

# ReNeuron

RENEURON GROUP PLC  
INTERIM REPORT

for the six months ended 30 September 2023



*Creating a valuable  
and differentiated  
drug delivery platform*

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# Financial and Operational Highlights

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## Financial Highlights

- Revenue for the period of £157,000 related to income from partner funded development activities and royalty income (H1 2022: £438,000)
- Loss for the period of £2.8 million (H1 2022: loss of £3.2 million); cost savings arising from the restructuring offset by reduced revenue and the previous year's foreign exchange gains now reversed to a small loss
- Reduced operating costs incurred in the period of £3.5 million (H1 2022: £4.7 million) primarily explained by a reduction in clinical trial related costs and savings made in general and administration spend
- Reduced net cash used in operating activities of £2.1 million (H1 2022: £4.3 million). This reduction being explained by the reduced costs and the receipt of the R&D tax credit for FY 2023 in the period (in the previous year the R&D tax credit was received in the second half of the year)
- Cash, cash equivalents and bank deposits at 30 September 2023 of £5.1 million (31 March 2023: £7.2 million)

## Operational Highlights

- During the period, the Company has been focussing on generating *in vivo* data to validate the CustomEX™ platform. In September we announced that the Company had successfully generated data demonstrating distinct organ and cellular targeting capabilities of its exosomes
- On 8 November, the Group presented the data that formed the basis of that announcement, namely:
  - confirmation *in vitro* and *in vivo* that exosome targeting is dependent on cell source and selection of a specific exosome population results in the improved delivery of therapeutic payloads when compared to a conventional HEK293 exosome approach;
  - a specific CustomEX™ exosome targets the lymph nodes (immune system) proportionately more than other exosome types;
  - a specific CustomEX™ exosome selectively targets the tubules within the kidney;
  - a specific CustomEX™ exosome targets the lung following systemic administration;
  - confirmation that therapeutic payloads can be successfully delivered *in vivo* using the CustomEX™ platform following systemic administration; and
  - no evidence of immune response or toxicity with any of the exosome candidates, opening up the possible use of CustomEX™ for repeat administration unlike viral vectors.
- These data highlight the significant improvement in targeting and delivery of payloads that can be achieved through the careful selection of specific exosomes from different cell sources. ReNeuron's CustomEX™ platform, is a compelling platform that offers this ability to select the exosome cell type for a partner's need and the payload/target cell of their choice, while offering a scalable and repeatable manufacturing process due to its patented conditional immortalisation technology. This technology was enabled through the Group's earlier work in producing GMP stem cells approved by the FDA and MHRA for the clinic from which the Group's exosomes are now produced.

# Executive Chairman's Statement

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*"Since restructuring the business in January of this year, the ReNeuron team has been focused on generating the critical in vivo data that exemplifies the cellular and tissue targeting capabilities of CustomEX™, our exosome drug delivery platform. I am very excited about the recent in vivo data presented at Cell 2023 in London that highlights the significant advantages of CustomEX™ and differentiates this drug delivery platform from that of our competitors. In CustomEX™ we are developing a leading-edge platform for the targeted delivery of modern-day therapies."*

In a very uncertain world, the financial markets remain extremely volatile. Specifically, in the biotech sector many companies have found themselves coming under increasing financial pressure and as a result we have seen a number of biotech company liquidations. ReNeuron faces similar challenges in the current financial climate but the Board remains positive regarding the future viability of the business.

The Group ended the period to 30 September 2023 with cash, cash equivalents and bank deposits of £5.1 million with the cash runway being extended into the start of calendar Q2 2024. The Board is working diligently to ensure the continued integrity of this business and is exploring options to allow us to remain financially viable and to achieve our goal of further developing the CustomEX™ exosome delivery platform and to become a "partner to the industry".

