ReNeuron

pioneering stem cell therapeutics

PRESS RELEASE

Guildford, UK: 3 December 2007

ReNeuron Group plc
Interim Results for the six months ended 30 September 2007

Highlights

- Successful completion of further pre-clinical studies in support of IND application to commence initial clinical trial in the US with ReN001 stem cell therapy for stroke
- **Amendments to IND application completed and filed with FDA**
- Insulin-producing islets generated in ReN002 diabetes programme
- Acquisition of business assets of AmCyte for US$4.0 million, together with further £1.5 million fundraising before expenses, both achieved via share placing
- Research collaboration initiated with King's College London regarding enhancements to stem cell expansion technology
- Other therapeutic and non-therapeutic programmes progressing to plan
- Net loss of £3.1 million (2006: £3.3 million); net cash outflow from operating activities £2.9 million (2006: £3.0 million); cash and cash equivalents at 30 September 2007 of £5.7 million (2006: £2.8 million)

Commenting on the results, Professor Trevor Jones, Chairman, said:

"ReNeuron's principal focus in the period under review has been to address the FDA's questions and requests for further data regarding the clinical trial application for our ReN001 therapy. We have now completed the process of submitting our responses and IND amendments to the FDA. Based on the data we have generated over the course of this year, we remain confident of achieving our objective of commencing an initial clinical trial with ReN001 in 2008.

"Progress with our other therapeutic programmes has given us further cause for encouragement. The acquisition of the cell encapsulation technology from AmCyte has greatly bolstered our ReN002 programme for Type 1 diabetes, and our programmes for Parkinson's disease and diseases of the retina have also made good progress in the period. We look forward to reporting further progress across these programmes over the coming months."

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Chairman's and Chief Executive Officer's Joint Statement

Review of Operations

ReN001 stem cell therapy for stroke

During the period, we have successfully completed a number of further pre-clinical studies in support of our Investigational New Drug (IND) application with the US Food and Drug Administration (FDA) to commence initial clinical trials with ReN001 in the US. This application is currently on clinical hold, pending resolution of a number of questions and requests for further information made by the FDA.

The most important of these pre-clinical studies was one examining the long-term safety profile of ReN001 in a specialised rodent stroke model. The data from this study, conducted in the US, showed no unusual or adverse safety effects in either control or treatment groups. We have interacted with the FDA during the year in order to seek confirmation that our approach to responding to certain of the FDA's requests for further data is appropriate from their perspective. Based on these interactions, we have collated the data from the key studies undertaken over the course of the year into a series of IND amendments and full responses to the FDA's requests. We have completed the process of submitting these responses and IND amendments to the FDA and we will make further announcements regarding the outcome in due course.

During the period, we have instigated formal contact with other key regulatory agencies in respect of the ReN001 therapy, including the UK Medicines and Healthcare Products Regulatory Agency (MHRA). This is with a view to subsequent clinical trial applications, where appropriate, in order to build the clinical profile for ReN001 in these territories. We have been most encouraged by the initial feedback we have received from these agencies.

We are also delighted to welcome a leading UK-based neurologist onto ReNeuron's Clinical Advisory Board. Professor Philip Bath, BSc, MB, BS, MD, FRCPath, FRCP FESC 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 and we welcome the invaluable expertise and experience Professor Bath will bring to the Company.

Based on the above progress with our ReN001 therapy, we believe ReNeuron is well-placed to achieve its near-term objective in 2008 of taking its first stem cell therapy into man in an area of significant unmet medical need.

Other therapeutic and non-therapeutic programmes

A principal aim of our commercial strategy is to drive the development of ReNeuron's other therapeutic programmes as quickly and efficiently as possible, thus giving the business a pipeline of stem cell therapies at clinical or late pre-clinical stage. To this end, we have been greatly encouraged by the progress made during the period, both by our in-house research teams and our external collaborators on these programmes.

During the period, we announced that we had used our patented *c-mycER* stem cell expansion technology to generate stable human pancreatic cell lines for our ReN002 programme for Type I diabetes. The cell lines formed islet cell clusters which were shown to secrete insulin in response to glucose concentrations, as well as expressing the appropriate phenotypic markers for insulin-producing islet cells.

