

## Strategic report

The directors present their strategic report for the year ended 30 June 2022.

### Principal activities

Renishaw Neuro Solutions Limited (“the Company”) designs, develops, distributes and provides after sales support for a range of products for use in neurological procedures, including drug delivery systems and surgical robots. The Company provides product and service support to pharmaceutical companies for the preparation and progression of drug trials. The Company sells to third-party customers including hospitals and pharmaceutical companies in the UK, Europe, America and the Middle East. The Company also distributes Dixi Medical products for Stereoelectroencephalography (SEEG) procedures in the UK and Ireland.

### Research and development activities

As noted above the Company undertakes research and development of products for use in the field of neurological procedures.

### Review of the business

During the financial year 2022 the Company achieved lower than expected revenue of £2,537,879 (2021: £4,101,028), and recorded a loss before tax of £3,709,632 (2021: £1,754,457). The cessation of a drug development programme by a pharmaceutical customer resulted in lower than expected drug delivery revenue, whilst sales on the neurosurgery side of the business were restricted by delays in reapproval following changes to regulatory requirements.

The balance sheet shows net liabilities of £5,355,329 (2021: £2,299,982) and net current assets of £1,221,513 (2021: £2,485,694).

The directors monitor revenue and profitably against budgets. There are no specific financial or non-financial KPIs relating to the Company. Further information on the Group’s analysis using KPIs can be found in the Renishaw plc annual report.

### Streamlined Energy and Carbon Reporting (SECR)

The company is exempt from the UK Streamlined Energy and Carbon Reporting (SECR) regulations. The performance of the Renishaw plc Group in respect of these regulations can be found in the Group’s annual report on page 57 and 61.

### Section 172 statement

Under the Companies Act 2006, the directors are required to explain how they have complied with their duty to have regard to the matters in section 172 (1) (a)-(f) (Section 172) of the Companies Act 2006. Under Section 172 a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing so the director must have regard to other matters including:

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

The board 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

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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, that has been in place for the majority of the financial year, to ensure its effectiveness. This has included monitoring any impact on customer service levels, employee efficiency and the long-term performance of the Company.
- **IT systems:** The Board considered improving IT systems, particularly around the Quality Management system required to meet ISO134855. Considerations were given to effective ways of working and the communication required between employees and other stakeholders based on different sites. Following the review, the Board approved the purchase and implementation of a new QMS system which is expected to be operating in the coming year.
- **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.

As part of the Renishaw Group's wider governance arrangements, matters that the directors are responsible for considering under Section 172 have also been considered by the board of Renishaw plc in relation both to the Group and the Company, including on the principal decisions taken by the Group during the financial year. An explanation of how the Renishaw plc board has considered those matters (for the Group and the Company) is set out on pages 66 to 68 of the Renishaw plc's 2022 Annual Report, which does not form part of this report. Stakeholder engagement was also undertaken using Group resources. Details of the engagement that took place with the Company's stakeholders at Group level is set out on pages 52 to 53 of Renishaw plc's 2022 Annual Report. The board took account of the outputs of these Group-wide engagement activities in its decision making.

### 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.

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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 risk*

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 risk*

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company has access to further borrowings from Renishaw plc via the working capital loan facility which had a balance of £5,808,616 (2021: £3,625,801) and has a repayment date of 6 April 2025. As a result, the Directors are confident that the Company will meet its liabilities as they fall due.

## Future Developments

Despite the economic uncertainties the board remains confident in the future prospects of the business.

By order of the board

**ACG Roberts**  
*Director*

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