Independent auditors' report to the members of ReNeuron Group plc

Report on the audit of the financial statements

Opinion

In our opinion, ReNeuron Group plc's group financial statements and parent company financial statements (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 2020 and of the group's loss and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Parent Company statements of financial position as at 31 March 2020; the Group statement of comprehensive income, the Group and Parent Company statements of cash flows, and the Group and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern – Group and Parent Company

In forming our opinion on the financial statements, which are not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the group and parent company's ability to continue as a going concern. Based on the Directors' current forecasts and plans the Directors expect the group's and parent company's current financial resources will be sufficient to support the business until at least mid-2021 and the Directors are considering a number of options to secure further funding sufficient for the future needs of the business beyond mid-2021. However, there is no guarantee that attempts to raise adequate additional financing on a timely basis will be successful. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and/or the parent company were unable to continue as a going concern.

Audit procedures performed

In concluding that there was a material uncertainty, we reviewed the Directors' model supporting their going concern assumption, tested mathematical accuracy and considered the reasonableness of the assumptions made and the available headroom throughout the twelve-month period from the date of approval of the financial statements. Our procedures included:

- considering whether the assumptions made indicate that material uncertainty exists in relation to going concern and considering how sensitive the model is to reasonably possible changes in those assumptions;
- reviewing the underlying base year back to supporting documentation (i.e. comparison with costs in current year); and
- considering whether judgements/estimates are appropriately disclosed within the financial statements.

Our audit approach

Overview

- Overall group materiality: £693,000 (2019: £859,000), based on 5% of loss before tax.
- Overall parent company materiality: £628,000 (2019: £677,000), based on 1% of total assets.

- The UK audit team performed an audit of the complete financial information of the one operating entity in the UK (ReNeuron Limited) as well as the parent company based in the UK (ReNeuron Group Plc), which comprise over 99% of the Group's loss before tax and over 99% of the group's total assets.

- Going concern – refer to the Material uncertainty related to going concern above (Group and Parent Company).
- Accounting for research and development expenditure (Group).
- Risks posed by COVID-19 (Group and Parent Company).

Independent auditors' report to the members of ReNeuron Group plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Accounting for research and development expenditure (Group) Due to the nature of the clinical trials and general research it is often difficult to estimate the amount of time a particular trial is going to take. ReNeuron outsources most of its research and development to third parties which restricts visibility and the ability to monitor the progression of a piece of research, or a trial's stage of completion. As a result, it can be difficult for ReNeuron to measure what costs have been incurred in relation to a trial at a particular point in time and as such, based on billings received, whether project accruals and prepayments recorded are reasonably estimated. Our audit risk is focussed on whether the relevant expenditure has been appropriately included in the income statement and whether prepayments and accruals are appropriately calculated and recognised.	We performed the following procedures: • We verified the status of projects through a meeting with the Chief Medical officer where the progress and status of each project was discussed. • We obtained management's calculations that support the research and development costs incurred during the year and verified the mathematical formulae used. • We obtained the contracts register and for a sample of contracts agreed that management had recognised costs in line with the underlying terms of the contract. • We sampled invoices detailed in management's calculations and tested back to invoice and verified that the cost description in the invoice matched costs included in management's schedule. • We obtained management's calculation of the accrual and prepayment position and verified the mathematical formulae. • We sampled the accrual position and tested back to either contract or invoice and verified the accuracy and existence of the accrual included in management's schedule. • We reviewed invoices received post 31 March 2020 to identify any costs not included in management's schedules.
Risks posed by COVID-19 (Group and Parent Company) The Directors have considered the risks posed by COVID-19, as set out in the Strategic report. Given the nature of the Group's operations, the risks are assessed as being in relation to the potential slowing of Research & Development activities including possible knock-on delays in clinical trial data and sustained fixed costs during periods of relative inactivity.	We read relevant disclosures in the Annual Report and checked for consistency with our knowledge of the business based on our audit. No exceptions were noted from our testing.

How we tailored the audit scope

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

Independent auditors' report to the members of ReNeuron Group plc

ReNeuron Group Plc is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and its principal activities are research and clinical development of cell based therapeutics.

The group's accounting process is structured around a local finance function based in the United Kingdom. There are three active entities in the group; ReNeuron Group Plc (which raises the equity to support the principal activity of the group), ReNeuron Limited (which records the majority of group activity) and ReNeuron, Inc. (which incurs the costs of supervising the group's clinical trials in the United States of America and recharges these back to ReNeuron Limited). ReNeuron Ireland Limited is not currently trading but a management charge has been recognised in the year. There are two dormant entities in the group; ReNeuron (UK) Limited and ReNeuron Holdings Limited.

For each active entity we determined whether we required an audit of their complete financial information ("full scope") or whether specified procedures addressing specific risk characteristics of particular financial statement line items would be sufficient.

It was assessed that ReNeuron Group Plc and ReNeuron Limited required full scope audit procedures whilst ReNeuron, Inc. and ReNeuron Ireland Limited, which contribute less than 1% of the loss before tax and 1% of group total assets, and contained no financial statement items that comprised more than 15% of the group total, did not.

Materiality

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

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

	Group financial statements	Parent Company financial statements
Overall materiality	£693,000 (2019: £859,000).	£628,000 (2019: £677,000).
How we determined it	5% of loss before tax.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, loss before tax is the most relevant measure in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that total assets is the most appropriate measure since this entity is a holding company, and is a generally accepted auditing benchmark. This has been restricted to c. 72% of the benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £619,000 and £628,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £35,000 (Group audit) (2019: £43,000) and £31,000 (Parent company audit) (2019: £34,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

Independent auditors' report to the members of ReNeuron Group plc

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The parent company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Jason Clarke BSc ACA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

12 August 2020

Group statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 £'000	2019 Restated[1] £'000
Revenue	5	**6,065**	49
Other income	6	**100**	2,671
Research and development costs	7	**(16,335)**	(16,246)
General and administrative costs	7	**(4,239)**	(4,773)
Operating loss		**(14,409)**	(18,299)
Finance income	8	**593**	1,103
Finance expense	9	**(42)**	(39)
Loss before income tax		**(13,858)**	(17,235)
Taxation	12	**2,446**	2,887
Loss and total comprehensive loss for the year		**(11,412)**	(14,348)
Loss and total comprehensive loss attributable to equity owners of the Company		**(11,412)**	(14,348)
Basic and diluted loss per Ordinary share	14	**(35.9p)**	(45.3p)

