Net book amount:				
At 31 March 2010	**449**	**79**	**13**	**541**
Cost:				
At 1 April 2010	1,635	831	83	2,549
Additions	–	11	21	32
At 31 March 2011	**1,635**	**842**	**104**	**2,581**
Accumulated depreciation				
At 1 April 2010	1,186	751	71	2,008
Charge for the year	120	25	9	154
At 31 March 2011	**1,306**	**776**	**80**	**2,162**
Net book amount:				
At 31 March 2011	**329**	**66**	**24**	**419**

15. Property, plant and equipment (continued)

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

	Plant and equipment £'000
Cost	
At 31 March 2009 and 31 March 2010	**59**
Accumulated depreciation	
At 31 March 2009	14
Charge for the year	9
At 31 March 2010	**23**
Net book amount	
At 31 March 2010	**36**
Cost	
At 31 March 2010	59
Additions	5
At 31 March 2011	**64**
Accumulated depreciation	
At 31 March 2010	23
Charge for the year	8
At 31 March 2011	**31**
Net book amount	
At 31 March 2011	**33**

The Company had no property, plant or equipment at 31 March 2011 (2010: £nil).

16. Intangible assets

	Licence fees £'000	Intellectual property rights restated £'000	Total £'000
Cost			
At 1 April 2009 and at 31 March 2010	1,884	5,824	7,708
Accumulated amortisation			
At 1 April 2009	1,884	2,405	4,289
Impairment charge (note 7)	–	2,147	2,147
At 31 March 2010	1,884	4,552	6,436
Net book amount			
At 31 March 2010	–	**1,272**	**1,272**
Cost			
At 1 April 2010 and at 31 March 2011	1,884	5,824	7,708
Accumulated amortisation			
At 1 April 2010 and at 31 March 2011	1,884	4,552	6,436
Net book amount			
At 31 March 2011	–	**1,272**	**1,272**

Based on the nature of the intangible assets held by the Group it is not appropriate to perform a discounted cash flow calculation to consider their carrying value. The directors have instead used fair value less costs to sell.

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

Based on the nature of the intangible assets held by the Group being early in their development, the directors have reviewed the intangible assets for impairment individually, as set out below by considering the fair value less costs to sell. The key assumption used when concluding that an impairment is not required is the market capitalisation value of the business.

As at 31 March 2011, the Group balance sheet intangible assets of £1.27m relate to in-licensed intellectual property including key patents concerning the use of neural stem cells in certain therapeutic areas targeted by the Group.

These cells are currently in use in both the clinical and pre-clinical programmes undertaken by the Group. As such, the directors see no reason to reduce the carrying value of this intellectual property.

The Company holds no intangible assets.

17. Investments in subsidiaries

Investments in subsidiary companies:

Company

Net Book amount	2011 £'000	2010 £'000
At start of the year	**7,601**	9,673
Write-down of investment in subsidiaries	**–**	(2,171)
Capital contribution arising from IFRS 2 charge	**109**	99
Net Book amount at 31 March	**7,710**	7,601

The write-down of investment in subsidiaries of £2,171,000 in year ending 31 March 2010 represented the write-down of the investment in ReNeuron, Inc. in line with the write-down of the Group's non-core intellectual property (see note 7).

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.

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

Name of undertaking	ReNeuron Holdings Limited	ReNeuron Limited		ReNeuron (UK) Limited	ReNeuron Inc.
Country of incorporation	England and Wales	England and Wales		England and Wales	Delaware USA
Description of shares held	£0.10 Ordinary Shares	£0.001 ordinary shares	£0.10 A ordinary shares	£0.10 ordinary shares	$0.001 Common Stock
Proportion of nominal value of shares held by the Company	100%	100%	100%	100%	100%
Nature of business	Holding	Pharma		Holding	Dormant
Loss for the year £'000	(29)	(5,467)		(29)	(nil)
Net assets / (liabilities) £'000	971	(44,800)		17,554	(3,729)