The above ReN002 development was closely followed in the period by ReNeuron's acquisition of the business assets of AmCyte, a development stage cell therapy company based in Santa Monica, California. The acquisition was financed by the issue of new Ordinary shares in ReNeuron to raise US$4.0 million for the AmCyte vendors. The deal was completed in conjunction with a further equity fundraising by ReNeuron of £1.5 million, before expenses, to provide working capital for the ongoing acquired operation. The acquired assets are held in a new US subsidiary, ReNeuron Inc.

The rationale for the acquisition is to combine ReNeuron's own well-characterised, scalable pancreatic cells with AmCyte's clinically-tested cell encapsulation system, in order to overcome the two principle obstacles facing islet cell therapy for Type 1 diabetes: the lack of suitable donated pancreatic tissue from which to derive high quality insulin-producing islet cells, and the immune rejection typically seen when transplanting raw islets into diabetes patients. The acquisition also brings ReNeuron a talented research and development team based in California, one of the world's leading centres for both academic and commercial stem cell research and development.

Since the acquisition, we have relocated the US team into a more compact, purpose-built research facility in Santa Monica. We have also commenced initial *in vitro* and *in vivo* studies looking at the characteristics of both 'naked' and encapsulated ReN002 islet cells, the early results from which are promising.

We are also seeing encouraging data emerging in our ReN003 and ReN004 programmes for, respectively, retinal diseases and Parkinson's disease. During the period, we extended our research collaboration with the Schepens Eye Research Institute at Harvard Medical School, the objectives of the initial research collaboration having been met. We are also on track to meet the research objectives under the grant awarded by the Michael J. Fox Foundation for Parkinson's Research in respect of our ReN004 programme.

We aim to make further specific announcements regarding progress with the above therapeutic programmes over the coming months.

We have made good progress during the period with the development of our *ReNcell®* products for non-therapeutic applications in research and in the pharmaceutical industry. Whilst early royalty income from our first-generation *ReNcell®* neural cell lines is modest, we believe the commercial potential of our next-generation *ReNcell®* liver and pancreatic cell lines is significantly greater, with a good deal of early interest being expressed from commercial organisations. Based on successful initial results, we extended our collaboration with CellSeed, Inc. of Japan in the period, focused on the development of novel liver cell culture systems utilising our *ReNcell®* liver cell line.

During the period, we also entered into a research collaboration with King's College London, part-funded by the UK government under its Knowledge Transfer Partnership (KTP) scheme. This project seeks to enhance the efficiency of our *c-mycER* cell expansion technology when applied to the selection and scaling of future cell line products.

Summary of Results

The Group has adopted International Financial Reporting standards (IFRS) for the first time in the preparation of the interim results for the six months to 30 September 2007. In accordance with IFRS1 "First-time Adoption of IFRS", the comparative results for the six months ended 30 September 2006 and the year ended 31 March 2007 have been restated to accord with IFRS. The impact of IFRS on the Group's accounting policies and financial results are detailed in the notes to these interim financial statements.

In the six months to 30 September 2007, revenues were £4,000 (2006: £42,000), representing royalty income from the Group's non-therapeutic licensing activities.

Net operating expenses were £3.5 million in the period (2006: £3.5 million). An increase in research and development expenditure in the period to £2.6 million (2006: £2.5 million) was offset be an equivalent decrease in administrative costs to £0.9 million (2006: £1.0 million). Full year operating expenses are forecast to be higher than the prior year, however, due to the additional operational expenses of the Group's US operation, included in the consolidated accounts from 1 August 2007.

Other operating income increased in the period to £0.2 million (2006: £0.1 million) as a result of higher grant income received. Interest received also increased in the period to £0.2 million (2006: £0.1 million), due to higher average cash balances over the period. The resulting net loss for the period decreased to £3.1 million (2006: £3.3 million).

Net cash outflow from operating activities decreased in the period to £2.9 million (2006: £3.0 million). During the period, the Group acquired the business assets of AmCyte, financed by a placing of new Ordinary shares raising US$4.0 million for the AmCyte vendors. In conjunction with the acquisition, the Group raised a further £1.5 million, before expenses, by way of a placing of new Ordinary shares.

Cash and cash equivalents decreased by £2.0 million in the period (2006: £2.3 million), reflecting the above operational and financing activities. As at 30 September 2007, the Group had cash and cash equivalents totalling £5.7 million (2006: £2.8 million). The directors estimate that the Group's current cash resources are sufficient to meet expenditure requirements into the third quarter of 2008. The directors are confident of raising further funds sufficient for the needs of the business from equity issues and other sources. Consequently, the going concern basis has been adopted in the preparation of these interim financial statements.