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

Group and Parent Company statements of financial position

as at 31 March 2020

		Group			Company		
	Note	**2020 £'000**	2019 Restated[1] £'000	2018 Restated[1] £'000	**2020 £'000**	2019 Restated[1] £'000	2018 Restated[1] £'000
Assets							
Non-current assets							
Property, plant and equipment	15	**452**	632	726	**–**	–	–
Right-of-use asset	16	**591**	704	755	**564**	659	755
Intangible assets	17	**186**	186	186	**–**	–	–
Investment in subsidiaries	18	**–**	–	–	**75,000**	112,527	103,195
		1,229	1,522	1,667	**75,564**	113,186	103,950
Current assets							
Trade and other receivables	19	**696**	834	1,282	**7**	20	73
Income tax receivable		**5,826**	2,768	3,010	**–**	–	–
Investments – bank deposits	20	**–**	5,954	9,500	**–**	5,954	9,500
Cash and cash equivalents	21	**12,625**	20,432	27,911	**11,079**	19,083	25,026
		19,147	29,988	41,703	**11,086**	25,057	34,599
Total assets		**20,376**	31,510	43,370	**86,650**	138,243	138,549
Equity							
Equity attributable to owners of the Company							
Share capital	25	**318**	316	316	**318**	316	316
Share premium account	25	**97,890**	97,704	97,704	**97,890**	97,704	97,704
Capital redemption reserve		**40,294**	40,294	40,294	**40,294**	40,294	40,294
Merger reserve		**2,223**	2,223	2,223	**1,858**	1,858	1,858
Accumulated losses							
At 1 April		**(117,293)**	(103,985)	(87,441)	**(8,387)**	(8,112)	(6,179)
Loss for the year attributable to the owners		**(11,412)**	(14,348)	(17,671)	**(47,367)**	(1,315)	(3,060)
Other changes in accumulated losses		**1,203**	1,040	1,127	**1,203**	1,040	1,127
At 31 March		**(127,502)**	(117,293)	(103,985)	**(54,551)**	(8,387)	(8,112)
Total equity		**13,223**	23,244	36,552	**85,809**	131,785	132,060
Liabilities							
Current liabilities							
Trade and other payables	22	**6,280**	7,261	5,819	**3**	5,490	5,490
Lease liabilities	23	**166**	141	31	**135**	130	31
		6,446	7,402	5,850	**138**	5,620	5,521
Non-current liabilities							
Lease liabilities	23	**707**	864	968	**703**	838	968
		707	864	968	**703**	838	968
Total liabilities		**7,153**	8,266	6,818	**841**	6,458	6,849
Total equity and liabilities		**20,376**	31,510	43,370	**86,650**	138,243	138,549

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

The financial statements on pages 61 to 90 were approved by the Board of Directors on 12 August 2020 and were signed on its behalf by:

Michael Hunt
Director
Company registered number: 05474163

Group and Parent Company statements of changes in equity

for the year ended 31 March 2020

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 April 2018 (as previously reported)	316	97,704	40,294	2,223	(103,868)	36,669
Change in accounting policy[1]	–	–	–	–	(117)	(117)
As at 1 April 2018 (restated)	316	97,704	40,294	2,223	(103,985)	36,552
Credit on share-based payment	–	–	–	–	1,040	1,040
Loss and total comprehensive loss for the year	–	–	–	–	(14,348)	(14,348)
As at 31 March 2019	316	97,704	40,294	2,223	(117,293)	23,244
Exercise of employee share options	2	186	–	–	–	188
Credit on share-based payment	–	–	–	–	1,203	1,203
Loss and total comprehensive loss for the year	–	–	–	–	(11,412)	(11,412)
As at 31 March 2020	318	97,890	40,294	2,223	(127,502)	13,223

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 April 2018	316	97,704	40,294	1,858	(7,838)	132,334
Change in accounting policy[1]	–	–	–	–	(274)	(274)
As at 1 April 2018 (restated)	316	97,704	40,294	1,858	(8,112)	132,060
Credit on share-based payment	–	–	–	–	1,040	1,040
Loss and total comprehensive loss for the year	–	–	–	–	(1,315)	(1,315)
As at 31 March 2019	316	97,704	40,294	1,858	(8,387)	131,785
Exercise of employee share options	2	186	–	–	–	188
Credit on share-based payment	–	–	–	–	1,203	1,203
Loss and total comprehensive loss for the year	–	–	–	–	(47,367)	(47,367)
As at 31 March 2020	**318**	**97,890**	**40,294**	**1,858**	**(54,551)**	**85,809**

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

Group and Parent Company statements of cash flows

for the year ended 31 March 2020

		Group		Company	
	Note	2020 £'000	2019 Restated[1] £'000	2020 £'000	2019 Restated[1] £'000
Cash flows from operating activities					
Cash used in operations	28	(13,651)	(15,037)	(1,082)	(1,415)
Overseas taxes paid		(611)	–	–	–
Income tax credit received		–	3,129	–	–
Interest paid		(42)	(39)	(34)	(38)
Net cash used in operating activities		(14,304)	(11,947)	(1,116)	(1,453)
Cash flows from investing activities					
Capital expenditure		(119)	(239)	–	–
Investment in subsidiaries		–	–	(13,505)	(9,162)
Interest received		300	342	299	343
Net cash generated from/(used in) investing activities		181	103	(13,206)	(8,819)
Cash flows from financing activities					
Proceeds from the issue of ordinary shares		188	–	188	–
Bank deposit matured		6,260	4,359	6,260	4,359
Lease payments		(144)	(45)	(130)	(30)
Lease finance		12	51	–	–
Net cash generated from financing activities		6,316	4,365	6,318	4,329
Net decrease in cash and cash equivalents		(7,807)	(7,479)	(8,004)	(5,943)
Cash and cash equivalents at the start of the year		20,432	27,911	19,083	25,026
Cash and cash equivalents at the end of the year		12,625	20,432	11,079	19,083

[1] For further details on the restatement of the reported results for IFRS 16 in the year ended 31 March 2019, see notes 2 and 35.

Notes to the financial statements

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 the United Kingdom. The address of its registered office is Pencoed Business Park, Pencoed, Bridgend, CF35 5HY. Its shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

2. Accounting policies and basis of preparation

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

Basis of preparation

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

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2020.

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

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

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

Significant accounting judgements, estimates and assumptions

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

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

a) Recognition of research and development expenditure

The Group incurs research and development expenditure from third parties. The Group recognises this expenditure in line with the management's best estimation of the stage of completion of each research and development project. This includes the calculation of accrued costs at each period end to account for expenditure that has been incurred. This requires management to estimate full costs to complete for each project and also to estimate its current stage of completion. Costs relating to clinical research organisation expenses in the year were £2.9 million. The related accruals were £0.9 million.

Foreign currency translation

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

Notes to the financial statements continued

Revenue

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

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

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

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

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

Income which is related to ongoing development activity or technology transfer is recognised as the activity is undertaken, in accordance with the contract.

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

Other income

Other income represents government grants, together with transactions that do not arise in the course of an entity's normal activities and outside the definition of revenue above. Government grants related to expenses are recognised in the same period as the relevant expense. Other items are recognised when there is an unconditional right to the income, they fall due, and there is no risk of clawback to the Group.

Research and development expenditure

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

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

Pension benefits

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

Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard applies a single recognition and measurement approach for all applicable leases under which the Group is the lessee.

The Group has lease contracts for property and equipment. Prior to the adoption of IFRS 16, these were classified as operating leases under IAS 17 and the lease payments were recognised as rental costs in the statement of comprehensive income. Any prepayed rent and accrued rent were recognised under prepayments and accruals respectively.

The Group has applied IFRS 16 for the first time for the year ended 31 March 2020 using the fully retrospective method. Therefore, the Group has applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in these financial statements has been restated. The impact of the implementation of IFRS 16 'Leases' is described in note 35 below.