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

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

18. Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Current:				
Other receivables	**173**	84	**6**	2
Corporation tax receivable	**491**	366	**–**	–
Prepayments and accrued income	**185**	200	**–**	–
Amounts due from Group undertakings	**–**	–	**28,532**	24,628
	849	650	**28,538**	24,630
Non-current:				
Lease deposit – repayable in 2015, at current value	**135**	135	**–**	–
Total trade and other receivables	**984**	785	**–**	–

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

19. Cash and cash equivalents

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Cash at bank and in hand	**9,668**	5,525	**9,531**	4,482

20. Trade and other payables: current

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Trade payables	**863**	357	**8**	4
Other taxation and social security	**39**	33	**–**	–
Other payables	**1**	7	**–**	–
Accruals and deferred income	**319**	190	**–**	4
Amounts owed to Group undertakings	**–**	–	**5,484**	5,484
Total payables falling due within one year	**1,222**	587	**5,492**	5,492

Amounts owed to Group undertakings are not interest bearing and have no fixed repayment date. There are no fixed repayment terms in respect of the amounts owed to Group undertakings, which represent the funding of ongoing research and development requirements.

21. Provisions

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Total provisions	**100**	75	**–**	–

Provisions are in respect of building dilapidations. The provision is expected to be utilised on expiry of the lease in 2015.

22. Financial liabilities

Future minimum payments under finance leases are as follows:

	Group	
	2011	2010
	£'000	£'000
Within one year	**11**	17
In more than one year but not more than five years	**10**	16
Total gross payments	**21**	33
Less finance charges included above	**(2)**	(4)
Present value of payments	**19**	29

The Company had no financial liabilities at 31 March 2011 (2010: £nil).

23. Financial instruments

The financial risks faced by the Group include interest rate risk, foreign currency risk, liquidity risk and risk associated with cash held on deposit with financial institutions.

The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit and to facilitate the funding of the Group in certain circumstances. The Group does not enter into forward currency contracts.

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

Cash and short-term investments fluctuate considerably depending on the timing of fund-raising activities. All cash balances and short-term investments are held at leading banking institutions (Barclays Bank in the UK and Barclays Global Investors in Ireland). Cash balances held at 31 March 2011 include £0.1m (2010: £1.0m) held in US dollars to mitigate against potential adverse currency movements in respect of the Group's forthcoming US Dollar denominated liabilities.

At 31 March 2011 and 31 March 2010, none of the receivables were aged over three months. No receivables were impaired. Non-current receivables are not discounted as the impact of discounting would not be material.

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

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

23. Financial instruments (continued)

Ageing risk profile of the Group's financial liabilities

The Group's financial liabilities consist only of finance leases, shown below.

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Finance leases – gross payments				
Due in one year or less	**11**	17	**–**	–
Due in over one year but less than two years	**10**	16	**–**	–
	21	33	**–**	–

Currency risk profile of the Group's financial assets

	2011		2010	
Currency	**Cash at bank and in hand £'000**	**Total £'000**	Cash at bank and in hand £'000	Total £'000
Sterling	**9,559**	**9,559**	4,501	4,501
United States Dollar	**109**	**109**	1,022	1,022
Euro	**–**	**–**	2	2

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

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair value of the Group's financial assets and liabilities at 31 March 2011. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

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

	2011		2010	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Cash at bank and in hand	**9,668**	**9,668**	5,525	5,525
Receivables: non-current	**135**	**135**	135	135
Receivables: current	**664**	**664**	450	450
Prepayments and accrued income	**185**	**185**	200	200
Payables	**(1,222)**	**(1,222)**	(587)	(587)

23. Financial instruments (continued)

Currency risk profile

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

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

Capital management

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

24. Deferred taxation

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

	2011 £'000	**Amount not recognised 2011 £'000**	2010 £'000	Amount not recognised 2010 £'000
Tax effect of timing differences because of:				
Excess of depreciation over capital allowances	**–**	**191**	–	293
Other	**–**	**9,905**	–	10,260
	–	**10,096**	–	10,553

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

In addition to the changes in rates of Corporation tax disclosed within the note on taxation a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The changes expected to be enacted in the Finance Act 2011 will have no effect on the deferred tax included within the financial statements. The potential deferred tax asset in respect of cumulative losses has not been recognised as there is no immediate prospect of these being utilised.