Outlook

ReNeuron's principal focus in the period under review has been to address the FDA's questions and requests for further data regarding the clinical trial application for our ReN001 therapy. We have now completed the process of submitting our responses and IND amendments to the FDA. Based on the data we have generated over the course of this year, we remain confident of achieving our objective of commencing an initial clinical trial with ReN001 in 2008.

Progress with our other therapeutic programmes has given us further cause for encouragement. The acquisition of the cell encapsulation technology from AmCyte has greatly bolstered our ReN002 programme for Type 1 diabetes, and our programmes for Parkinson's disease and diseases of the retina have also made good progress in the period. We look forward to reporting further progress across these programmes over the coming months.

Professor Trevor Jones
Chairman

Michael Hunt
Chief Executive Officer

3 December 2007

Note to editors:

ReNeuron is a leading, UK-based stem cell therapy business. It is applying its novel stem cell platform technologies in the development of ground-breaking stem cell therapies to serve significant and unmet or poorly-met clinical needs. The Company operates from laboratories in Surrey, UK and Los Angeles, California, USA.

ReNeuron has used its *c-mycER* technology to generate genetically stable neural stem cell lines. This technology platform has multi-national patent protection and is fully regulated by means of a chemically-induced safety switch. Cell growth can therefore be completely arrested prior to *in vivo* implantation.

ReNeuron has filed for approval to commence initial clinical studies in the US with its lead ReN001 stem cell therapy for chronic stroke disability. This represents the world's first such filing concerning a neural stem cell treatment for a major neurological disorder. There are an estimated 50 million stroke survivors worldwide, approximately one half of which are left with permanent disabilities. The annual

health and social costs of caring for these patients is estimated to be in excess of £5 billion in the UK and in excess of US$50 billion in the US.

In addition to its stroke programme, ReNeuron is developing stem cell therapies for Parkinson's disease, Huntington's disease, Type 1 diabetes and diseases of the retina. The Company recently announced the acquisition of the business assets of AmCyte in the US, bringing clinically-tested cell encapsulation technology to ReNeuron's ReN002 diabetes programme.

ReNeuron has leveraged its stem cell technologies into non-therapeutic areas – its *ReNcell®* range of cell lines for use in research and in drug discovery applications in the pharmaceutical industry. ReNeuron's *ReNcell®CX* and *ReNcell®VM* neural cell lines are marketed worldwide under license by Millipore Corporation.

ReNeuron's shares are traded on the London AIM market under the symbol RENE.L.

Further information on ReNeuron and its products can be found at www.reneuron.com.

Data sources: UK Stroke Association; American Stroke Association.

This announcement contains forward-looking statements with respect to the financial condition, results of operations and business achievements/performance of ReNeuron and certain of the plans and objectives of management of ReNeuron with respect thereto. These statements may generally, but not always, be identified by the use of words such as "should", "expects", "estimates", "believes" or similar expressions. This announcement also contains forward-looking statements attributed to certain third parties relating to their estimates regarding the growth of markets and demand for products. By their nature, forward-looking statements involve risk and uncertainty because they reflect ReNeuron's current expectations and assumptions as to future events and circumstances that may not prove accurate. A number of factors could cause ReNeuron's actual financial condition, results of operations and business achievements/performance to differ materially from the estimates made or implied in such forward-looking statements and, accordingly, reliance should not be placed on such statements.

The terms 'ReNeuron', 'the Company' or 'the Group' used in this statement refer to ReNeuron Group plc and/or its subsidiary undertakings, depending on the context.