At transition, the Group used the practical expedient allowing IFRS 16 to be applied only to contracts that were previously classified as leases under IAS 17 and IFRIC 4.

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

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

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

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

Government and other grants

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

Share-based payments

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

The fair value calculation of share-based payments requires several assumptions and estimates as disclosed in note 27. The calculation uses the Black-Scholes model. At each balance sheet date, the Group reviews its estimate of the number of options that are expected to vest and recognises any revision to original estimates in the Group statement of comprehensive income, with a corresponding adjustment to equity.

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

Warrants

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

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

Intangible assets

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

Property, plant and equipment

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

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

Investments in subsidiaries

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

Notes to the financial statements continued

Current income tax

The credit for current income 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 substantively enacted at the financial year end.

Deferred tax

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

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

Trade and other receivables

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

Bank deposits, cash and cash equivalents

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

Trade and other payables

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

Capital redemption reserve

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

Provisions

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

Contractual milestone payments

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

Accounting developments

The following new standards, new interpretations and amendments to standards and interpretations are applicable for the first time for the financial year ended 31 March 2020. With the exception of IFRS 16 Leases, none of them have any impact on the financial statements of the Group:

- IFRS 16 'Leases' (effective 1 January 2019);
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019);
- IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019);
- Amendments to IAS 28 – 'Long-term Interests in Associates and Joint Ventures' (effective 1 January 2019);
- Amendments to IAS 19 – 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019);
- Annual improvements to IFRS 2015-17 cycle (effective 1 January 2019); and
- IFRS Practice Statement 2 'Making Materiality Judgements' (can be applied immediately).

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

- Amendments to IFRS 9 – IAS 39 and IFRS 7- 'Interest Rate Benchmark Reform' (effective 1 January 2020);
- Amendments to IFRS 3 – 'Definition of a Business' (effective 1 January 2020);
- Amendments to IAS 1 and IAS 8 – 'Definition of Material' (effective 1 January 2020);
- Conceptual Framework for Financial Reporting (effective 1 January 2020);
- IFRS 17 'Insurance Contracts' (effective 1 January 2021); and
- Amendments to IFRS 10 and IAS 28 – 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (deferred indefinitely).

3. Going concern

The Group is expected to incur significant further costs as it continues to develop its therapies and technologies through clinical development. The operations of the Group are currently being financed from funds that have been raised from share placings, commercial partnerships and grants.

The Group actively seeks further business development and fundraising opportunities in order to support its ongoing development programmes. The Board places considerable emphasis on communication with shareholders, potential investors and other commercial organisations in order to maximise the chances of success in exploiting these opportunities. Further, it was announced post year-end that the Group's existing resources will be refocused on programmes and activities offering the greatest prospect of value generation in the near to medium term.

Based on the above, the Directors expect that the Group's and Company's current financial resources will be sufficient to support the business until at least mid-2021 and the Directors are considering a number of options to secure further funding sufficient for the future needs of the business beyond mid-2021.

The Directors therefore consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements. However, there is no guarantee that attempts to raise adequate additional funding on a timely basis will be successful and therefore this represents a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and/or Company were unable to continue as a going concern.

4. Segment analysis

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

5. Revenue

	2020 **£'000**	2019 £'000
Royalty income	**65**	49
Initial licence fee	**6,000**	–
Total	**6,065**	49

Royalty income is derived from customers in the USA. The initial licensing fee was earned in the People's Republic of China.

On 9 April 2019, ReNeuron Limited signed an exclusive licensing agreement ("the Agreement") with Shanghai Fosun Pharmaceutical Development Co. Ltd ("Fosun Pharma"), a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., for the development, manufacture and commercialisation of ReNeuron's CTX and hRPC cell therapy programmes (the "Licensed Products") in the People's Republic of China ("China").

Under the terms of the Agreement, Fosun Pharma will fully fund the development of ReNeuron's CTX and hRPC cell therapy programmes in China including clinical development and subsequent commercialisation activities. Fosun Pharma has also been granted rights to manufacture the Licensed Products in China. ReNeuron retains the rights to the Licensed Products in the rest of the world.

In May 2019, ReNeuron received an initial licensing fee of £6 million (before withholding tax). Only the initial licensing fee has been included in the transaction price. It has been determined that the development, regulatory and sales milestones should be included in the transaction price when each performance obligation is met.

Under the terms of the Agreement, ReNeuron is entitled to further payments based upon the achievement of development, regulatory and sales milestones. The Agreement also entitles ReNeuron to royalty payments based upon future net sales of the Licensed Products in China.

Notes to the financial statements continued

6. Other income

	2020 £'000	2019 £'000
Government grants	100	778
Exclusivity fee	–	1,893
Total	100	2,671

The non-refundable exclusivity fee was received from an interested party relating to the potential out-licensing of the Group's hRPC retinal technology.

7. Operating expenses

	2020 £'000	2019 £'000
Loss before income tax is stated after charging:		
Research and development costs:		
Employee benefits (note 11)	4,502	4,712
Depreciation of property, plant and equipment (note 15)	228	208
Depreciation of right-of-use asset (note 16)	25	6
Other expenses	11,580	11,320
Total research and development costs	16,335	16,246
General and administrative costs:		
Employee benefits (note 11)	2,166	2,300
Legal and professional fees	911	1,304
Depreciation of property, plant and equipment (note 15)	59	74
Depreciation of right-of-use asset (note 16)	100	96
Other expenses	1,003	999
Total general and administrative costs	4,239	4,773
Total research and development costs and general and administrative costs	20,574	21,019

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

Services provided by the Group's auditors	2020 £'000	2019 £'000
Fees payable to the Group's auditors:		
– for the audit of the Parent Company and consolidated financial statements	22	22
– for the audit of the Company's subsidiaries pursuant to legislation	25	23
– audit-related assurance services	3	3
– advisory services	–	65
Total	50	113

8. Finance income

	2020 £'000	2019 £'000
Interest receivable on short-term and investment bank deposits	287	291
Foreign exchange gains	306	812
Total	593	1,103

9. Finance expense

	2020 £'000	2019 £'000
Lease interest	42	39

10. Directors' emoluments

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

	2020 £'000	2019 £'000
Aggregate emoluments of Directors:		
Salaries and other short-term employee benefits	**802**	1,042
Pension contributions	**52**	51
	854	1,093
Share-based payments	**660**	570
Directors' emoluments including share-based payments	**1,514**	1,663

Two Directors (2019: two) had retirement benefits accruing to them under defined contribution pension schemes in respect of qualifying services.

One of the Directors exercised 3,478 share options during the year (2019: none). These options were issued under the Group deferred share-based bonus plan. The estimated gain on these options was disclosed in the Directors' remuneration report in the year of grant.

For detailed disclosure of Directors' emoluments, including highest paid Director, please refer to the Directors' remuneration report on pages 48 to 56.

Directors' emoluments include amounts payable to third parties as described in note 33.