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

	2011 £'000	**Amount not recognised 2011 £'000**	2010 £'000	Amount Not Recognised 2010 £'000
Tax effect of timing differences because of:				
Losses carried forward	**–**	**320**	–	272
	–	**320**	–	272

25. Pension scheme obligations

The Group operates defined contribution pension schemes for UK employees and directors. The assets of the schemes are held in separate funds and are administered independently of the Group. The total pension cost during the year, before recharges to other Group companies was £72,383 (2010: £68,465). There were no prepaid or accrued contributions to the scheme at the year-end (2010: nil).

26. Share Capital

	2011 £'000	2010 £'000
Authorised		
Unlimited (2010: Unlimited)	**Unlimited**	Unlimited
Issued and fully paid		
619,881,967 ordinary shares of 1p each (2010: 437,709,571 of 1p each)	**6,199**	4,377

From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital. The Company's articles were amended to effect this by special resolution on 12 March 2010.

In November 2009, the Company secured a two-year, gross £5 million equity funding facility from Matrix, the Company's joint broker. The Flexible Use Small Capital Increase Agreement is available to the Group to service its ongoing working capital requirements by drawing on this facility, as required. The Company can control the timing and amount of any draw-downs and is under no obligation to make any such draw-down. If a draw-down is made, the Company will issue new Ordinary Shares to Matrix at a price per share calculated according to a formula based on the daily trading volume of the Company's Ordinary Shares, and their volume-weighted average price, over relevant trading periods. The facility also incorporates an over-allotment option to enable larger draw-downs to be made, should market conditions allow at the time. In the financial year ending 31 March 2010, the Company drew down £0.1m, before expenses under this facility, through the issue of 1,554,412 new ordinary shares in addition to 2,127,643 new shares issued to Matrix in settlement of their facility fee. No draw-downs have been made under this facility in the financial year ending 31 March 2011.

On 13 December 2010, the Company announced that it had raised £10 million before expenses, by means of a placing with new and existing investors of 181,318,182 new ordinary shares of 1 pence each at a price of 5.5 pence per new Ordinary Share, together with a subscription by the Directors for 500,000 new ordinary shares also at a price of 5.5 pence per new Ordinary Share.

During the year the Company issued a further 354,214 new ordinary shares of 1 pence each at an average price of 5.5 pence per new Ordinary Share in settlement of contractual fees payable in shares.

27. Warrants

In conjunction with the Group's share placing completed in May 2009, warrants to subscribe for 3,333,333 ordinary 1p shares exercisable at a price of 3p were issued to Matrix Corporate Capital LLP, the Company's Joint Broker. As a share-based payment, a charge of £108,000 in respect of these warrants was taken to operating expenses in the Statement of Comprehensive Income in the year ending 31 March 2010. The charge was calculated on a fair value basis using a Black-Scholes model.

Additionally, warrants previously issued to Collins Stewart, the Company's previous Nominated Adviser and Broker, in respect of a share placing in February 2007 expired during the year ending 31 March 2010, resulting in a transfer of £113,000 from the Warrant Reserve to Retained Deficit.

Warrants in issue have been valued as follows:

Date of Grant	**Exercise price Pence**	**Share price at date of grant Pence**	**Risk free rate %**	**Assumed time to exercise Years**	**Assumed volatility %**	**Fair value per option Pence**
May 2009	3	4.125	4.29	3.0	126.5	3.24

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

27. Warrants (continued)

Warrant instrument with Novavest Growth Fund Limited

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

28. Share options

The Group operates Share Option Schemes for directors and employees of group companies and specific consultants. Options have been issued through a combination of an Inland Revenue approved EMI scheme and unapproved schemes. During the year, the number of options and associated exercise prices for those options issued in August 2005, August 2006, August 2007 and August 2009 were adjusted in accordance with the Rules of the Scheme for the dilution of option values as a result of the variation in share capital since their issue.

