

RENISHAW NEURO SOLUTIONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2023

The Directors present their Strategic report for the year ended 30 June 2023.

Business review

Revenue for the year ended 30 June 2023 was £2,167,881 (2022: £2,537,879), a reduction of 14.6%. This mainly reflects the long lead-time of our drug delivery customers' pharmaceutical programmes.

The Company experienced a significant increase in Administrative expenses this year, including an impairment charge of £1,611,000 (2022: £Nil) relating to the capitalised development expenses of the drug delivery system. Labour costs also increased significantly during the year, reflecting both an increase in average headcount and the effects of a salary benchmarking exercise. These factors contributed to the increase in Operating loss to £6,165,530 (2022: £3,486,856).

The Company had net current assets at 30 June 2023 of £1,834,834 (2022: £1,221,513) and net liabilities of £10,726,807 (2022: £5,355,329). Details of the Directors' going concern assessment are included in the Directors report.

Financial key performance indicators

The Directors monitor Revenue, Gross profit, and Operating profits/(losses) against forecast. There are no specific financial or non-financial KPIs relating to the Company.

Principal risks and uncertainties

The Directors consider the below to be the principal risks and uncertainties.

(a) Regulatory approvals

The Company's strategy includes the sale of drug delivery devices and services into both preclinical and clinical trials. While regulatory market approval of drug delivery devices is not essential, achieving regulatory approval will significantly reduce the effort required to sell and support devices for use in clinical studies. For that reason, and until regulatory approval has been achieved, participation in clinical studies will be restricted to those studies necessary to generate data for regulatory approval alone. Once approval is achieved it is anticipated that significantly more studies can be supported, therefore increasing revenue opportunities.

The directors are satisfied there are appropriate plans in place to mitigate the risk that the drug delivery devices will not achieve the required regulatory approvals in the line with current expectations.

(b) Revenue

The Company provides product and service support to pharmaceutical companies for the preparation and progression of drug trials. There is a risk that any given trial could be ceased due to a number of factors, including the failure of the drug to meet the target parameters which is outside of the Company's control. To mitigate this risk, the Company pursues opportunities for lab to clinic and additional trials with several different pharmaceutical companies.

(c) Liquidity

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company has total amounts due after more than one year to Renishaw plc at 30 June 2023 of £17,626,522. Included within this balance is £8,592,021 (2022: £5,808,616) relating to a working capital loan facility with a repayment date of 6 April 2025, and the Company has access to further borrowings via this facility if needed. As a result, the Directors are confident that the Company will meet its liabilities as they fall due in the next 12 months.

RENISHAW NEURO SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

Directors' statement of compliance with duty to promote the success of the Company

The Directors takes the interests of stakeholders into account when making decisions. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Board seeks to understand the needs and priorities of each group during its discussions. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of our reputation for high standards of business conduct, has always been integral to the way the board operates.

Having carefully considered the Company's business, the board considers its key stakeholders to be its workforce, customers and key suppliers.

Directors are informed of their statutory duties as part of their induction when appointed to the board and reminded that they owe their duties to the Company and not to the Renishaw Group as a whole, or the parent company. Stakeholder considerations is a standing agenda item to board meetings, acting as a prompt to ensure such matters are considered on an ongoing basis. Regular reports on employee headcount, key product development projects, product regulatory approvals and customer activity are also received as part of board meetings to support the board in considering the impact of their decisions on stakeholders. During another challenging year, the below have been some of the principal matters discussed and how stakeholders' views have been considered:

- **Hybrid working policy:** We have continually monitored the hybrid working policy for employees. This has included monitoring any impact on customer service levels, employee efficiency and the long-term performance of the Company.
- **Supply chain:** The board also considered the impact of critical suppliers in the supply chain, taking account of both company and stakeholder requirements. Considerations included improving systems for identification and monitoring of critical suppliers, their location and the impact of the global economic environment.
- **Organisational structure:** The board considered the organisational structure of the Company's functions required to meet business objectives and provide increased focus for team members. The agreed structure took account of defined areas of responsibilities providing clear contacts for both internal and external stakeholders. Considerations included career development pathways and employee remuneration to address an increase in the level of employee turnover.

This report was approved by the board on 25 March 2024 and signed on its behalf.

Allen Roberts
Director