11. Employee information

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

	2020 Number	2019 Number
By activity:		
Research and development	**49**	49
Administration	**12**	10
Total	**61**	59

	2020 £'000	2019 £'000
Staff costs:		
Wages and salaries	**4,698**	5,162
Social security costs	**533**	572
Share-based payment charge	**1,203**	1,040
Other pension costs	**234**	238
Total	**6,668**	7,012

The Company holds the employment contracts for the two Executive Directors (2019: two) but all employee costs relating to these individuals are incurred by ReNeuron Limited.

The Group operates defined contribution pension schemes for UK employees and Directors. The assets of the schemes are held in separate funds and are administered independently of the Group. The total pension cost during the year was £234,000 (2019: £238,000). There were no prepaid or accrued contributions to the scheme at the year end (2019: £Nil).

Notes to the financial statements continued

12. Taxation

	2020 £'000	2019 £'000
UK research and development tax credit at 14.5% (2019: 14.5%)	3,057	2,887
Overseas taxation	(611)	–
Total	2,446	2,887

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

As a loss-making small and medium-sized enterprise, the Group is entitled to research and development tax credits at 14.5% (2019: 14.5%) on 230% (2019: 230%) of qualifying expenditure for the year to 31 March 2020.

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

	2020 £'000	2019 £'000
Loss before income tax	13,858	17,235
Loss before income tax multiplied by the main rate of corporation tax of 19% (2019: 19%)	2,633	3,275
Effects of:		
– difference between depreciation and capital allowances	(22)	(13)
– expenses not deductible for tax purposes	(612)	(197)
– losses not recognised	900	(302)
– overseas losses utilised	–	5
– adjustments in respect of prior year	158	119
Overseas taxes paid	(611)	–
Tax credit	2,446	2,887

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

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

	Amount not recognised 2020 £'000	Amount not recognised 2019 £'000
Tax effect of timing differences because of:		
Accelerated capital allowances	31	10
Losses carried forward	18,558	16,058
Total	18,589	16,068

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

	Amount not recognised 2020 £'000	Amount not recognised 2019 £'000
Tax effect of timing differences because of:		
Losses carried forward	1,141	921

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 £47,367,000 (2019: £1,315,000). The loss in the current year was derived from the impairment of investments in subsidiary companies.

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 £11,412,000 (2019: £14,348,000) by 31,811,456 shares (2019: 31,646,186 shares), being the weighted average number of 1 pence Ordinary 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

Group	Plant and equipment £'000	Computer equipment £'000	Total £'000
At 1 April 2018	1,140	299	1,439
Additions	169	19	188
Disposals	(51)	(132)	(183)
At 31 March 2019	1,258	186	1,444
Accumulated depreciation			
At 1 April 2018	481	232	713
Charge for the year	222	60	282
Disposals	(51)	(132)	(183)
At 31 March 2019	652	160	812
Net book amount			
At 31 March 2019	606	26	632
Cost			
At 1 April 2019	1,258	186	1,444
Additions	40	67	107
Disposals	(43)	(8)	(51)
At 31 March 2020	1,255	245	1,500
Accumulated depreciation			
At 1 April 2019	652	160	812
Charge for the year	238	49	287
Disposals	(43)	(8)	(51)
At 31 March 2020	847	201	1,048
Net book amount			
At 31 March 2020	408	44	452

The Company had no property, plant or equipment at 31 March 2020 (2019: £Nil).

16. Right-of-use asset

Group	**31 March 2020 £'000**	31 March 2019 £'000
At beginning of the period	**704**	755
Additions	**12**	51
Depreciation charge	**(125)**	(102)
At end of the period	**591**	704

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

	31 March 2020 £'000	31 March 2019 £'000
Land and buildings	**564**	659
Computer and office equipment	**27**	45
At end of the period	**591**	704

Company	**31 March 2020 £'000**	31 March 2019 £'000
At beginning of the period	**659**	754
Depreciation charge	**(95)**	(95)
At end of the period	**564**	659

The above comprises land and buildings.

Notes to the financial statements continued

17. Intangible assets

Group	Licence fees £'000	Intellectual property rights not amortised £'000	Total £'000
At 1 April 2019 and 31 March 2020			
Cost	2,070	6,143	8,213
Accumulated amortisation and impairment	(1,884)	(6,143)	(8,027)
Net book amount at 31 March 2019 and 31 March 2020	186	–	186

The Company holds no intangible assets (2019: £Nil).

18. Investment in subsidiaries

Company

Net book amount	2020 £'000	2019 £'000
At the start of the year	112,527	103,195
Increased investment in subsidiaries	13,505	9,162
Capital contribution arising from share-based payments	116	170
Impairment of investments in subsidiaries	(51,148)	–
Net book amount at 31 March	75,000	112,527

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

The large element of the Group's funds are raised by ReNeuron Group plc, with funds then being passed to subsidiary companies via intercompany transactions. The resultant intercompany debtor is reclassified to investment in subsidiaries. Following the decision to suspend the Phase 2b study in the US with ReNeuron Limited's CTX stem cell therapy candidate for stroke disability, the Company has booked a provision of £51,148,000 (2019: £nil) against the amount outstanding, relating to the CTX stem cell therapy candidate, from ReNeuron Limited to ReNeuron Group plc.

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

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

ReNeuron Limited is the principal trading company in the Group. ReNeuron Inc. employs staff who supervise the Group's clinical trials in the USA. ReNeuron Ireland Limited has been incorporated to enable the Group to maintain a presence in the EU after the United Kingdom's exit, and to mitigate the risks and uncertainties surrounding the final outcome of the exit negotiations. The other subsidiaries are dormant.

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

- ReNeuron Inc., 155 Federal Street, Suite 700, Boston, MA 02110, USA; and
- ReNeuron Ireland Limited, The Black Church, St Mary's Place, Dublin 7, D07 P4AX, Ireland.

19. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current				
Other receivables	**294**	400	**7**	20
Prepayments and accrued income	**402**	434	**–**	–
Total trade and other receivables	**696**	834	**7**	20

The classes within trade and other receivables do not include impaired assets.

20. Investments – bank deposits

	Group		Company	
Bank deposits maturing:	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Four to 12 months: current asset investments	**–**	5,954	**–**	5,954

21. Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash at bank and in hand	**12,625**	20,432	**11,079**	19,083

22. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade payables	**2,426**	2,546	**3**	3
Taxation and social security	**145**	131	**–**	–
Accruals and deferred income	**3,709**	4,584	**–**	–
Amounts owed to Group undertakings	**–**	–	**–**	5,487
Total payables falling due within one year	**6,280**	7,261	**3**	5,490

Amounts owed by the Company to Group undertakings were not interest-bearing and had no fixed repayment date.

23. Lease liabilities

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current lease liabilities	**166**	141	**135**	130
Non-current lease liabilities	**707**	864	**703**	838
Total payables falling due within one year	**873**	1,005	**838**	968

Notes to the financial statements continued

Maturity of lease liabilities

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

	Group		Company	
	2020 £'000	2019 Restated[1] £'000	**2020 £'000**	2019 £'000
Less than one year	**187**	187	**165**	165
One year to two years	**169**	187	**165**	165
Two years to three years	**165**	169	**165**	165
Three years to four years	**165**	165	**165**	165
Four years to five years	**165**	165	**165**	165
More than five years	**110**	275	**110**	275

[1] For further details of the impact of IFRS 16 on the prior year's results, see note 35

The interest expense on lease liabilities in the years ended 31 March 2020 and 31 March 2019 is shown in note 9.