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

Total options existing over ordinary 1p shares in companies in the Group as at 31 March 2011 are summarised below:

Date of Grant	Number of shares at 1 April 2010	*Adjusted during the year	Granted during the year	Lapsed during the year	**As at 31st March 2011**	Note	Exercise Price	**Date from which exercisable	Date of expiry
August 2005	429,983	8,599	–	–	**438,582**	1	5.62p	August 2005	July 2014
August 2005	3,878,355	77,559	–	(133,345)	**3,822,569**	1	5.62p	August 2005	July 2014
August 2005	4,662,740	93,246	–	(133,345)	**4,622,641**	2	14.06p	August 2008	August 2015
August 2006	1,932,600	38,648	–	(133,192)	**1,838,056**	2	5.63p	August 2009	August 2016
August 2006	870,540	17,409	–	–	**887,949**	2	8.45p	August 2009	August 2016
August 2007	3,522,052	70,434	–	(232,273)	**3,360,213**	3	13.56p	August 2010	August 2017
August 2007	1,518,126	30,360	–	–	**1,548,486**	3	24.22	August 2010	August 2017
August 2009	2,545,000	50,895	–	(331,499)	**2,264,396**	4	5.39p	August 2012	August 2019
August 2009	2,417,489	–	–	(180,556)	**2,236,933**	5	1.0p	August 2011	August 2019
August 2009	3,486,365	–	–	–	**3,486,365**	6	1.0p	August 2012	August 2019
August 2010	–	–	2,420,000	–	**2,420,000**	3	4.925p	August 2013	August 2020
August 2010	–	–	1,723,185	–	**1,723,185**	5	1.0p	August 2012	August 2020
August 2010	–	–	5,777,665	–	**5,777,665**	7	1.0p	August 2013	August 2020
Total	25,263,250	387,150	9,920,850	(1,144,210)	**34,427,040**				

* The number of share options and exercise price for share options issued under notes 1, 2, 3 and 4 below were adjusted during the year in accordance with the Rules of the Scheme to reflect the dilution of option values as a result of the variation in share capital since their issue.

** The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed below. As at 31 March 2011 the performance conditions in notes 3, 4, 6 and 7 had not been met. Performance conditions in relation to Note 2 were met in the year.

28. Share options (continued)

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

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

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

Note 4:
These options were issued under the Group's Share Option Scheme. Subject to the satisfaction of a performance condition, being the first patient administered with a ReNeuron cell therapy in a second clinical trial, the options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 5:
These options have been issued under the Group's Share Option Scheme. The options were awarded in accordance with the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ending 31 March 2009 and as such carry no further performance conditions. The options are exercisable in whole or in part at any time between the second anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Note 6:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

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

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

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

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

28. Share options (continued)

Note 7:
These options have been issued under the Group's Share Option Scheme. These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the satisfaction of the performance conditions set out below. Subject to achievement of these performance conditions, options are exercisable in whole or in part at any time between the third anniversary and the tenth anniversary of the date on which the option was granted. If not exercised by the tenth anniversary of the date of grant, the option will lapse.

Performance Conditions:

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

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

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

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

Fair value charge
As stated previously, the Group has prepared fair value charges for options covered by notes 2 to 6 above. The calculations have been estimated based on the Black-Scholes model. Key data and assumptions used are:

Date of Grant	Exercise price Pence	Share price at date of grant Pence	Risk free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option Pence
August 2009	5.390	5.750	4.29	5	125.3	4.930
August 2009	1.000	5.750	4.29	5	125.3	5.450
August 2010	4.925	4.925	3.08	5	112.9	3.980
August 2010	1.000	4.925	3.08	5	112.9	4.560

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

The fair value charge for the year was £395,000 (2010: £372,000).

