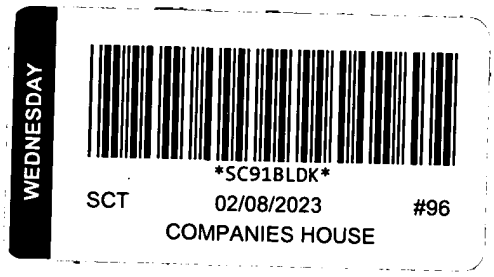
RUA LIFE SCIENCES PLC

ANNUAL REPORT AND ACCOUNTS

For the year to 31 March 2023



Registered in Scotland. Company number SC170071

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Board of Directors and Advisors

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C Stretton Group Managing Director
I Anthony Director of Vascular R&D, Quality, Clinical and Regulatory Affairs
L Smith Chief Financial Officer
J McKenna Director of Clinical Marketing
I Ardill Non-Executive Director
G Berg Non-Executive Director
J Ely Non-Executive Director

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Registered in Scotland, Company No.SC170071

Financial statements will be circulated to Shareholders and copies of the announcement will be made available from the Company's registered office. Dealings permitted on Alternative Investment Market (AIM) of the London Stock Exchange.

Our Group's Mission

Enhancing patients' lives through the development of pioneering innovative cardiovascular medical devices using Elast-Eon™, the world leading long-term implantable biostable polyurethane, through licensing, contract manufacturing and developing next generation medical devices.

Our Group's Vision

To position Elast-Eon to de-risk the future of all animal-based cardiovascular medical devices.

Our Group's Core Values

Innovation, Agility, Integrity, Quality and Collaboration

Growing Shareholder value by:

International growth from Licensing and Contract Manufacturing businesses - RUA Biomaterials, and RUA Contract Manufacture;
Product development and launches of RUA Vascular's graft pipeline;
Product Innovation from RUA Structural Heart's polymeric heart valve technology platform

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

"RUA has a portfolio of four businesses, all of which have made good progress during the period. The mature businesses of Biomaterials and Contract Manufacture are growing revenue and generating attractive net margins and the development business segments of Vascular and Structural Heart have made good regulatory and technological progress respectively on relatively low levels of investment".

William Brown
Executive Chairman

On behalf of the Board, I am pleased to present the Company's results for the year ended 31 March 2023.

Trading for Year

Trading during the period was positive with strong revenue growth of 34% year on year resulting in revenue for the year of £2,179k (2022: £1,625k).

We have continued to invest in the growth and development of the business as demonstrated by the 26% increase in the average employee numbers from 38 last year to 48 in the current year. Despite this investment in people during the development stages of the Group, it is pleasing that Group loss before tax reduced marginally from £2,360k to £2,322k. At the post tax level, the reduction in loss was greater as R&D tax credits increased.

Cash was tightly controlled with total cash burn of £1,479k resulting in a halving of cash balances from £2,963k to £1,484k.

Our Portfolio

The RUA Group has a portfolio of four medical device businesses and during the year, we changed the basis of reporting on these businesses as part of a review of segmental reporting and analysis. The four businesses are Biomaterials, Contract Manufacture, Vascular and Structural Heart. The Group Managing Director's Report provides detailed analysis on each of the businesses, but I am pleased to set out below the key valuation metrics and opportunities for the constituent parts.

RUA Biomaterials is the owner of our biostable polymer technology being exploited through a licensing model. Revenues for the year amounted to £554k (2022: £487k) and due to the limited costs associated with the business it enjoys an operating profit margin of 89% (2022: 86%) and contributed £493k (2022: £418k) to the group operating loss. RUA considers the cash flows from the business segment as a "growing perpetuity" which at a discount rate of 12% and growth of rate 5% would value this business segment at around £7 million.

RUA Contract Manufacture was acquired as part of the £2.45 million acquisition of RUA Medical in April 2020. During the year the business grew revenues strongly to £1,625k (2022: £1,138k) and has an operating profit margin of 49% (2022: 39%) contributing £794k (2022: £447k) to the Group operating loss. New and existing customers are actively reviewing projects with RUA that could double the current scale of the business over a two-year period. The purchase of RUA Contract Manufacture represents a multiple of contribution of around 3 times which is proving to be attractive when compared to revenue multiples of 7 times paid in the sector. Given the growth opportunities available to the business and the potential for multiple expansion, the contract manufacturing business has the potential to add significant value.

Subsequent to the financial year end, we announced that the Group had undertaken a reorganisation of its R&D development activities with the hive down of the vascular graft business to RUA Vascular Limited (a 100% subsidiary of the Company) and the hive down of the heart valve business to RUA Structural Heart Limited (also a 100% subsidiary).

RUA Vascular is the business unit developing the large bore vascular graft range. This part of the business disappointed by failing to meet the KPI's set for it at the start of the period. The pre-sub process with the FDA has highlighted supplemental pre-clinical testing that is required in addition to the clinical trial itself. As a result, there have been further delays to the commencement of the clinical trial and subsequent applications for regulatory approvals. Despite this set back, a review of the project demonstrates how much has been achieved to date with the development of the polymerically sealed graft range, a regulatory pathway agreed with regulators, significant biocompatibility testing, improvements in manufacturability of the graft and establishment of commercial manufacturing capabilities required to meet initial launch demand, and agreement reached to ensure global distribution. These not inconsiderable achievements have been done on a relatively small budget with investment of around £4.4million. Further investment will be required for RUA Vascular to reach its potential,

including the clinical trials agreed with the FDA as part of the pre-sub 510k process, and plans to facilitate this funding are being explored.