Nine months ago, we set out to generate critical *in vivo data* to support our CustomEX™ exosome delivery platform and from an R&D perspective it has been a very successful period as evidenced by the data presented at the Cell 2023 conference in London. We have delivered on what we set out to achieve and produced some interesting and unexpected results. On reviewing the data, one potential large pharma collaborator stated *"Your research is indeed ground-breaking, and it's clear that a lot of thought and effort has gone into it. We hold your work in high regard and believe in its potential"*.

I believe that in CustomEX™ we are on our way to developing a leading-edge platform for the targeted delivery of modern-day therapies and, provided we continue to have our shareholders support, we can deliver on the promise of creating a highly valuable delivery platform and, consequently, a highly valued business entity.

I would like to thank our team in Pencoed supported by our third-party collaborators and advisers as we remain committed to progressing the development of this platform, establishing meaningful partnerships and funding the business appropriately.

## Outlook

The outlook for ReNeuron remains positive provided we can retain our highly dedicated team of scientists and further develop and verify the CustomEX™ exosome delivery platform and conclude validating industry partnerships. We aim to do this by a variety of means including potentially raising more equity financing and/or securing a financing facility and/or entering into M&A discussions; none of which have been ruled out at the time of writing.

**Iain Ross**

*Executive Chairman*



# Financial Review

Following the restructure in January 2023, costs continued to be closely controlled with spend primarily directed towards progressing the Group's proprietary exosome platform. Total operating expenses of £3.5 million for the six months (H1 2022: £4.7 million) are nearly 30% lower than the same period last year. As a result, the total comprehensive loss for the period reduced to £2.8 million (H1 2022: £3.2 million).

At 30 September 2023, the Group had cash, cash equivalents and bank deposits of £5.1 million with the Group's latest internal projections (assuming no new revenues or funding) showing a cash runway to April 2024, ahead of which point further revenues and/or a capital injection will be required.

Details on the Directors' assessment on going concern is provided in note 3 to the interim financial statements.

	Six months ended 30 September 2023	Six month ended 30 September 2022	Year ended 31 March 2023
<b>FINANCIAL HIGHLIGHTS (£'000)</b>			
Cash, cash equivalents & bank deposits	5,075	10,464	7,153
Net cash used in operating activities	2,101	4,323	7,484
Revenue	157	438	530
Operating expenses	3,457	4,712	7,645
Finance income	91	466	478
Total comprehensive loss	2,841	3,176	5,408

## Revenue and Other Operating Income

In the six months to 30 September 2023, recognised revenues, which related to partner funded development activities were £106,000 (H1 2022: £393,000). Income related to royalty income, was £51,000 (H1 2022: £45,000).

## Operating expenses

Total operating expenses reduced in the period to £3.5 million (H1 2022: £4.7 million).

This reduction in costs followed the restructuring in January 2023. Research and development (R&D) expenditure reduced to £2.2 million (H1 2022: £3.0 million) with general and administrative expenses declining in the period to £1.3 million (H1 2022: £1.7 million).

## Finance income/expense

Finance income represented income received from the Group's cash and investments and gains from foreign exchange, with losses from foreign exchange shown in finance expense.

Finance income was £91,000 in the period (H1 2022: £466,000). The prior period included foreign exchange gains of £429,000, whereas in the current period there was a foreign exchange loss of £11,000, included in finance expense, which also includes lease interest of £8,000 (H1 2022: £10,000).

The Group holds cash and investments in foreign currencies to hedge against operational spend in those currencies. The strengthening of sterling during the period resulted in a decrease in valuation of the Group's foreign currency balances.

## Taxation

The taxation credit for the period of £0.4 million primarily comprised an R&D tax credit (H1 2022: £0.6 million). The amount of the R&D tax credit reduced in line with the reduction in research and development spend.

# Financial Review

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## Cash flow

Net cash used in operating activities in the period reduced to £2.1 million (H1 2022: £4.3 million). This reduction in cash used reflected the reduction in costs and the receipt of the £1.2 million R&D tax credit during the first half of the year (in the prior year the R&D tax credit of £1.5 million was received in the second half of the year).