28. Share options (continued)

A reconciliation of option movements over the year to 31 March 2011 is shown below:

	2011		2010	
	Number of options '000	**Weighted average exercise price Pence**	Number of options '000	Weighted average exercise price Pence
Outstanding at 1 April	**25,263**	**8.6**	10,232	19.3
Adjusted	**387**	**10.7**	6,844	11.3
Granted	**9,921**	**2.0**	8,448	2.4
Lapsed	**(1,144)**	**7.4**	(261)	11.9
Outstanding at 31 March	**34,427**	**6.7**	25,263	8.6
Exercisable at 31 March	**11,610**	**10.0**	4,308	5.74

The share price on 31 March 2011 was 5.8 pence (2010: 5.4p).

The pattern of exercise price and life is shown below:

	2011				2010			
			Weighted average remaining life (years)				Weighted average remaining life (years)	
Range of Exercise Prices	**Weighted average exercise price**	**Number of options**	**Expected**	**Contractual**	Weighted average exercise price	Number of options	Expected	Contractual
1p	**1p**	**13,224,148**	**3.60**	**8.90**	1p	5,903,854	4.36	9.36
Up to 10p	**5.6p**	**11,671,552**	**1.62**	**6.38**	5.9p	9,656,478	1.27	4.33
10p to 20p	**13.8p**	**7,982,854**	**0.47**	**5.47**	14.1p	8,184,792	1.47	6.47
20p to 30p	**24.2p**	**1,548,486**	**1.35**	**6.35**	24.7p	1,518,126	2.35	7.35
Total		**34,427,040**				25,263,250		

29. Cash used in operations

	Group		Company	
	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000	**Year ended 31 March 2011 £'000**	Year ended 31 March 2010 £'000
Loss before income tax	**(6,639)**	(6,219)	**(652)**	(2,845)
Adjustment for:				
Interest received	**(29)**	(11)	**(28)**	(10)
Interest payable	**2**	12	**–**	8
Depreciation of property, plant and equipment	**154**	157	**–**	–
Exceptional items (note 7)	**–**	2,291	**–**	2,172
Provision movement	**25**	25	**–**	–
Share-based payment charges	**395**	480	**286**	381
Fees payable in ordinary shares	**19**	–	**19**	–
Changes in working capital				
Receivables	**(77)**	40	**(4)**	6
Payables	**635**	(103)	**–**	1
Cash used in operations	**(5,515)**	(3,328)	**(379)**	(287)

30. Operating lease commitments – minimum lease payments

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

	2011		2010	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Not later than one year	**243**	**–**	243	–
Later than one year and not later than five years	**727**	**–**	970	–
Total lease commitments	**970**	**–**	1,213	–

The operating lease commitment is in respect of the lease of the Group's offices and laboratories. The Company had no financial commitments at 31 March 2011 (2010: £nil).

Contractual milestone payments

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

31. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2011.

32. Related party disclosures

Transactions with Merlin Biosciences Limited

Merlin Biosciences Limited, as investment advisor to Merlin General Partner Limited and Merlin General Partner II Limited, both substantial shareholders in the Company, recharged directors' fees of £15,000 (2010: £15,000) in the year, in respect of services provided by Mark Docherty.

Transactions with Biomedicon

Dr Paul Harper, trading as Biomedicon, recharged consultancy fees of £nil (2010: £1,650) in the year in respect of services provided, in accordance with a consultancy agreement between ReNeuron Limited and Dr Paul Harper, dated 4 August 2005, and recharged directors' fees of £20,000 (2010: £20,000) in respect of services provided by him.

Transactions with Angel Biotechnology plc

During the year the Company contracted cell manufacturing services of £382,000 (2010: £136,000) from Angel Biotechnology plc, of whom Dr Paul Harper is a director.