As part of the review of the holding values for RUA Vascular, financial forecasts have been prepared. This demonstrates that the pilot plant has the capacity to generate revenues of over £6 million and a net contribution of over 70%. Valuation metrics in the vascular graft sector would appear to be based on revenue multiples. Comparative transactions have been at revenue multiples of 4 and above. Applying these multiples to RUA Vascular based on pilot plant capacity values the business at £25 million representing an EBITDA multiple of 5.4 times. After factoring in the anticipated costs of completing the project, the Internal Rate of Return is a very attractive 43%.

RUA Structural Heart, the business unit developing next generation heart valves and materials is estimated to have had around £3.1million of investment since the business was restarted in financial year 2019. The key objective for the period was to evaluate heart valve leaflet material and compare the performance of 100% polymeric valves with a novel composite developed by the Group. The computational modelling of the composite material at the design stage suggested that its mechanical properties would be ideal for heart valve leaflets and that there should not be a risk of delamination. The team within the Structural Heart business segment has very recently achieved the initial milestones set for the composite material. We are delighted to report that after 200 million cycles the material shows no signs of delamination and cut edges remain unchanged as a result of flex fatigue testing undertaken in house. From a performance perspective, the composite material is very thin and flexible and little energy is required to open a valve, and once opened does not restrict blood flow with a good EOA (Effective Orifice Area). Comparing the EOA with published data on current biological valves suggests that the EOA of the RUA design is up to two times greater for equivalent valve size. Testing has also demonstrated that the properties of the composite restrict crack propagation.

100% polymeric valves rely in part on the leaflet design to reduce stress and operate within the performance window of the polymer, meaning that the polymer would not work in all designs. The composite material retains the blood contacting properties of Elast-Eon™ but is significantly stronger. Suture retention testing shows the composite is highly resistant to pull through. Given these properties the RUA composite may be appropriate for valve designs that 100% polymer would not be appropriate for, allowing a like for like swap of RUA composite for the biological tissue used in currently marketed designs. This creates the opportunity for RUA Structural Heart to become a supplier of heart valve leaflets to other companies to incorporate in current designs.

The opportunity to broaden the business model for the Structural Heart business not only increases the potential value of the business unit but reduces the timeframe to be able to realise this value. The Structural Heart business has always had the potential to generate substantial value for the Group but with recent developments has increased the chances of achieving its potential. The major medical device companies have always been prepared to buy in novel technology and we believe we are getting much closer to having a commercialisable offering.

Conclusion

RUA has a portfolio of four businesses, all of which have made substantial progress during the period. The mature businesses are growing revenue and generating attractive operating margins and the development business segments of Vascular and Structural Heart have made good regulatory and technological progress respectively on relatively low levels of investment. The stability of Biomaterials coupled with the long term contractual but growth opportunities of Contract Manufacture more than support the valuation of the Group and still provide attractive upside. The developing businesses of Vascular and Structural Heart both require further investment to achieve their considerable potential and funding options are currently being explored to provide this investment. The progress of Structural Heart over the past year has more than compensated for the delay to the Vascular clinical trial.

William Brown

William Brown
Chairman

25 July 2023

STRATEGIC REPORT CONTINUED

GROUP MANAGING DIRECTOR'S REPORT

"This period has seen continuing sales growth from our two highly profitable and cash generative business units, RUA Biomaterials and RUA Contract Manufacture, which underpin current Group valuation. We have continued to de-risk the regulatory process and formalised the route to market for RUA Vascular's large bore graft range, and identified additional positive properties within RUA Structural Heart's polymeric heart valve technology platform."

Caroline Stretton
GROUP MANAGING DIRECTOR

Sales performance has surpassed expectations

Contract manufacturing and polymer licensing business units are performing ahead of expectations. Total revenue of £2,179,000 (2022: £1,625,000) represents an increase of 34% over the same period in the previous year (2022: 6%). The strategic changes that we made to business processes and working practices during the period have transitioned the business from a narrowly focused contract developer and manufacturer to a fully-fledged medical device manufacturing business that is focused on bringing our pipeline products to market. Key to this is our continuing investment and commitment to Research and Development activities, with R&D spend increasing 19% to £1,072,000 (2022: £903,000). Loss before tax for the period has decreased marginally to £2,322,000 (2022: £2,360,000) as a result of increased growth from our two cash generative businesses.

RUA Biomaterials

The Group's platform technology is based upon Elast-Eon, and RUA Biomaterials owns all the Elast-Eon IP, and licenses use of Elast-Eon to medical device companies. Elast-Eon has been proven to have all of the characteristics necessary for a long-term implantable biomaterial, and has been the enabling technology behind over 8 million life-sustaining devices over the last 15 years. Elast-Eon polymer licence and royalty income of £554,000 (£2022: £487,000) represents growth of 14% during the period. This increased uptake is due to successfully promoting the Elast-Eon polymer as a world leading material to the medical device industry. RUA Biomaterials is akin to an annuity business, and maintains a high operating profit margin (89%) (2022: 86%), since its only real outlays are IP costs. The Group continues to use the Elast-Eon polymer within its vascular and heart valve product pipelines, with the aim of improving device performance and eliminating the risks of animal-derived material in cardiovascular devices.