Other information

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

An agreement for lease entered into on 31 March 2014 has been rescinded subsequent to the year ended 31 March 2020.

24. Financial risk management

Capital management

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

Risk

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

Liquidity and credit risk

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

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

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

At 31 March 2020 and 31 March 2019 no current asset receivables were aged over three months. No receivables were impaired or discounted.

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

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade and other payables due within three months	**6,280**	7,261	**3**	5,490
Current lease liabilities – due within one year	**166**	141	**135**	130
Non-current lease liabilities – due after more than one year	**707**	864	**703**	838
	7,153	8,266	**841**	6,458

Interest rate risk

A portion of the Group's cash resources are placed on fixed deposit, with an original term of between three and 24 months, to secure fixed and higher interest rates. The Directors do not currently consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates.

Foreign currency risk

The Group holds part of its cash resources in US dollars and euros to cover payments committed in the immediate future. At 31 March 2020 cash and bank deposits of £7,150,000 (2019: £13,405,000) were held in these currencies. Creditors of the Group include £586,000 (2019: £1,162,000) denominated in US dollars and £237,000 (2019: £761,000) denominated in euros. All of the Group's receivables are denominated in pounds sterling.

At 31 March 2020, if pounds sterling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the recalculated post-tax loss for the year would have been £311,000 (2019: £414,000) higher/lower.

At 31 March 2020, if pounds sterling had weakened/strengthened by 5% against the euro with all other variables held constant, the recalculated post-tax loss for the year would have been £22,000 (2019: £21,000) higher/lower.

The Group has not entered into forward currency contracts.

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

	Group		Company	
Currency	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Pounds sterling	**5,475**	10,481	**4,878**	10,199
US dollars	**6,487**	9,417	**6,023**	8,539
Euros	**663**	534	**178**	345
	12,625	20,432	**11,079**	19,083

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

	Group		Company	
Currency	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Pounds sterling	**–**	2,500	**–**	2,500
US dollars	**–**	3,454	**–**	3,454
	–	5,954	**–**	5,954

Notes to the financial statements continued

Fair values of financial assets and financial liabilities

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

	2020		2019	
Group	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Investments – bank deposits	–	–	5,954	5,954
Cash at bank and in hand	12,625	12,625	20,432	20,432
Trade and other receivables excluding prepayments and accrued income	294	294	400	400
Trade and other payables excluding taxation and social security and accruals and deferred income	2,426	2,426	2,546	2,546
Lease liabilities	873	873	1,005	1,005

	2020		2019	
Company	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Investments – bank deposits	–	–	5,954	5,954
Cash at bank and in hand	11,079	11,079	19,083	19,083
Receivables: current	7	7	20	20
Trade and other payables	3	3	5,490	5,490
Lease liabilities	838	838	968	968

25. Share capital and share premium

	Number of shares	Issued and fully paid share capital £'000	Share premium £'000	Total £'000
Authorised share capital (at 1 April 2019 and 31 March 2020)	Unlimited			
At 1 April 2019 shares of 1 pence each	31,646,186	316	97,704	98,020
Issue of new shares – exercise of employee share options	187,584	2	186	188
At 31 March 2020 shares of 1 pence each	**31,833,770**	**318**	**97,890**	**98,208**

26. Warrants

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 5,823 Ordinary shares of the Company.

27. Share options

The Group operates share option schemes for Directors and employees of Group companies and specific consultants. Options have been issued through a combination of an Inland Revenue-approved Enterprise Management Incentive ("EMI") scheme and Company Share Option Scheme ("CSOP") together with unapproved schemes. Incentive Stock Options are provided to US staff.

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

The awards of share options to Executive Directors and employees of the Group are made in accordance with the Group's previous Deferred Share-based Bonus Plan, its Long Term Incentive Plans and US Incentive Stock Option Plan. Total options existing over 1.0 pence Ordinary shares in companies in the Group as at 31 March 2020 are summarised below. At 31 March 2020, the total outstanding options represented 11.3% of the total shares in issue.

Date of grant	Number of options at 1 April 2019	Granted during the year	Exercised in year	Lapsed during the year	**As at 31 March 2020**	Note	Exercise price	Date from which exercisable*	Date of expiry†
August 2009	10,101	–	–	(10,101)	**–**	1	£4.22	August 2012	August 2019
August 2009	3,478	–	(3,478)	–	**–**	2	£1.00	August 2011	August 2019
August 2009	17,136	–	(17,136)	–	**–**	3	£1.00	August 2012	August 2019
August 2010	9,268	–	–	–	**9,268**	4	£3.85	August 2013	August 2020
August 2010	36,222	–	(12,933)	–	**23,289**	5	£1.00	August 2013	August 2020
September 2011	21,600	–		–	**21,600**	6	£3.75	September 2014	September 2021
September 2011	44,537	–	(14,977)	–	**29,560**	7	£1.00	September 2014	September 2021
September 2012	26,574	–	–	–	**26,574**	8	£2.87	September 2015	September 2022
September 2012	64,261	–	(12,254)	–	**52,007**	9	£1.00	September 2015	September 2022
September 2013	31,450	–	–	–	**31,450**	10	£3.60	September 2016	September 2023
September 2013	75,387	–	(13,093)	–	**62,294**	11	£1.00	September 2016	September 2023
September 2014	52,250	–		(5,000)	**47,250**	12	£3.45	September 2017	September 2024
September 2014	247,343	–	(8,576)	–	**238,767**	13	£1.00	September 2017	September 2024
October 2015	37,250	–	(25,500)	–	**11,750**	14	£1.00	October 2018	October 2025
October 2015	434,749	–	(79,637)	–	**355,112**	15	£1.00	October 2018	October 2025
July 2016	467,664	–	–	–	**467,664**	16	£1.00	July 2019	July 2026
July 2016	42,500	–	–	–	**42,500**	17	£1.00	July 2018	July 2026
July 2016	15,000	–	–	–	**15,000**	18	£1.00	August 2016	July 2026
July 2016	50,500	–	–	(14,000)	**36,500**	19	£1.00	July 2019	July 2026
September 2017	328,332	–	–	–	**328,332**	20	£1.00	July 2020	September 2027
September 2017	84,500	–	–	(20,500)	**64,000**	21	£1.00	July 2020	September 2027
September 2017	30,000	–	–	–	**30,000**	22	£1.00	October 2017	September 2027
September 2018	106,200	–	–	–	**106,200**	23	£0.01	October 2018	September 2028
September 2018	383,339	–	–	–	**383,339**	24	£0.01	September 2021	September 2028
September 2018	161,582	–	–	–	**161,582**	25	£0.68	September 2020	September 2028
September 2018	86,500	–	–	(20,500)	**66,000**	26	£0.01	September 2021	September 2028
February 2019	18,000	–	–	–	**18,000**	25	£0.53	February 2021	February 2029
February 2019	132,000	–	–	(37,500)	**94,500**	27	£0.01	February 2022	February 2029
April 2019	–	36,000	–	–	**36,000**	28	£0.01	May 2019	April 2029
April 2019	–	529,446	–	–	**529,446**	29	£0.01	April 2022	April 2029
April 2019	–	32,000	–	–	**32,000**	30	£0.01	April 2022	April 2029
April 2019	–	146,946	–	–	**146,946**	31	£0.01	April 2021	April 2029
July 2019	–	53,951	–	–	**53,951**	32	£0.01	July 2021	July 2029
July 2019	–	77,895	–	–	**77,895**	33	£0.01	July 2022	July 2029
Total	3,017,723	876,238	(187,584)	(107,601)	**3,598,776**				

* The exercise periods indicate the earliest dates for which the options are exercisable subject to meeting the performance conditions disclosed overleaf.
† All options lapse in full if they are not exercised by the date of expiry.