Unaudited Consolidated Income Statement
For the six months ended 30 September 2007

	Note	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Revenue		4	42	49
Net operating expenses	3	(3,485)	(3,531)	(6,276)
Other operating income		184	137	263
Operating Loss		**(3,297)**	**(3,352)**	**(5,964)**
Finance income		190	87	192
Loss before income taxes		**(3,107)**	**(3,265)**	**(5,772)**
Tax credit on loss on ordinary activities		-	-	523
Loss for the period		**(3,107)**	**(3,265)**	**(5,249)**
Loss per ordinary share				
Basic and diluted	5	(2.2p)	(3.4p)	(4.9p)

Unaudited Consolidated Balance Sheet
As at 30 September 2007

	Note	30 September 2007 £'000	30 September 2006 £'000	31 March 2007 £'000
Non-current assets				
Intangible assets		3,419	972	1,272
Property, plant and equipment		1,020	1,115	1,044
Financial assets		125	81	125
		4,564	**2,168**	**2,441**
Current assets				
Trade and other receivables		1,164	920	879
Cash and cash equivalents		5,711	2,791	7,676
		6,875	**3,711**	**8,555**
Current liabilities				
Trade and other payables		(1,113)	(1,382)	(813)
Financial liabilities		(1)	(2)	(2)
		(1,114)	**(1,384)**	**(815)**
Net current assets		**5,761**	**2,327**	**7,740**
Non current liabilities				
Financial liabilities		**-**	(1)	-
Net assets		**10,325**	**4,494**	**10,181**
Shareholders' equity				
Share capital		1,542	997	1,377
Share premium		14,357	5,659	13,213
Capital redemption reserve		8,964	8,964	8,964
Merger reserve		2,223	365	365
Warrant reserve		113	436	113
Share-based credit reserve		250	106	166
Retained deficit		(17,124)	(12,033)	(14,017)
Capital and reserves attributable to the Group's equity shareholders		**10,325**	**4,494**	**10,181**

Unaudited Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Capital redemption reserve	Merger Reserve	Warrant reserve	Share-based credit reserve	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2006	**9,355**	**5,472**	**-**	**365**	**436**	**56**	**(8,768)**	**6,916**
Issue of new ordinary shares	606	187	-	-	-	-	-	**793**
Sub-division of ordinary shares	(8,964)	-	8,964	-	-	-	-	**-**
Share-based credit	-	-	-	-	-	50	-	**50**
Loss for the period	-	-	-	-	-	-	(3,265)	**(3,265)**
As at 30 September 2006	**997**	**5,659**	**8,964**	**365**	**436**	**106**	**(12,033)**	**4,494**
Issue of new ordinary shares	380	7,311	-	-	-	-	-	**7,691**
Costs of share issue	-	(193)	-	-	-	-	-	**(193)**
Exercise of warrants	-	436	-	-	(436)	-	-	**-**
Issue of warrants	-	-	-	-	113	-	-	**113**
Share-based credit	-	-	-	-	-	60	-	**60**
Loss for the period	-	-	-	-	-	-	(1,984)	**(1,984)**
As at 31 March 2007	**1,377**	**13,213**	**8,964**	**365**	**113**	**166**	**(14,017)**	**10,181**
Shares issued for acquisition	93	-	-	1,858	-	-	-	**1,951**
Issue of new ordinary shares	72	1,437	-	-	-	-	-	**1,509**
Costs of share issue	-	(293)	-	-	-	-	-	**(293)**
Share-based credit	-	-	-	-	-	84	-	**84**
Loss for the period	-	-	-	-	-	-	(3,107)	**(3,107)**
As at 30 September 2007	**1,542**	**14,357**	**8,964**	**2,223**	**113**	**250**	**(17,124)**	**10,325**

Unaudited Consolidated cash flow statement
For the six months ended 30 September 2007

	Note	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Operating loss		**(3,297)**	**(3,352)**	**(5,964)**
Depreciation		82	115	200
Share-based payment charge		84	50	223
Interest received		190	87	192
Income tax credit received		-	-	503
Changes in working capital				
Debtors		(285)	26	43
Creditors		292	35	(534)
Cash flow from operating activities		**(2,934)**	**(3,039)**	**(5,337)**
Capital expenditure		(29)	(18)	(32)
Purchase of subsidiary	4	(216)	-	-
Cash flows from investing activities		**(245)**	**(18)**	**(32)**
Finance lease principal payments		(1)	(1)	(2)
Net funds from placing		1,215	715	7,913
Cash flows from financing activities		**1,214**	**714**	**7,911**
Net (decrease)/increase in cash and cash equivalents		**(1,965)**	**(2,343)**	**2,542**
Cash equivalents at the start of period		7,676	5,134	5,134
Cash equivalents at the end of period		**5,711**	**2,791**	**7,676**

Notes to the interim financial statements
for the six months ended 30 September 2007.