The Group had cash, cash equivalents and bank deposits totalling £5.1 million as of 30 September 2023 (31 March 2023: £7.2 million).

## Statement of financial position

The Company invested in property, plant and equipment in the prior year and no capital investment was required in the six months to 30 September 2023. As such the non-current assets reduced in the period reflecting the depreciation of the existing assets.

Current assets include a corporation tax receivable of £0.4 million comprising the amount due from R&D tax credits for the current period (30 September 2022: £2.0 million). This debtor was lower than 2022 due to the earlier receipt of the tax credit for the year ended 31 March 2023 and the reduction in research and development expenditure impacting the current period tax credit.

Current liabilities primarily comprise trade and other payables at £3.7 million which were £2.5 million lower than the same period last year (30 September 2022: £6.2 million) and £0.5 million lower than at the year-end (31 March 2023: £4.2 million).

Non-current liabilities represented the lease liability relating to the Company's premises. The lease liability reduced by £0.1 million during the period.

### **John Hawkins**

*Chief Financial Officer*

# Unaudited Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2023

	Note	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Revenue	4	157	438	530
Research and development costs		(2,177)	(2,986)	(4,463)
General and administrative costs		(1,280)	(1,726)	(3,182)
<b>Operating loss</b>		<b>(3,300)</b>	<b>(4,274)</b>	<b>(7,115)</b>
Finance income	6	91	466	478
Finance expense	7	(19)	(10)	(20)
<b>Loss before income taxes</b>		<b>(3,228)</b>	<b>(3,818)</b>	<b>(6,657)</b>
Taxation	8	387	642	1,249
<b>Loss and total comprehensive loss for the period</b>		<b>(2,841)</b>	<b>(3,176)</b>	<b>(5,408)</b>
<b>Loss and total comprehensive loss attributable to equity owners of the company</b>		<b>(2,841)</b>	<b>(3,176)</b>	<b>(5,408)</b>
<b>Basic and diluted loss per ordinary share</b>	9	<b>(5.0p)</b>	<b>(5.6p)</b>	<b>(9.5p)</b>

# Unaudited Consolidated Statement of Financial Position

as at 30 September 2023

	Note	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		258	354	338
Right-of-use asset	10	234	331	283
Intangible assets		186	186	186
		678	871	807
<b>Current assets</b>				
Trade and other receivables		317	456	500
Corporation tax receivable		353	2,036	1,185
Investments – bank deposits		–	1,000	1,000
Cash and cash equivalents		5,075	9,464	6,153
		5,745	12,956	8,838
<b>Total assets</b>		<b>6,423</b>	<b>13,827</b>	<b>9,645</b>
<b>Equity</b>				
<b>Equity attributable to owners of the company</b>				
Share capital	11	572	571	572
Share premium account	11	113,925	113,925	113,925
Capital redemption reserve		40,294	40,294	40,294
Merger reserve		2,223	2,223	2,223
Accumulated losses		(154,593)	(149,931)	(151,957)
<b>Total equity</b>		<b>2,421</b>	<b>7,082</b>	<b>5,057</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables		3,657	6,249	4,167
Lease liabilities		156	151	153
		3,813	6,400	4,320
<b>Non-current liabilities</b>				
Lease liabilities		189	345	268
		189	345	268
<b>Total liabilities</b>		<b>4,002</b>	<b>6,745</b>	<b>4,588</b>
<b>Total equity and liabilities</b>		<b>6,423</b>	<b>13,827</b>	<b>9,645</b>



# Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 September 2023

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
<b>As at 1 April 2022</b>	571	113,925	40,294	2,223	(147,125)	9,888
Credit on share-based payment	-	-	-	-	370	370
Loss and total comprehensive loss for the period	-	-	-	-	(3,176)	(3,176)
<b>As at 30 September 2022</b>	571	113,925	40,294	2,223	(149,931)	7,082
Exercise of employee share options	1	-	-	-	-	1
Credit on share-based payment	-	-	-	-	206	206
Loss and total comprehensive loss for the period	-	-	-	-	(2,232)	(2,232)
<b>As at 31 March 2023</b>	572	113,925	40,294	2,223	(151,957)	5,057
Credit on share-based payment	-	-	-	-	205	205
Loss and total comprehensive loss for the period	-	-	-	-	(2,841)	(2,841)
<b>As at 30 September 2023</b>	572	113,925	40,294	2,223	(154,593)	2,421