Notes to the financial statements continued

Note 1:

These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a second clinical trial. These options lapsed in August 2019.

Note 2:

These options have been issued 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 carry no further performance conditions. These options were exercised during the year.

Note 3:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions below. These options were exercised during the year.

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 4:

These options were issued subject to a performance condition, being the successful completion of a second clinical trial of a ReNeuron cell therapy. At 31 March 2020 these options were exercisable.

Note 5:

These options were issued subject to the amended performance conditions below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2020 5,177 of these options were exercisable.

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 meets or exceeds that of the AIM Healthcare Index in any three-year period from date of grant of the option.

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 6:

These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a third clinical trial; at 31 March 2020 these options were exercisable.

Note 7:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2020 7,291 of these options were exercisable.

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

ii) The total shareholder return ("TSR") of the Company meets or exceeds that of the AIM Healthcare Index in any three-year period from date of grant of the option.

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 8:

These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a fourth clinical trial; at 31 March 2020 these options were exercisable.

Note 9:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2020 19,877 of these options were exercisable.

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

ii) The total shareholder return ("TSR") of the Company meets or exceeds that of the AIM Healthcare Index in any three-year period from date of grant of the option.

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 10:

These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a fifth clinical trial; at 31 March 2020 these options were exercisable.

Note 11:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2020 24,600 of these options were exercisable.

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

ii) The total shareholder return ("TSR") of the Company meets or exceeds that of the AIM Healthcare Index in any three-year period from date of grant of the option.

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 12:

These options were issued subject to a performance condition, being the first patient administered with a ReNeuron cell therapy in a sixth clinical trial; at 31 March 2020 these options were exercisable.

Note 13:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the amended performance conditions set out below. If all the performance conditions bar performance condition (ii) are met then 50% of the options become exercisable; at 31 March 2020 103,637 of these options were exercisable.

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

ii) The total shareholder return ("TSR") of the Company meets or exceeds that of the AIM Healthcare Index in any three-year period from date of grant of the option.

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 14:

These options were issued subject to the performance conditions set out below; at 31 March 2020 these options were exercisable.

i) 50% vest when the first patient is administered with a ReNeuron cell therapy in a sixth clinical trial.

ii) 50% vest on completion of the fourth clinical trial of a ReNeuron cell therapy.

Note 15:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below; at 31 March 2020 210,116 of these options were exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in a sixth clinical trial.

ii) 33.3% vest on completion of the fourth clinical trial of a ReNeuron cell therapy.

iii) 33.4% vest if the total shareholder return ("TSR") of the Company meets or exceeds that of the AIM Healthcare Index in any three-year period from date of grant of the option.

Notes to the financial statements continued

Note 16:

These options were awarded in accordance with the Group's Long Term Incentive Plan and are subject to the performance conditions set out below; at 31 March 2020 these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in a seventh clinical trial.

ii) 33.3% vest on completion of the fifth clinical trial of a ReNeuron cell therapy.

iii) 33.4% vest if the total shareholder return ("TSR") of the Company meets or exceeds that of the AIM Healthcare Index in any three-year period from date of grant of the option.

Note 17:

These options have been issued in accordance with the Group's Deferred Share-based Bonus Plan in respect of corporate and personal objectives achieved in the financial year ended 31 March 2016 and carry no further performance conditions; at 31 March 2020 these options were exercisable.

Note 18:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2020 these options were exercisable.

Note 19:

These options were issued subject to the performance conditions set out below; at 31 March 2020 these options were not exercisable.

i) 50% vest when the first patient is administered with a ReNeuron cell therapy in a seventh clinical trial.

ii) 50% vest on completion of the fifth clinical trial of a ReNeuron cell therapy.

Note 20:

These options were issued subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 33.3% vest when the first patient is administered with a ReNeuron cell therapy in an eighth clinical trial.

ii) 33.3% vest on completion of the sixth clinical trial of a ReNeuron cell therapy.

iii) 33.4% vest if the Total Shareholder Return ("TSR") of the Company meets or exceeds that of the FTSE AIM Healthcare Index in any three-year period from the date of grant of the option.

Note 21:

These options were issued subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 50% vest when the first patient is administered with a ReNeuron cell therapy in an eighth clinical trial.

ii) 50% vest on completion of the sixth clinical trial of a ReNeuron cell therapy.

Note 22:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2020 83.33% of these options were exercisable.

Note 23:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2020 50% of these options were exercisable.

Note 24:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 33.3% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 33.3% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

iii) 33.4% vest if the Total Shareholder Return ("TSR") of the Company meets or exceeds that of the FTSE AIM Healthcare Index in any three-year period from the date of grant of the option.

Some of these options (186,145 as at 31 March 2020) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of 68p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Note 25:

These options were issued under the Company's US ISO Scheme and are subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 50% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to the allow the achievement of clinical proof of concept data for the CTX and hRPC products.
ii) 50% vest when the sixth clinical trial of a ReNeuron cell therapy completes.
iii) A maximum of $100,000 across all ISO grants, based upon market value at the date of grant, is exercisable per employee in a calendar year.

Note 26:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 50% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to the allow the achievement of clinical proof of concept data for the CTX and hRPC products.
ii) 50% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

These options will be exercisable at the option holder's choice either as a tax advantaged option with an exercise price of 68p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Note 27:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 50% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which provides sufficient funding to the allow the achievement of clinical proof of concept data for the CTX and hRPC products.
ii) 50% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

These options will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of 53p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Note 28:

These options have been issued in accordance with the Non-executive Share Option Scheme. These share options vest over three years on a straight-line basis and are not subject to performance conditions; at 31 March 2020 30.56% of these options were exercisable.

Note 29:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 33% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.
ii) 33% vest when the Company's share price has doubled from that at the date of grant
iii) 34% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Some of these options (5,356 as at 31 March 2020) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of £2.22, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Note 30:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 50% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.
ii) 50% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Some of these options (24,288 as at 31 March 2020) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of £2.22p, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Notes to the financial statements continued

Note 31:

These conditional rights were issued under the Company's US ISO Scheme and are subject to the performance conditions set out below. At 31 March 2020 these conditional rights were not exercisable.

i) 33% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 33% vest when the Company's share price has doubled from that at the date of grant.

iii) 34% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Some of these conditional rights (56,282 as at 31 March 2020) will be exercisable at the holder's choice either as an ISO at an exercise price of £2.22p, or alternatively as a conditional right with an exercise price of 1p.