Parent Company and subsidiaries

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

Company: transactions with subsidiaries:	**2011 £'000**	2010 £'000
Purchases and Staff:		
Parent company expenses paid by subsidiary:	**394**	294
Transactions involving Parent Company shares:		
Share options	**109**	99
Cash management:		
Loans to subsidiary	**3,904**	3,319

	2011 £'000	2010 £'000
Company: Year end balance of loan		
Loan to subsidiary	**28,532**	24,628

GLOSSARY OF SCIENTIFIC TERMS

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

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

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

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

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

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

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

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

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

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

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

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

Neurons
A nervous system cell able to conduct electrical impulses.

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

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

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

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

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

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

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

RENEURON GROUP PLC

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

(the "Company")

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that, the Annual General Meeting of the Company will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH on 15th September 2011 at 10.00 a.m. to consider, and if thought fit, pass the following resolutions, of which Resolutions 1 to 7 will be proposed as ordinary resolutions and Resolutions 8 and 9 will be proposed as special resolutions.

ORDINARY BUSINESS

1. To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 March 2011 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. To reappoint as a Director, Dr Paul Harper, who is retiring by rotation in accordance with Article 122 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
3. To reappoint as a Director, Bryan Morton, who is retiring by rotation in accordance with Article 122 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
4. To reappoint as a Director, John Berriman, who having been appointed since the previous annual general meeting is retiring in accordance with Article 114 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
5. To reappoint as a Director, Simon Cartmell, who having been appointed since the previous annual general meeting is retiring in accordance with Article 114 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
6. To reappoint PricewaterhouseCoopers LLP as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the Directors to determine the remuneration of the auditors.

SPECIAL BUSINESS

7. That in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked, but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors of the Company be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to:

   (a) allot ordinary shares, and to grant rights to subscribe for or to convert any security into ordinary shares, in the Company (all of which shares and rights are hereafter referred to as "Relevant Securities") representing up to £2,066,273.22 in nominal value in aggregate of shares; and

   (b) allot Relevant Securities (other than pursuant to paragraph (a) above) representing up to £2,066,273.22 in nominal value in aggregate of shares in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer to holders of ordinary shares (and, if so determined by the Directors, the holders of Matrix Warrants and any other person(s) entitled to participate therein) where such issue, offer, dividend, scheme or other allotment is proportionate (as nearly as may be) to the respective number of ordinary shares held by them (and, if so determined by the Directors, the number of ordinary shares as deemed to be held by for such purposes pursuant to the terms of the Matrix Warrants or such other terms of entitlement to participate therein) on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or any stock exchange in any territory, in relation to fractional entitlements, the terms of the Matrix Warrants or any other matter which the Directors consider merits any such exclusion or other arrangements),

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

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

   (a) subject to and conditionally upon the passing of Resolution 7 to allot equity securities (as defined by section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 7 as if section 561 of the 2006 Act did not apply to such allotment; and

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

   provided that such powers

   (1) shall be limited to:

      (i) the allotment of equity securities (or sale of ordinary shares) representing up to £2,066,273.22 in nominal value in aggregate of shares pursuant to the authority conferred by paragraph (b) of Resolution 7;

      (ii) the allotment of equity securities (or sale of ordinary shares) representing up to £619,881.97 in nominal value in aggregate of shares in connection with the grant of options (or other rights to acquire ordinary shares) in accordance with the rules of the Company's share options schemes (as varied from time to time) or otherwise to employees, consultants and/or Directors of the Company and/or any of its subsidiaries; and

      (iii) the allotment of equity securities (or sale of ordinary shares), otherwise than pursuant to sub-paragraphs (i) and (ii) (inclusive) above, representing up to £1,239,763.93 in nominal value in aggregate of shares; and

   (2) shall, subject to the continuance of the authority conferred by Resolution 7, expire 15 months after the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs first, but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted (or ordinary shares to be sold) after such expiry, revocation or variation and the Directors may allot equity securities (or sell ordinary shares) in pursuance of such offer or agreement as if such powers had not expired or been revoked or varied.

9. That the existing article 4 of the articles of association of the Company be deleted and that the following be adopted as a new article 4 and incorporated into the articles of association of the Company in substitution thereof:

   "4. Share Capital

   The authorised share capital of the Company is divided into Ordinary Shares of 1 pence each and Deferred Shares of 9 pence each."