1. Accounting policies and basis of preparation

1.1 Basis of preparation

These unaudited interim financial statements have been prepared in accordance with the European Union endorsed International Financial Reporting Standards (IFRS), the interpretations of International Financial Reporting Interpretations Committee (IFRIC) and the Companies Act 1985 applicable to companies reporting under IFRS and that are expected to apply for the annual financial statements to 31 March 2008.

The financial information contained in this interim report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts of ReNeuron Group plc and its subsidiaries in respect of the year ended 31 March 2007, which were approved by the Board on 6 July 2007, have been delivered to the Registrar of Companies, upon which the Company's auditors have given a report which was unqualified and did not contain a statement under Section 237(2) or 237(3) of that Act.

1.2 New Accounting policies on adoption of IFRS

These condensed consolidated financial statements for ReNeuron Group plc have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting”, and are covered by IFRS 1, “First-time Adoption of IFRS”, because they refer to part of the period covered by the group’s first IFRS financial statements for the year ending 31 March 2008.

The accounting policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been adjusted in line with IFRS. The new accounting policies are set out in full below. An analysis and reconciliation of the effects of the transition to IFRS are provided in note 6.

The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements. When preparing the Group’s IFRS balance sheet at 1 April 2006, the date of transition, the following optional exemption from full retrospective application of IFRS accounting policies has been adopted:

IFRS 3, “Business combinations”.

The accounting policies following adoption of IFRS are set out below:

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 non market-based vesting conditions. Fair value is determined by use of the Black Scholes Option Pricing Model at the date of grant, as adjusted based on management’s best estimate for the effects of share liquidity and behavioural considerations.

For equity settled share based payments where employees of subsidiary undertakings are rewarded with shares issued by the parent company, the expense associated with the services provided is recognised in the employing company’s accounts.

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

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.

Property, plant and equipment
Property, plant and equipment is stated as cost, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

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

Investments
Investments are shown at cost less any provision for impairment.

Goodwill
Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is not amortised, but is regularly reviewed for impairment. Determining whether goodwill is impaired requires an estimation of the value in use, which is calculated by estimating the future cash flow expected to arise from the cash generating unit, discounted by a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period.

Negative goodwill arose on the acquisition of ReNeuron (UK) Limited as the cost of the acquisition was less than the fair value of the identifiable assets and liabilities of the acquired entities. In accordance with IFRS3, negative goodwill is recognised in the profit and loss account in the period in which it occurs.

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

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

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

Revenue
Revenue is measured at the fair value of the consideration received from the provision of services net of Value Added Tax. Revenue from services is recognised as revenue when the conditions in the contract for services have been satisfied. Revenue also includes income received under licensing and from collaborations with third parties.

Pension schemes
The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the income statement. Differences

between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Operating leases
Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Benefits such as rent-free periods, and amounts received or receivable as incentives to take on operating leases, are spread on a straight-line basis over the lease term, or, if shorter, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rent.

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.

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

Government and other grants
Revenue grants are credited to the profit and loss account 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.

1.3 Going concern

The Company 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 company will not be sufficient to support the current level of activities for the next twelve months. However, the directors are confident of raising further funds by the issue of equity or other financial instruments. Consequently, the directors have adopted the going concern basis in the preparation of the financial statements. If further funds were not to be raised, adjustments would have to be made to revise the balance sheet value of assets to their realisable amounts and to provide for further liabilities that may arise.

2. Segment information

The Group's principal activity is the research and development of stem cell therapies designed to reverse a range of major diseases. Due to the early stage of development of all of these therapies, the Group reports its operations collectively within one business segment. Activities are also reported by geographical segment in the Group's full year financial statements.

3. Net operating expenses

	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Administrative expenses	928	1,009	1,858
Research and development expenditure	2,557	2,522	4,418
	3,485	**3,531**	**6,276**

4. Acquisition

On 27 July 2007, the group entered into arrangements to purchase the business assets of AmCyte, Inc. and AmCyte Diabetes, Inc. (together "AmCyte"), based in Santa Monica, California. This was effected by the transfer of the assets into a new company, ReNeuron, Inc., a company registered in Delaware, USA in consideration of the issue of shares in ReNeuron, Inc. to AmCyte. ReNeuron Group plc then acquired 100% of the share capital of ReNeuron, Inc. from AmCyte in consideration of the issue of 9,291,521 ordinary shares in ReNeuron Group plc, which shares were placed with investors raising $4.0 million for the AmCyte vendors.