RUA Contract Manufacture

Third party contract manufacturing revenue surpassed expectations by increasing 43% to £1,625,000 (2022: £1,138,000). This was due to our continued focus on quality and delivery leading to increased demand from existing customers and the onboarding of a new global medical technology company and resultant long term manufacturing and supply contract. Significant process efficiencies and effective cost control measures have been realised during the period, resulting in an attractive operating profit margin of 49% (2022: 39%), 100% on-time-in-full (OTIF) service levels were maintained during the entire period, and a recent customer satisfaction survey scored an average of 98%, which reflects the organisation's commitment to quality and service.

All business development activities during the period have focused on long term high value strategic opportunities, and significant headway has been made with plans to increase Original Equipment Manufacturer (OEM) customer demand to create a high growth business. As well as onboarding the new global medical technology customer during the period, an opportunity pipeline with Request For Quote (RFQ) values of c£2m in annualised revenue over the next 2-3 years is in place.

RUA Vascular

RUA Vascular is focused on the $1billion global vascular graft market, where polyester vascular grafts have been available on the market for over 50 years with little innovation. Many of these grafts contain animal-derived sealants. RUA Vascular's Elast-Eon-enabled products for open surgical repair are an innovative solution addressing the many risks associated with animal-derived tissue (supply chain constraints, cross-species contamination, environmental concerns, and ethical/patient choice). With a growing acceptance in the surgical community of an inevitable switch away from animal-sourced products, RUA Vascular has a real opportunity to become a significant player in the open surgical graft market.

During this period, all R&D efforts have been focused on the first launch from the vascular pipeline, a large bore straight graft, which will also be the enabler for the development of more complex products in the

vascular graft portfolio. Whilst the regulatory pathway was being addressed, we also took the opportunity to further improve the product and significant progress has been made on product development activities, as well as the necessary precursor activities required for market launch.

Data collection on the large bore graft continues with in-vivo and in-vitro trials, which has provided a level of certainty around graft design, bench performance and biocompatibility. A number of pre-submissions, or Q-subs, have allowed interactive discussions between the Group and FDA to determine the regulatory path to approval in the US, which will increase the certainty of market clearance through the less onerous 510K route. During these discussions, a Good Laboratory Practice (GLP) in-vivo study design and a clinical trial design was agreed for demonstration of the safety and efficacy of Elast-Eon as a graft sealant, and which aligns with FDA's expectations. The clinical trial is a performance goal study rather than a complex randomised trial, and will involve 121 patients, with a primary end point at 6 months post operation to study graft performance, safety, and clinical efficacy. With the trial being non-blinded, we will have sight of early clinical results well before the end point. Recruitment of the first patient is anticipated in 2024, with regulatory submissions planned to allow entry into the US market upon completion. The data generated in the trial will be utilised to support further marketing applications in multiple geographic regions including Europe.

Significant work has been completed on manufacturing process refinements and efficiencies of the existing pilot production line. Manufacturing methodology has ensured consistent batch to batch sealing of the graft by machines, eliminating the use of toxic chemicals used during the manufacturing process. Initial production capacity plans indicate that this pilot line is capable of meeting the volumes and margins required for the launch of the large bore vascular grafts. The new facility purchased in November 2021 to accommodate a high output cleanroom facility, to support scale up manufacturing of the vascular graft range and associated support functions, will further allow for future growth but will require further investment.

To be a leading player in the vascular graft market, it was felt that a route to market would be much more efficient and cost effective through a distribution model where existing and experienced sales teams would be leveraged. The Group was therefore delighted to sign an agreement in January 2023 with Corcym, a global medical device company focussed on the structural heart area, which provides a clear path to a global market for the range of large bore vascular grafts. Corcym have an excellent sales network in place, currently selling to cardiothoracic surgeons in over 100 countries, and RUA Vascular's grafts are complementary to their existing product portfolio. To allow Corcym the necessary flexibility to maximise market penetration, a novel pricing model was agreed whereby rather than agree specific price points by territory, the partnership ethos of the agreement will see RUA and Corcym share the gross principal margin achieved on global sales on a 50:50 basis. This agreement validates not only the design benefits of RUA's product offering but also the regulatory pathway that has been adopted, and first revenues through the Corcym sales outlet are expected upon clearance to market from the FDA.

In parallel with the Corcym distribution route to market, interest continues to be strong for OEM component supply of the RUA vascular graft to be used as part of another device. These additional opportunities are also being advanced and discussions will continue within the coming year.

RUA Structural Heart

Through incorporation of Elast-Eon polymer technology into a novel leaflet system, the Group believes both valve failure and the need for lifetime anticoagulant treatment (associated with currently marketed aortic heart valves) will be avoided.