Note 32:

These options have been issued 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 2019 and carry no further performance conditions; at 31 March 2020 these options were not exercisable.

Note 33:

These options were issued under the Company's Long Term Incentive Plan and are subject to the performance conditions set out below. At 31 March 2020 these options were not exercisable.

i) 33% vest when the Company signs an out-licensing deal (or deals) for any of its technologies or programmes which, together with other financial resources provides sufficient funding to allow the achievement of clinical proof of concept data for the CTX and hRPC products.

ii) 33% vest when the Company's share price has doubled from that at the date of grant.

iii) 34% vest when the sixth clinical trial of a ReNeuron cell therapy completes.

Some of these options (12,631 as at 31 March 2020) will be exercisable at the option holder's choice either as a tax advantaged option at an exercise price of £2.375, or alternatively as a non-tax advantaged option with an exercise price of 1p.

Fair value charge

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

Name of undertaking	Exercise price £	Share price at date of grant £	Risk-free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option £
October 2015	1.00	4.125	1.74	5	58.3	3.37
July 2016	1.00	3.00	0.80	5	58.4	2.25
September 2017	1.00	1.70	1.34	5	50.4	1.01
September 2018 UK Plan	0.01*	0.68	1.60	5	58.9	0.67
September 2018 US ISO plan	0.68	0.68	1.60	5	58.9	0.35
February 2019 UK Plan	0.01*	0.53	1.18	5	57.7	0.52
February 2019 US ISO Plan	0.53	0.53	1.18	5	57.7	0.26
April 2019 UK plan	0.01*	2.16	1.10	5	84.6	2.15
April 2019 US ISO Plan	0.01†	2.16	1.10	5	84.6	2.15
July 2019 UK Plan	0.01*	2.45	0.82	5	86.8	2.44

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

† Certain of these conditional rights were issued in parallel with ISO options, either of which lapses upon the exercise of the other.

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

The weighted average exercise prices for options were as follows:

	2020		2019	
	Number of options '000	Weighted average exercise price £	Number of options '000	Weighted average exercise price £
Outstanding at 1 April	**3,017**	**0.83**	2,310	1.20
Granted	**877**	**0.01**	892	0.14
Exercised	**(187)**	**1.00**	–	–
Lapsed	**(108)**	**1.06**	(185)	1.45
Outstanding at 31 March	**3,599**	**0.62**	3,017	0.83
Exercisable at 31 March	**654**	**1.43**	821	1.44

The share price on 31 March 2020 was 99.0 pence (2019: 102.5 pence).

The pattern of exercise price and life is shown below:

	2020				2019			
			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
Up to £1.00	**0.51**	**3,462,634**	**2.55**	**7.33**	0.69	2,866,480	2.25	7.56
From £1.00 to £10.00	**3.45**	**136,142**	**2.51**	**3.09**	3.50	151,243	2.71	3.88
Total		**3,598,776**				3,017,723		

28. Cash used in operations

	Group		Company	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Loss before income tax	**(13,858)**	(17,235)	**(47,367)**	(1,315)
Adjustments for:				
Finance income	**(593)**	(1,103)	**(593)**	(1,103)
Finance expense	**42**	39	**34**	38
Depreciation of property, plant and equipment	**287**	282	**–**	–
Depreciation of right-of-use asset	**125**	102	**95**	95
Share-based payment charges	**1,203**	1,040	**1,088**	870
Impairment of investment in subsidiary companies	**–**	–	**51,148**	–
Changes in working capital:				
Receivables	**126**	397	**–**	–
Payables	**(983)**	1,441	**(5,487)**	–
Cash used in operations	**(13,651)**	(15,037)	**(1,082)**	(1,415)

Notes to the financial statements continued

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

	Group		Company	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Decrease in cash and cash equivalents	**(7,807)**	(7,479)	**(8,004)**	(5,943)
Non-cash inflow from increase in lease liabilities	**(12)**	(51)	**–**	–
Lease repayments	**186**	84	**164**	69
Lease interest	**(42)**	(39)	**(34)**	(38)
Net funds at start of period	**19,427**	26,912	**18,115**	24,027
Net funds at end of period	**11,752**	19,427	**10,241**	18,115

30. Analysis of net funds

	Group		Company	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Cash and cash equivalents	**12,625**	20,432	**11,079**	19,083
Lease liabilities	**(873)**	(1,005)	**(838)**	(968)
Net funds	**11,752**	19,427	**10,241**	18,115

31. Financial commitments

The Company had no other financial commitments at 31 March 2020 (2019: £Nil).

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

32. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2020 (2019: £Nil).

33. Related party disclosures

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

Aesclepius Consulting Limited charged fees of £19,000 (2019: £19,000) in respect of services provided as a Non-executive Director by Dr Tim Corn, together with £Nil (2019: £2,750) relating to consultancy services provided on an arm's length basis by Dr Tim Corn.

Parent Company and subsidiaries

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

Company: transactions with subsidiaries	2020 £'000	2019 £'000
Purchases and staff:		
Parent Company expenses paid by subsidiary	1,047	1,347
Transactions involving Parent Company shares:		
Share options	116	170
Cash management:		
Capital contribution to subsidiary	13,505	9,162

Company	2020 £'000	2019 £'000
Year-end balance of investment in subsidiary after impairment	75,000	109,038

34. Events after the reporting period

During March 2020, the COVID-19 pandemic became increasingly prevalent in the UK and US where the Group's principal operations are conducted. The Group continues to comply with governmental advice and requirements across its operations in the UK and US, without significant impact on our priority internal research projects. Patient recruitment has been on hold in the Group's clinical trials due to the COVID-19 restrictions but we expect to commence treating patients shortly in our Phase 1/2a clinical trial in retinitis pigmentosa, subject to a continued easing of COVID-19 related restrictions at the relevant clinical sites.

The Group and its employees have adapted to new working arrangements, with home-working implemented wherever possible and where it is necessary for staff to attend the Group's premises, appropriate social distancing and hygiene practices have been implemented.

35. Implementation of IFRS 16

The Group has adopted the fully retrospective approach to transition for IFRS 16 and accordingly, the opening consolidated statement of financial position at 1 April 2018 and the comparative consolidated statement of financial position at 31 March 2019 have been restated.

Impact on the Consolidated Income Statement

The implementation of IFRS 16 has resulted in the following changes to the Consolidated Income Statement:

	Year ended 31 March 2019 £'000
Result as previously stated	(14,292)
Research and development costs	
Lease payment	15
Depreciation of right-of-use asset	(6)
	9
General and administration costs	
Rent charged	70
Depreciation of right-of-use asset	(96)
	(26)
Finance cost – lease interest	(39)
Result adjusted for IFRS 16	(14,348)

The adjustments arise from the replacement of the operating lease rentals charged under IAS 17, with charges in respect of depreciation of the right of use asset and also lease interest.