# Unaudited Consolidated Statement of Cash Flows

for the six months ended 30 September 2023

	Note	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
<b>Cash flows from operating activities</b>				
Cash used in operations	12	(3,312)	(4,310)	(8,920)
Overseas taxes paid		(16)	(3)	(5)
Income tax credit received		1,235	–	1,461
Interest paid		(8)	(10)	(20)
<b>Net cash used in operating activities</b>		<b>(2,101)</b>	<b>(4,323)</b>	<b>(7,484)</b>
<b>Cash flows from investing activities</b>				
Capital expenditure		–	(156)	(220)
Bank deposit matured		1,000	4,000	4,000
Interest received		110	32	131
<b>Net cash generated by investing activities</b>		<b>1,110</b>	<b>3,876</b>	<b>3,911</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of ordinary shares		–	–	1
Principal element of lease payments		(76)	(66)	(148)
<b>Net cash used in financing activities</b>		<b>(76)</b>	<b>(66)</b>	<b>(147)</b>
<b>Net decrease in cash and cash equivalents</b>	13	<b>(1,067)</b>	<b>(513)</b>	<b>(3,720)</b>
Effect of foreign exchange rates		(11)	429	325
Cash and cash equivalents at the start of period		6,153	9,548	9,548
<b>Cash and cash equivalents at the end of period</b>	14	<b>5,075</b>	<b>9,464</b>	<b>6,153</b>

# Notes to the Interim Financial Statements

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## 1. General information and basis of preparation

ReNeuron Group plc is an AIM listed company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered office and its principal place of business is Pencoed Business Park, Pencoed, Bridgend CF35 5HY. Its shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange.

These Interim Financial Statements were prepared by the Directors and approved for issue on 8 November 2023. They have not been audited.

These Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023 were approved by the Board of Directors on 15 June 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006. The auditor's report did however contain an emphasis of matter regarding a material uncertainty related to going concern.

As permitted, these Interim Financial Statements have been prepared in accordance with UK AIM rules and with International Accounting Standard 34 "Interim financial reporting". They should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2023, which have been prepared in accordance with UK adopted International Accounting Standards (IFRS) and the applicable legal requirements of the Companies Act 2006.

## 2. Accounting policies

The accounting policies applied are consistent with those of the Annual Financial Statements for the year ended 31 March 2023, as described in those Annual Financial Statements. Where new standards or amendments to existing standards have become effective during the year, there has been no material impact on the net assets or results of the Group.

## 3. Going concern

The operations of the Group are currently being financed from funds that have been raised from share placings, commercial partnerships and grants.

The goal of the Group is to achieve the commercial validation of the CustomEX™ platform by generating in vivo data aimed at differentiating the platform from that of its competitors. As previously reported, the Group has been successful in generating such data and the group is now further broadening its capabilities with a focus on the functional delivery of specific payloads.

The Directors continue to seek opportunities to secure further revenues/funding sufficient for the short to medium term future needs of the business and the current favourable in vivo data should enhance those opportunities. Considerable emphasis is placed on communication with shareholders, potential investors and other commercial organisations in order to maximise the chances of success in exploiting these opportunities.

In January 2023, the Group undertook a restructuring of the business with the underlying cost base reduced and resources re-aligned to meet the immediate needs of the business. Based on the Directors' assessment, the current cash runway is forecast to extend until April 2024, ahead of which point further revenues and/or a capital injection will be required.