Alternative leaflet material is becoming much more important to the industry, and polymeric valves are being talked about as the future. The heart valve market is dominated by a small number of very large companies, but much of the recent innovation in the sector has been undertaken by start-ups. RUA recognises that a route to market which involves a partnership/license for future regulatory testing, clinical trial and launch to be more realistic than seeking to compete directly. A second route to market, namely OEM component supply of the proprietary composite material to major Heart Valve companies as a replacement for biologic material in their transcatheter aortic valves, has also been identified during the period. This strategy of seeking to "own" the leaflet material of choice may allow faster commercialisation with revenues generated during the customer development phase.

During the current period, two heart valve programmes were running in parallel – one with a 100% polymer leaflet and the other a textile polymer composite leaflet. Both designs have been developed, tested and de-risked to a stage where the design which ensured the most resilient and appropriate technology, and greatest potential, was prioritised. Our chosen lead design was the textile polymer composite leaflet, which is very thin and flexible, yet demonstrates tear resistance many times greater than a simple polymeric sheet, whilst retaining the blood contacting properties of Elast-Eon.

The valve manufacturing process has been refined, and valves of sufficient quality have been produced that are able to withstand durability testing via an Accelerated Wear Tester (where the valve is subjected to accelerated conditions as if it had been implanted in a heart). Hydro dynamic performance (which replicates conditions within the heart) has also been very promising, with low opening and closing pressure gradients and orifice areas. Fatigue testing capability has now been brought in-house, and a major milestone of c200 million cycles has been achieved without any indication of delamination or change to the structure of the material. Testing of the lead designs (valve and leaflet) will be further advanced and if benefits are demonstrated as anticipated, following on, proof of concept in vivo trials to assess functionality, durability, thrombosis and calcification deposition.

Novel IP on valve design and method of manufacture has also been created.

Quality Management System

The Group extended scope of its ISO 13485:2016 certification in support of its Quality Management System (QMS) to include the entire Group of companies and to meet Medical Device Manufacturer requirements. This is the second year in a row that no non-conformities were noted during the ISO 13485 audit by our Notified Body, which reflects the increasing expertise within the Quality department. Electronic QMS software implementation has begun which will enable the business to operate a modern, efficient and compliant QMS to support future business growth.

Outlook

Continuing sales growth from our two highly profitable and cash generative business units have exceeded expectations, and our two pre-revenue business units continue to de-risk the regulatory process and make good technological progress. A clear route to market has been agreed for RUA Vascular's large bore graft upon market clearance via Corcym, and we are progressing additionality within our polymeric heart valve technology platform. We have worked hard to build the solid foundations required by a fully fledged medical device manufacturing business, and to empower staff within the business with the necessary experience, knowledge and skillsets to help deliver on RUA's ambitious plans. The Group looks forward to continuing to maximise revenues, alongside further product development, in the coming year, and ultimately delivering on our strategy to disrupt the cardiovascular market with innovative products and grow shareholder value.

Caroline Stretton
CAROLINE STRETTON
Group Managing Director

25 July 2023

STRATEGIC REPORT CONTINUED

STRATEGY

The mission of the Group is to enhance patients' lives through the development of pioneering innovative cardiovascular medical devices using Elast-Eon™, the world leading long-term implantable biostable polyurethane This is being undertaken through:

- International growth via licensing Elast-Eon™ to third parties through RUA Biomaterials;
- International growth through RUA Contract Manufacture; becoming a centre of excellence for designing, developing and manufacturing Elast-Eon™ based medical devices, whilst continuing to serve and expand its current OEM customer base;
- Developing and launching a range of Elast-Eon™ sealed vascular grafts through RUA Vascular; and
- Developing innovative Elast-Eon™ polymeric heart valve and leaflet technology through RUA Structural Heart.

RUA Life Sciences will seek to maximise shareholder value by growing each business to achieve attractive levels of profitability or disposing of business areas if the valuations are attractive.

STRATEGIC REPORT CONTINUED

OUR PEOPLE

"We believe that the most successful businesses are ones that embrace the employee experience and protect employee wellbeing. Our 5 core values are a big part of how the entire business works internally, and with customers, to develop new, market-leading products. These allow us to deliver service to the highest standards and create an environment where innovation can flourish. "

Highlights in the current year:

- Introduced a range of initiatives to maintain employee wellbeing, including a Mental Health First Aid (MHFA) Team to provide guidance and support to staff
- Employee net promoter score of 88% (2022: 85%), which demonstrated that employees were engaged, and held a strong belief in the vision and values of the Company
- Maintained Living Wage and Good Business Charter accreditations
- Commenced an Innovate UK Knowledge Transfer Partnership (KTP) award programme with the University of Strathclyde.

Our culture

The entire organisation is involved in creating a positive culture, to ensure everyone feels included in driving toward the company's business goals. The Group is committed to building a successful team and has upskilled and empowered staff within the business with the necessary experience, knowledge and skillsets to help deliver on RUA's ambitious plans.

Wellbeing

The Group continues to be a Living Wage employer. Proper remuneration ensures we directly invest in the health and wellbeing of our employees and improve their quality of life, which promotes a more productive business since we have a happier, more motivated, and loyal workforce.

We are committed to maintaining a working environment which supports the mental wellbeing of its staff. This includes promoting a culture of mental wellbeing amongst colleagues and offering support for staff who, for any reason, may be suffering from mental ill-health. A Mental Health First Aid (MHFA) Team is responsible for maintaining an open-door policy for staff to approach them to discuss concerns with their own mental health and to provide guidance on how to manage symptoms. The Group seeks to eliminate the stigma associated with mental health by promoting an inclusive approach to all employees, regardless of their health.