20 July 2011
By Order of the Board
Patrick Huggins
Company Secretary

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

NOTES

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

"Matrix Warrants" The 3,333,333 warrants to subscribe for ordinary shares constituted by a warrant instrument dated 3 April 2009 and issued to Matrix Corporate Capital LLP (as may be amended from time to time).

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

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

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

(4) To be effective, an instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority)) must be deposited at the offices of Computershare Investor Services plc P.O. Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, at not later than 10.00 a.m. on 13 September 2011 except that should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting. A Form of Proxy is enclosed with this notice. Shareholders who intend to appoint more than one proxy may photocopy the Form of Proxy prior to completion. The Forms of Proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made. Completion and return of the Form of Proxy will not preclude shareholders from attending and voting in person at the meeting.

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

(6) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 10.00 a.m. on 13 September 2011 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

EXPLANATORY NOTES TO THE BUSINESS OF THE ANNUAL GENERAL MEETING

Resolution 1 – The Company's Annual Report and Accounts for the financial year ended on 31 March 2011 and the Directors' Report and the Independent Auditors' Report on those accounts will be presented to shareholders for approval.

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

- Dr Paul Harper, who is a non-executive Director of the Company; and
- Bryan Morton, who is a non-executive Director of the Company.

Resolutions 4 and 5 – In accordance with Article 114 of the Company's Articles of Association, every Director who has been appointed since the last annual general meeting of the Company is required to retire from office. John Berriman and Simon Cartmell have been appointed as non-executive Directors since the last annual general meeting and therefore retire and, being eligible, each offers himself for reappointment.

Resolution 6 – At every annual general meeting at which accounts are presented to shareholders, the Company is required to appoint an auditor to serve until the next such annual general meeting. PricewaterhouseCoopers LLP have confirmed that they are willing to continue as the Company's auditors for the next financial year. The Company's shareholders are asked to reappoint them and to authorise the Director's to determine their remuneration, which will, in accordance with the Company's practice concerning good corporate governance, be subject to the recommendation of the Audit Committee.

Resolution 7 –This resolution seeks to authorise the Directors to allot shares, subject to the normal pre-emption rights reserved to shareholders contained in the 2006 Act. Previously the Association of British Insurers ("ABI") recommended that a company seek an annual authority to allot up to a third of their issued share capital; however the ABI has issued further guidelines permitting a company to seek authority to allot an additional third of the issued share capital provided such additional third is reserved for fully pre-emptive rights issues. Sub-paragraph (b) of Resolution 7 seeks to reflect the spirit of the change in the ABI's recommendation, though covers a broader range of offers, issues and allotments including, in particular, by permitting the inclusion of holders of Matrix Warrants.

Resolution 8 – This limits the ability of the Company to issue shares free of pre-emption rights. Sub-paragraph (1)(i) of Resolution 8 allows the disapplication of pre-emption rights to allow the issue of shares to existing shareholders (and, if so determined, holders of Matrix Warrants), for example, by way of a rights issue or open offer. The limit imposed in respect of the grant of options pursuant to sub-paragraph 1(ii) of Resolution 8 represents 10 per cent. The limit imposed in respect of the general disapplication pursuant to sub-paragraph 1(iii) of Resolution 8 represents 20 per cent of the issued share capital of the Company. The Directors consider it important that they have the authorities set out in sub-paragraphs (1)(i) and (1)(ii), which would allow them to grant options and issue shares to incentivise employees, Directors and consultants and to issue shares generally for other purposes.

Resolution 9 – Whereas by resolution passed by the members of the Company on 12 March 2010 the limit on the number of shares comprising the authorised share capital of the Company was removed, Resolution 9 removes reference thereto from the Company's articles of association in conformity with such prior resolution. The class of Deferred Shares referred to in article 4 of the articles of association was created in connection with a prior re-organisation of the share capital of the Company. No Deferred Shares are currently in issue.

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