Based on the internal forecasts prepared and various options being explored and considered by the Board, the Directors consider it appropriate to continue to adopt the going concern basis in the preparation of these interim results. However, there is no guarantee that attempts to secure adequate cash inflows from the Group's exosome platform and IP or through equity fund raising within the timescales stated above will be successful. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. These unaudited interim financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

# Notes to the Interim Financial Statements

continued

## 4. Revenue

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Royalty income	51	45	136
Income associated with development activities	106	393	394
	157	438	530

Royalty income is derived from the licensed sale of the Group's products to customers in the USA.

Income associated with development activities relates to fees received under research agreements and is generated in the United Kingdom, the USA, the People's Republic of China and South East Asia.

## 5. Segment information

The Group has identified the Executive Chairman as the Chief Operating Decision Maker (CODM). The CODM manages the business as one segment, the development of stem cell derived exosome technologies. 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 Interim Financial Statements. Revenue is analysed in note 4 above.

## 6. Finance income

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Interest received	91	37	153
Foreign exchange gains	–	429	325
	91	466	478

## 7. Finance expense

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Lease interest	8	10	20
Foreign exchange losses	11	–	–
	19	10	20

# Notes to the Interim Financial Statements

continued

## 8. Taxation

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
R&D tax credit	353	644	1,185
Overseas taxation	(16)	(2)	(5)
Adjustments in respect of prior years	50	–	69
	387	642	1,249

## 9. Basic and diluted loss per share

The basic and diluted loss per share is calculated by dividing the loss for the financial period of £2,841,000 (September 2022: £3,176,000, March 2023: £5,408,000) by 57,173,760 shares (September 2022: 57,090,147 and March 2023: 57,125,960 shares), being the weighted average number of ordinary 1p shares in issue during the period. Potential ordinary shares are not treated as dilutive as the entity is loss-making.

## 10. Right-of-use-asset

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
At beginning of the period	283	373	373
Additions	–	7	7
Depreciation charge	(49)	(49)	(97)
<b>At end of the period</b>	<b>234</b>	<b>331</b>	<b>283</b>

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

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Land and buildings	230	325	278
Computer and office equipment	4	6	5
<b>At end of the period</b>	<b>234</b>	<b>331</b>	<b>283</b>

## 11. Share capital and share premium

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
As at 30 September 2022	57,063,623	571	113,925	114,496
Issue of new shares – share options exercised	82,270	1	–	1
As at 31 March 2023	57,145,893	572	113,925	114,497
Issue of new shares – share options exercised	27,867	–	–	–
<b>As at 30 September 2023</b>	<b>57,145,893</b>	<b>572</b>	<b>113,925</b>	<b>114,497</b>

# Notes to the Interim Financial Statements

continued

## 12. Cash used in operations

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
<b>Loss before income tax</b>	(3,228)	(3,818)	(6,657)
<b>Adjustment for:</b>			
Finance income	(91)	(466)	(478)
Finance expense	19	10	20
Depreciation of property, plant and equipment	80	83	170
Depreciation of right-of-use asset	49	49	97
Share-based payment charges	205	370	576
<b>Changes in working capital:</b>			
Receivables	163	87	58
Payables	(509)	(625)	(2,706)
<b>Cash used in operations</b>	<b>(3,312)</b>	<b>(4,310)</b>	<b>(8,920)</b>

## 13. Reconciliation of net cash flow to movement in net debt

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Decrease in cash and cash equivalents	(1,067)	(513)	(3,720)
Effect of foreign exchange rates	(11)	429	325
Cash inflow from increase in lease liabilities	–	(7)	(7)
Lease repayments	84	83	168
Lease interest	(8)	(10)	(20)
Net funds at start of period	5,732	8,986	8,986
<b>Net funds at end of period</b>	<b>4,730</b>	<b>8,968</b>	<b>5,732</b>

## 14. Analysis of net funds

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Cash and cash equivalents	5,075	9,464	6,153
Lease liabilities	(345)	(496)	(421)
<b>Net funds</b>	<b>4,730</b>	<b>8,968</b>	<b>5,732</b>



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