We also have a positive attitude to menopause/perimenopause and are working proactively to support individuals experiencing the menopause. The Group has created an environment where individuals feel confident enough to raise issues about their symptoms and ask for support and adjustments at work. We are committed to ensuring that conditions in the workplace do not make menopausal symptoms worse and that appropriate adjustments and support are put in place.

Health and Safety

The Group is committed to ensuring that the highest reasonably practicable standards of health and safety are achieved in all Group operations. It is our aim to promote and maintain a high standard of health and safety by:

- Meeting the Health and Safety at Work Act 1974 and Management for Health and Safety at Work Regulations 1999.

- Providing and maintaining a safe place of work, safe systems of work, safe equipment and a healthy and safe working environment.
- Understanding and ensuring compliance with health and safety; and industry, regulatory and other requirements that apply to our activities.
- Ensuring we are taking the appropriate protective and preventative measures.
- Being fully committed to the prevention of injury and ill-health to employees, sub-contractors, the public or visitors, whilst striving to improve health and safety performance.
- Identifying hazards, undertaking risk assessments and reducing risks to as low as possible.
- Developing and maintaining systems and procedures to ensure that all equipment and premises are safe and do not adversely affect health.
- Consulting employees and promoting the awareness of health and safety standards, and encouraging health and safety best practice throughout our organisation.
- Raising awareness, encouraging participation and training employees in health and safety matters to ensure employees and others are assured of a safe and healthy working environment.
- Ensuring all persons working on or behalf of the group comply with Health and Safety policies and actively contribute towards improving safety in every aspect of their work.

Working environment

The business continues to practice lean manufacturing methodologies to help refine operations to deliver better savings and faster development cycles. Our 6S/lean champions hold a formally recognised 6S professional qualification.

Our Industry 4.0 digital transformation continues, with new digital technology introduced to support financial control, HR and quality systems.

Engaging our people

Our recent annual employee survey output was an employee net promoter score of 88% (2022: 85%), which demonstrated that employees were engaged, held a strong belief in the vision and values of the Group, and that these values encourage the right working environment.

The Group has also aligned with 'Fair Work First', which aims to promote fairness, equality and opportunity in Scotland, helping to create greater economic success and sustainable, inclusive growth.

Attracting, Recruiting and Keeping Talent

The Innovate UK Knowledge Transfer Partnership (KTP) award programme with the University of Strathclyde commenced in May 2022, and is progressing well. New polymer science and engineering knowledge and skills have been introduced into the business, as well as enabling access to academic networks and specialist equipment. This support has enabled significant progress on the Heart Valve development project, and additional polymer expertise has assisted with our understanding of Elast-Eon properties.

The Group's successful Development of the Young Workforce (DYW) programme is going from strength to strength. In partnership with Skills Development Scotland, we have active modern and graduate apprenticeship programmes in place with employees (and ten per cent. of our staff are currently benefitting from these schemes). We have also entered the third year of our Intern programme, which allows a University undergraduate student to gain first-hand workplace experience in the business.

Employee attrition rate is 16% (2022: 5%) and we have a number of employee incentivisation plans in place to increase retention, including cost of living payments, private health care, and Electric Vehicle salary sacrifice schemes.

We address gender bias and inequality by creating an inclusive workplace that is guided by our Core values each day, with a 32%:68% female to male employee split, and gender pay gap of 12% (mean) and 0% (median - difference between the midpoints in the ranges of hourly earnings of men and women). RUA continues to strive to create a balanced, experienced team within every tier of the business.

Environmental

More than 190 countries adopted a landmark agreement recently at the COP 15 biodiversity summit that included a pledge to protect 30% of the world's land and oceans by 2030. The Group recognises this and continues to strive to align its business practices with the United Nations 2030 Sustainable Development Goals as a blueprint to achieving a more sustainable future. Key to our environmental strategy is our proprietary polymer, Elast-Eon. Most heart valves and large bore vascular grafts on the market today contain animal tissue, as a result of compromises being made due to the lack of suitable biomaterials during the technological creation of the cardiovascular industry in the 1970s and 1980s. As well as cross-species contamination and continuity of supply risks associated with using animal by-products, there is the growing environmental risk of breeding livestock for medical purposes, including generation of significant greenhouse gases, and consumption of crops, freshwater, and fertilisers. We are therefore setting up Elast-Eon to de-risk the future of all animal based cardiovascular medical devices. As our activities and operations can also impact on the environment either directly or indirectly, our aim is to carry out our business in an environmentally responsible manner and minimise our impact through internal efficiency, minimising production of process waste and minimising our use of natural resources.

Caroline Stretton

CAROLINE STRETTON
Group Managing Director

25 July 2023

STRATEGIC REPORT CONTINUED

DIRECTORS

The Company is managed by the Board of Directors which, at 31 March 2023, comprised of five Executive (William Brown, Caroline Stretton, Iain Anthony, Lachlan Smith and John McKenna) and three Non-Executive Directors.

The Non-Executive Directors (Ian Ardill, John Ely and Geoff Berg) are considered independent.