The acquired business contributed no revenue and a loss of £135,000 in the period from 1 August 2007 to 30 September 2007.

Details of net assets acquired and goodwill are as follows:

	£'000
Purchase consideration:	
Shares issued	1,951
Direct costs relating to the acquisition	216
Total purchase consideration	**2,167**
Fair value of assets acquired:	
Property, plant and equipment	21
Intangible assets	2,146
	2,167
Goodwill	Nil

No goodwill has been recognised on the acquisition of the AmCyte business assets.

The fair value amounts above are provisional and will be finalised in the financial statements for the year ended 31 March 2008.

The value of the acquired assets, as stated in the accounts of ReNeuron, Inc. were as follows:

	£'000
Property, plant and equipment	21

5. Loss per share

The basic and diluted loss per share is calculated by dividing the loss for the financial period of £3,107,000 (September 2006: £3,265,000, March 2007: £5,249,000) by 143,153,064 shares (September 2006: 96,659,058 shares, March 2007: 106,445,554), being the weighted average number of ordinary 10p or 1p shares in issue during the period.

Potential ordinary shares are not treated as dilutive as their conversion to ordinary shares does not increase the net loss per share.

6. Impact of conversion to IFRS

The adjustments necessary to comply with IFRS 1, "First-time adoption of IFRS" are set out below.

Reconciliation of Equity at Transition Date, 1 April 2006

	Note	UK GAAP	IFRS Adjustments	IFRS
		£'000	£'000	£'000
Non-current assets				
Negative goodwill	a	(1,421)	1,421	-
Intangible fixed assets	b	-	894	894
Property, plant and equipment	c	1,208	4	1,212
Financial assets	d	-	81	81
		(213)	**2,400**	**2,187**
Current assets				
Debtors – due after more than one year	d	81	(81)	-
Trade and other receivables		946	-	946
Cash and cash equivalents		5,134	-	5,134
		6,161	**(81)**	**6,080**
Current Liabilities				
Trade and other payables	e, f	(1,320)	(27)	(1,347)
Financial liabilities	c	-	(2)	(2)
		(1,320)	**(29)**	**(1,349)**
Net current assets		**4,841**	**(110)**	**4,731**
Non current liabilities				
Financial liabilities	c	**-**	(2)	(2)
Net assets		**4,628**	**2,288**	**6,916**
Shareholders' equity				
Ordinary shares		9,355	-	9,355
Share premium account		5,472	-	5,472
Capital redemption reserve		-	-	-
Merger reserve		365	-	365
Warrant reserve		436	-	436
Share-based credit reserve	g	-	56	56
Retained deficit	a, b, e, g	(11,000)	2,232	(8,768)
Capital and reserves attributable to the Group's equity shareholders		**4,628**	**2,288**	**6,916**

Reconciliation of Income Statement for six months ended 30 September 2006

	Note	UK GAAP	IFRS Adjustments	IFRS
		£'000	£'000	£'000
Revenue		42	-	42
Net operating expenses	a, b, e, f	(3,483)	(48)	(3,531)
Other operating income		137	-	137
Operating Loss		**(3,304)**	**(48)**	**(3,352)**
Finance income		87	-	87
Loss before income taxes		**(3,217)**	**(48)**	**(3,265)**
Tax credit on loss on ordinary activities		-	-	-
Loss for the period		**(3,217)**	**(48)**	**(3,265)**

Reconciliation of Equity at 30 September 2006

	Note	UK GAAP	IFRS Adjustments	IFRS
		£'000	£'000	£'000
Non-current assets				
Negative goodwill	a	(1,327)	1,327	-
Intangible fixed assets	b	-	972	972
Property, plant and equipment	c	1,112	3	1,115
Financial assets	d	-	81	81
		(215)	**2,383**	**2,168**
Current assets				
Debtors – due after more than one year	d	81	(81)	-
Trade and other receivables		920	-	920
Cash and cash equivalents		2,791	-	2,791
		3,792	**(81)**	**3,711**
Current Liabilities				
Trade and other payables	e, f	(1,345)	(37)	(1,382)
Financial liabilities	c	-	(2)	(2)
		(1,345)	**(39)**	**(1,384)**
Net current assets		**2,447**	**(120)**	**2,327**
Non current liabilities				
Financial liabilities	e	**-**	(1)	(1)
Net assets		**2,232**	**2,262**	**4,494**
Shareholders' equity				
Ordinary shares		997	-	997
Share premium account	b	5,637	22	5,659
Capital redemption reserve		8,964	-	8,964
Merger reserve		365	-	365
Warrant reserve		436	-	436
Share-based credit reserve		-	106	106
Retained deficit	a, b ,e, f, g	(14,167)	2,134	(12,033)
Capital and reserves attributable to the Group's equity shareholders		**2,232**	**2,262**	**4,494**