Notes to the financial statements continued

Impact on the Consolidated Statement of Financial Position

Upon adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities for lease payments on the discounted future obligations.

The impact of IFRS 16 on the relevant lines in the Consolidated Statement of Financial Position as at 31 March 2019 and 1 April 2018 is illustrated below:

Group

	31 March 2019 as previously reported £'000	IFRS 16 adjustment £'000	31 March 2019 Restated £'000	1 April 2018 as previously reported £'000	IFRS 16 adjustment £'000	1 April 2018 Restated £'000
Assets						
Non-current assets						
Property, plant and equipment	632	–	632	726	–	726
Right-of-use-asset	–	704	704	–	755	755
Intangible assets	186	–	186	186	–	186
	818	704	1,522	912	755	1,667
Current assets						
Trade and other receivables	875	(41)	834	1,285	(3)	1,282
Income tax receivable	2,768	–	2,768	3,010	–	3,010
Investments – bank deposits	5,954	–	5,954	9,500	–	9,500
Cash and cash equivalents	20,432	–	20,432	27,911	–	27,911
	30,029	(41)	29,988	41,706	(3)	41,703
Total assets	30,847	663	31,510	42,618	752	43,370
Equity						
Equity attributable to owners of the Company						
Share capital	316	–	316	316	–	316
Share premium account	97,704	–	97,704	97,704	–	97,704
Capital redemption reserve	40,294	–	40,294	40,294	–	40,294
Merger reserve	2,223	–	2,223	2,223	–	2,223
Accumulated losses	(117,120)	(173)	(117,293)	(103,868)	(117)	(103,985)
Total equity	23,417	(173)	23,244	36,669	(117)	36,552
Liabilities						
Current liabilities						
Trade and other payables	7,430	(169)	7,261	5,949	(130)	5,819
Lease liabilities	–	141	141	–	31	31
	7,430	(28)	7,402	5,949	(99)	5,850
Non-current liabilities						
Lease liabilities	–	864	864	–	968	968
	–	864	864	–	968	968
Total liabilities	7,430	836	8,266	5,949	869	6,818
Total equity and liabilities	30,847	663	31,510	42,618	752	43,370

The above adjustments to the Consolidated Statement of Financial Position reflect:

- The recognition of a right-of-use asset;
- The writing back of prepaid rent;
- The writing back of accrued lease incentives;
- The creation of a lease creditor, initially corresponding to the right-of–use asset; and
- A reduction in reserves representing the cumulative impact of the above.

The impact of IFRS 16 on the relevant lines in the Company's Statement of Financial Position as at 31 March 2019 and 1 April 2018 is illustrated below:

Company

	31 March 2019 as previously reported £'000	IFRS 16 adjustment £'000	31 March 2019 Restated £'000	1 April 2018 as previously reported £'000	IFRS 16 adjustment £'000	1 April 2018 Restated £'000
Assets						
Non-current assets						
Right-of-use-asset	–	659	659	–	755	755
Investment in subsidiaries	112,625	(98)	112,527	103,225	(30)	103,195
	112,625	561	113,186	103,225	725	103,950
Current assets						
Trade and other receivables	20	–	20	73	–	73
Investments – bank deposits	5,954	–	5,954	9,500	–	9,500
Cash and cash equivalents	19,083	–	19,083	25,026	–	25,026
	25,057	–	25,057	34,599	–	34,599
Total assets	137,682	561	138,243	137,824	725	138,549
Equity						
Equity attributable to owners of the Company						
Share capital	316	–	316	316	–	316
Share premium account	97,704	–	97,704	97,704	–	97,704
Capital redemption reserve	40,294	–	40,294	40,294	–	40,294
Merger reserve	1,858	–	1,858	1,858	–	1,858
Accumulated losses	(7,980)	(407)	(8,387)	(7,838)	(274)	(8,112)
Total equity	132,192	(407)	131,785	132,334	(274)	132,060
Liabilities						
Current liabilities						
Trade and other payables	5,490	–	5,490	5,490	–	5,490
Lease liabilities	–	130	130	–	31	31
	5,490	130	5,620	5,490	31	5,521
Non-current liabilities						
Lease liabilities	–	838	838	–	968	968
	–	838	838	–	968	968
Total liabilities	5,490	968	6,458	5,490	999	6,489
Total equity and liabilities	137,682	561	138,243	137,824	725	138,549

The above adjustments to the Consolidated Statement of Financial Position reflect:

- The recognition of a right-of-use asset;
- An adjustment to Investment in subsidiaries reflecting the impact of amounts paid by a subsidiary company on behalf of ReNeuron Group plc.
- The creation of a lease creditor, initially corresponding to the right-of–use asset; and
- A reduction in reserves representing the cumulative impact of the above.

Notes to the financial statements continued

Impact on the Group and Parent Company statements of cash flows

The adoption of IFRS 16 has no impact upon the net cash flows of the Group or the Company, however the presentation of the Consolidated and Company Statement of Cash flows is amended because lease payments which were previously recognised within cash consumed by operations is now split between the interest element, which remains within cash consumed by operations and the capital element which is now presented within cash flows from financing activities as a reduction in the lease creditor.

	Group			Company		
	2019 as previously reported £'000	IFRS 16 adjustment £'000	2019 Restated £'000	2019 as previously reported £'000	IFRS 16 adjustments £'000	2019 Restated £'000
Cash flows from operating activities						
Cash used in operations	(15,121)	84	(15,037)	(1,415)	–	(1,415)
Income tax credit received	3,129	–	3,129	–	–	–
Interest paid	–	(39)	(39)	–	(38)	(38)
Net cash used in operating activities	(11,992)	45	(11,947)	(1,415)	(38)	(1,453)
Cash flows from investing activities						
Capital expenditure	(188)	(51)	(239)	–	–	–
Investment in subsidiaries	–	–	–	(9,230)	68	(9,162)
Interest received	342	–	342	343	–	343
Net cash generated from/(used in) investing activities	154	(51)	103	(8,887)	68	(8,819)
Cash flows from financing activities						
Bank deposit matured	4,359	–	4,359	4,359	–	4,359
Lease payments	–	(45)	(45)	–	(30)	(30)
Lease finance	–	51	51	–	–	–
Net cash generated from financing activities	4,359	6	4,365	4,359	(30)	4,329
Net (decrease)/increase in cash and cash equivalents	(7,479)	–	(7,479)	(5,943)	–	(5,943)
Cash and cash equivalents at the start of the year	27,911	–	27,911	25,026	–	25,026
Cash and cash equivalents at the end of the year	20,432	–	20,432	19,083	–	19,083

The above adjustments reflect:

Group

- The effect on working capital of adjustments to accruals and prepayments arising from the implementation of IFRS 16;
- The split of lease payments into interest and capital elements as described above; and
- The creation during the year ended 31 March 2019 of a right of-use asset and a corresponding lease creditor of £51,000 in respect of IT equipment acquired under an arrangement previously treated as an operating lease under IAS 17.

Company

- The split of lease payments into interest and capital elements as described above; and
- Adjustment to investment in subsidiaries, reflecting payments made by a subsidiary company on behalf of ReNeuron Group plc.