William (Bill) Brown (Chairman). Bill was appointed to the Board on 21 October 2011 and became Chairman on 3 July 2012. Bill is a Chartered Accountant with over 35 years' experience in advising and investing in high growth smaller companies. He has floated several companies and has significant experience in fund raisings, corporate deals and restructurings. He launched the first dedicated fund for AIM and was instrumental in the growth and internationalisation of AIM as a member and Chairman of the AIM Advisory Committee. He joined the Board in late 2011 and, having conducted a strategic review, developed a strategy to monetise the core technology. Bill provides leadership and direction to the Board, facilitates the operations and deliberations of the Board and acts as principal liaison between the Board and the Executive and assumes responsibility for the strategic direction of the company.

Key Areas of Expertise Strategy, corporate governance, corporate finance, financial management, investor relations, international business risk management.

Caroline Stretton (Group Managing Director). Caroline is a graduate of the University of Strathclyde, and holds a PhD in Pure and Applied Chemistry. Caroline joined RUA Medical in 2018 from prosthetic hand manufacturer, Touch Bionics, where she was a key member of the Leadership Team responsible for Global Manufacturing, Operations, Quality and Customer Support. Touch Bionics was sold to Icelandic Orthotic and Prosthetic manufacturer Ossur in 2016. Between 1994 and 2013, Caroline was employed by a number of medical device and pharmaceutical companies in a variety of roles, most notably Teva Pharmaceuticals, Ocutec and Mpathy Medical, a surgical medical device company which achieved a multi-million pound exit to Danish surgical medical device manufacturer Coloplast in 2010. Caroline joined the Board of RUA Life Sciences on 18 January 2021.

Key Areas of Expertise Manufacturing & operations, product development, quality assurance, regulatory affairs, project management office, strategic planning, Environmental, Social & Governance.

Iain Anthony (Director of Vascular R&D, Quality, Clinical and Regulatory Affairs). Iain brings a wealth of relevant cardiovascular medical device experience to the company, with over 15 years' experience in the medical device industry in both commercial and NHS settings. He was recruited from the Swiss based MedAlliance where he was Director Pre-Clinical / Clinical Regulatory Affairs focusing on development and approval of drug coated coronary and peripheral angioplasty balloons. Prior to this Iain was Head of Clinical Affairs at Terumo Aortic where he developed his knowledge and experience of the global vascular graft business. Iain is a graduate of Glasgow University and has a BSc in Genetics, he also has a PhD from the University of Edinburgh in Neurovirology and Neuropathology. Iain has over 40 peer reviewed publications across a multitude of medical disciplines. Iain joined the Board of RUA Life Sciences on 31 March 2022.

Key Areas of Expertise Medical device market, international market development, product development, clinical and regulatory affairs, strategic planning

Lachlan Smith (Group Chief Financial Officer) Lachlan is a Fellow of the ACCA with over 20 years' experience in accounting and finance across multiple sectors, with the last 14 years spent in leadership roles. Prior to joining RUA Life Sciences, Lachlan served as Finance Director at high growth technology companies Silver Cloud Smarter Technology and Equator where he played a key role in developing strong financial systems and internal controls. While at Silver Cloud, Lachlan played a crucial role in helping the business navigate the impact of COVID-19 and preparing the company to emerge in a strong position including assisting the business transition towards new growth opportunities. Furthermore Lachlan played a key role during multiple rounds of fundraising during the pandemic. Lachlan joined the Board of RUA Life Sciences on 31 March 2022.

Key Areas of Expertise Financial management, accounting, strategy development and strategic leadership, digital transformation, corporate finance, corporate governance.

John McKenna (Director of Clinical Marketing). John is a leading marketing expert in the field of cardiovascular devices. With over 30 years' experience in cardiothoracic surgery, he has helped develop and launched a number of successful devices, including heart valves, large vessel grafts and stents. John has worked for a number of leading medical companies, including Pfizer, Vascutek (Terumo) and CryoLife, and has contacts with both leading heart surgeons and senior executives at the major device companies. John re-joined the Board in late 2016, and has helped develop the product strategy based on his analysis of competing products and current market need from the industry. He has established European-wide distribution networks for medical devices and OEM supply agreements, particularly in heart valve related products.

Key Areas of Expertise Medical device market, sales management, market development, international sales, product launch.

Ian Ardill (Non-Executive Director). Ian has over 25 years' experience in senior financial positions, with the majority of that time being spent in medical devices and pharmaceuticals. He is currently CFO of Rhythm AI Ltd and Managing Director of Causeway Finance Associates Limited, a Life Sciences consultancy, which he founded in 2017. Previously, he was Chief Financial Officer of Diurnal Group plc, which he joined in April 2015 ahead of the company's successful IPO on AIM in December 2015. Prior to that, Ian was Chief Financial Officer of two other listed companies. With Lombard Medical Technologies plc, from 2012 to 2015, he led the company financially through the late stages of FDA pre-market approval and the commencement of US commercial operations. On the financing front, he managed a £22 million fundraising on AIM and the company's IPO on NASDAQ raising $55 million. With Biocompatibles International plc, from 2003 to 2011, he played a leading role in transforming the company from a loss-making to a profitable enterprise with sales of £33 million. He also managed the company's sale to BTG Plc in 2011 for £177 million and two returns of capital to shareholders totalling £23 million. Ian is a graduate of Warwick University and qualified as a Chartered Accountant with Grant Thornton.