Reconciliation of Income Statement for year ended 31 March 2007

	Note	UK GAAP	IFRS Adjustments	IFRS
		£'000	£'000	£'000
Revenue		49	-	49
Net operating expenses	a, b, e, f	(6,223)	(53)	(6,276)
Other operating income		263	-	263
Operating Loss		**(5,911)**	**(53)**	**(5,964)**
Finance income		192	-	192
Loss before income taxes		**(5,719)**	**(53)**	**(5,772)**
Tax credit on loss on ordinary activities		523	-	523
Loss for the period		**(5,196)**	**(53)**	**(5,249)**

Reconciliation of Equity at 31 March 2007

	Note	UK GAAP	IFRS Adjustments	IFRS
		£'000	£'000	£'000
Non-current assets				
Negative goodwill	a	(1,233)	1,233	-
Intangible fixed assets	b	-	1,272	1,272
Property, plant and equipment	c	1,042	2	1,044
Financial assets	d	-	125	125
		(191)	**2,632**	**2,441**
Current assets				
Debtors – due after more than one year	d	125	(125)	-
Trade and other receivables		879	-	879
Cash and cash equivalents		7,676	-	7,676
		8,680	**(125)**	**8,555**
Current Liabilities				
Trade and other payables	e, f	(782)	(31)	(813)
Financial liabilities	c	-	(2)	(2)
		(782)	**(33)**	**(815)**
Net current assets		**7,898**	**(158)**	**7,740**
Non current liabilities				
Financial liabilities	e	**-**	-	-
Net assets		**7,707**	**2,474**	**10,181**
Shareholders' equity				
Ordinary shares		1,377	-	1,377
Share premium account	b	12,974	239	13,213
Capital redemption reserve		8,964	-	8,964
Merger reserve		365	-	365
Warrant reserve		113	-	113
Share based credit reserve		-	166	166
Retained deficit	a, b ,e, f, g	(16,086)	2,069	(14,017)
Capital and reserves attributable to the Group's equity shareholders		**7,707**	**2,474**	**10,181**

Summary of notes to IFRS reconciliations

Note	Reason for adjustment	To Balance Sheet 1 April 2006	To Income Statement 6 months to 30 September 2006	To Income Statement 12 months to 31 March 2007	To Balance Sheet 31 March 2007
		£'000	£'000	£'000	£'000
a	Negative goodwill release (see further comment below)	1,421	(94)	(188)	1,233
b	Share issues to StemCells, Inc. (see further comment below) Intangible assets Provision for intangibles	894	56	139	1,272
c	Restatement of an operating lease as a finance lease: Fixed assets – net book value Finance lease creditor Depreciation Rentals expense	4 (4)	(1) 1	(2) 2	2 (2)
d	Landlord deposit at fair value: Restated as a non-current financial asset (no change to total equity)				
e	Accrual for holiday pay	(15)	15	(2)	(17)
f	Accrual for employee bonuses	(12)	(25)	(2)	(14)
g	Separate recognition of share-based credit reserve from retained deficit (no change to total equity)				

Note a: Negative goodwill release
Negative goodwill was previously amortised in accordance with UK GAAP. Under IFRS, negative goodwill is not permitted to be held on the balance sheet but is recognised in the profit and loss account in the period it arises. The balance on the transition date and subsequent charges made under UK GAAP have therefore been reversed.

Note b: Share issues to StemCells, Inc.
Ordinary shares have been issued to StemCells, Inc. under licence and subscription and share exchange agreements. The shares issued were previously accounted for at a value of 10p. The underlying intangible asset

created was previously provided for in full. Under IFRS, the shares issued have been recognised at fair value at the time of issue, being equivalent to the market value of the shares on the date of issue. The related intangible asset has been held on the balance sheet in accordance with IFRS, the previous provision against this intangible asset having been reversed.