Key Areas of Expertise Life Sciences (particularly medical devices), public companies, finance and accounting, corporate finance, corporate governance, investor relations.

John Ely (Non-Executive Director). John is a recognised expert in cardiovascular devices and spent 7 years at the FDA, where he was responsible for a team that approved cardiovascular medical devices, including heart valves. In industry, he has successfully managed the process of obtaining pre-market approvals for 6 heart valves, including both tissue and mechanical valves. He has also led research and development, regulatory and quality assurance teams at Baxter International Inc., Edwards Lifesciences Corporation and On-X Life Technologies, Inc. John has authored over 25 scientific papers and is the named inventor on 3 US patents. He was previously engaged as an expert witness in the area of heart valve design and development process, giving him an intimate knowledge of the Group's heart valve project.

Key Areas of Expertise Medical device market, market development, product development, regulatory affairs, strategic planning.

Geoff Berg (Non-Executive Director). Geoff was formerly a consultant heart surgeon at the Golden Jubilee Hospital in Glasgow where he specialised in surgical treatment of valvular heart disease and was recognised as one of the leading surgeons in mitral valve repair and replacement. He has authored a number of scientific papers on the treatment of heart disease and conducted studies into the long-term performance of replacement heart valves. He has been involved in the early-stage development of a number of cardiovascular devices, including a stentless animal tissue heart valve, and the launch of the only biological valved conduit. He is a recognised authority on stentless aortic valve surgery and has co-authored papers on stentless versus stented aortic valve insertions.

Key Areas of Expertise Surgical practices, heart valve development, regulatory affairs, clinical research.

Section 172(1) Statement
For the year ended 31 March 2023

Section 172 of the Companies Act 2006 requires each of our Directors to act in a way that they consider, in good faith, would most likely promote RUA's long-term success for the benefit of its shareholders and other stakeholders. In doing this, section 172 requires our Directors to have regard, amongst other matters, to the:

a) Likely consequences of any decisions in the long term.

b) Interests of the company's employees.

c) Need to foster the company's business relationships with suppliers, customers and others.

d) Impact of the company's operations on the community and environment.

e) Desirability of the company maintaining a reputation for high standards of business conduct, behaving ethically and transparently.

f) Need to act fairly between members of the company.

Our Board gains an understanding of stakeholder issues and, during the year, discharged its section 172 duty by factoring the matters highlighted (a) to (f), into Board discussions and decision-making process. The Directors also have regard to other factors which they consider relevant to the decision being made, acknowledging that every decision made will not necessarily result in a positive outcome for all stakeholders. However, by considering our vision and values, together with our strategic priorities and having a process in place for decision-making, the Board aims to make sure that all decisions are consistent and well-considered. This approach ensures that we continue to serve and support the people who rely on our products and services. It also supports our strategy to pivot to sustainable and profitable growth.

Shareholders
The primary mechanism for engaging with shareholders is through the Company's AGM and also through the annual cycle of investor meetings and webinar presentations held alongside the publication of the Group's financial results for the half year and full year. Further information is disclosed in the Corporate Governance Statement.

Non-financial information statement
The information below is provided to help our stakeholders understand our position in relation to key non-financial matters including, where appropriate, the relevant policies and processes we operate.

Customers and suppliers
RUA operations ensures continuing focus on quality and delivery of customer products. The partnership structure between RUA's Contract Manufacture business unit and its customers continues to deepen and strengthen.

It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and implementing and enforcing effective systems to counter bribery. We will uphold all laws relevant to countering bribery and corruption; we remain bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct both at home and abroad.

Human Rights
We are committed to ensuring that we comply with our legal obligations as well as communicating these to individuals who work for or on behalf of us. We comply with all relevant UK and devolved legislation in relation to labour in the workplace. We implement our obligations under the law through our policies, which are available to all employees within our 'Employee Handbook', which is also regularly checked for legal compliance. We also comply by giving all of our employees' a Statement of Particulars of Employment.

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the

deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains.

We are also committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains. We expect the same high standards from all of our contractors, suppliers and other business partners, and as part of our contracting processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and we expect that our suppliers will hold their own suppliers to the same high standards.

Social, People and Environmental

Our employees, our community and the environment form a key stakeholder group with whom we engage on a daily basis. Pages 11 to 13 further detail the extent of the work undertaken in relation to social, people and environment.

STRATEGIC REPORT CONTINUED

FINANCIAL REVIEW

Revenue

Reported Group revenues for the year ended 31 March 2023 increased to £2,179,000 compared to £1,625,000 for the year ended 31 March 2022.

Revenue for the contract manufacture division increased to £1,625,000 (2022: £1,138,000)

Revenue from royalty income from Biomaterials increased to £554,000 (2022: £487,000)

Research and development costs

During the year, the Group expensed through the income statement £1,072,000 (2022: £903,000) of research costs relating to the Vascular Graft and Heart Valve programmes.

Impairment charge

No impairment charge has been made on any of the Group's assets following impairment reviews on the carrying amounts of the Group's cash-generating units. Key assumptions such as the amount and timing of future cash flow growth and the achievement of future development milestones, support the carrying values of the intangible assets. Further information on the key assumptions used is disclosed in Note 10.

General and administrative expenses

Administrative expenses have increased during the year to £4,169,000 (2022: £3,776,000), these figures include amortisation & depreciation charges of £358,000 (2022: £312,000), the research and development costs noted above and the share based payment charges noted below.

Share-based payment charges

The non-cash charge for the year decreased to £102,000 (2022: £145,000) as additional share option awards were withdrawn from three executives leaving the company and granted to new hires within the executive team.

Net finance costs

Finance expenses have increased during the year to £16,000 (2022: £8,000).

Losses before taxation

Losses before taxation from business operations for the year were £2,322,000 (2022: £2,360,000).

Loss per share

Basic and diluted loss per share for the year was 9.03 pence (2022: 9.32 pence).

Taxation

The Group claims research and development tax credits each year and, since it is currently loss making, elects to surrender these tax credits for a cash rebate. The amount is included within the taxation line of the consolidated income statement in respect of amounts received and receivable for the surrender of research and development expenditure amounting to £319,000 (2022: £293,000). The Group has not recognised any tax assets in respect of trading losses arising in the current financial year or accumulated losses in previous financial years.

STRATEGIC REPORT CONTINUED

Cashflow

Year end cash and short-term deposit balances were £1,484,000 (2022: £2,963,000).

Operating cash outflows from operations amounted to £1,146,000 (2022: £2,353,000).

During the year, capital expenditure was £449,000 (2022: £904,000).

Financial position

Net assets as at 31 March 2023 were £4,683,000 (2022: £6,584,000) of which cash and cash equivalents amounted to £1,484,000 (2022: £2,963,000).

Intangible assets (not including Goodwill) reduced to £470,000 (2022: £521,000) due to the amortisation charge of £51,000.

Dividends

No dividends have been proposed for the year ended 31 March 2023 (2022: £nil).

Key performance indicators

At this stage of the Group's development, the nonfinancial key performance indicators focus around two areas:

- the progression of our Elast-Eon sealed Vascular grafts into clinical trials; and
- the development of our Polymeric Heart Valve and composite leaflet material.

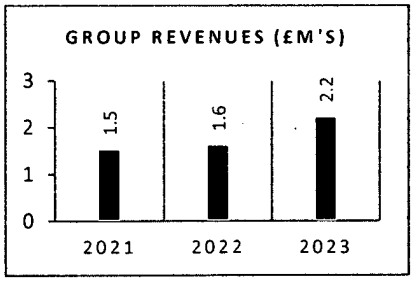
The financial key performance indicators focus on five areas:

- Group revenues
- Control of operating expenses
- Research and development expenditure
- Pre-tax results
- Cash and short-term deposit balances

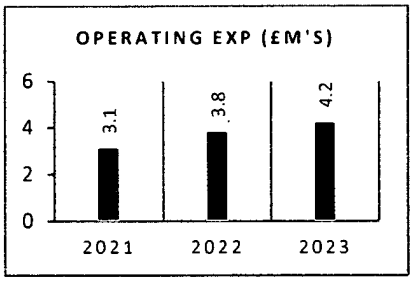
These are further discussed within the Group Managing Director's Report on pages 7 to 9:

STRATEGIC REPORT CONTINUED

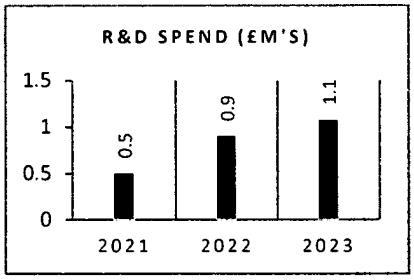
MEASURING OUR PERFORMANCE



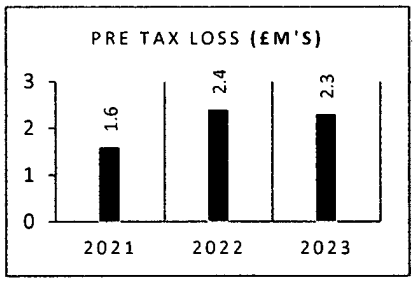
The Group measures revenue as a key financial metric to assess the progress of its commercial activities.



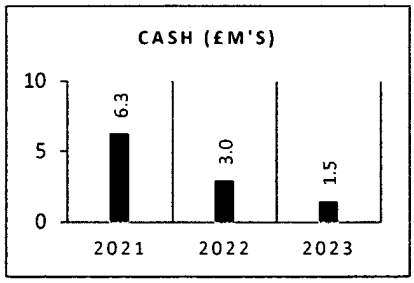
The Group considers control of operating expenses as a key performance indicator to monitor and optimize cost management, ensuring efficient allocation of resources.



Research and Development expenditure is a critical KPI for the company to evaluate its investment in innovation and technological advancements, driving future growth and competitiveness.



The Group's pre tax loss measures the overall financial performance of its commercial and operating activities during the period.



Since the ongoing Vascular and Structural Heart commercialisation activities still require further investment and the business is not yet generating positive cash flows, the remaining cash balance is considered a key metric.

LACHLAN SMITH
Group Chief Financial Officer

25 July 2023

STRATEGIC REPORT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

While risk can never be fully eliminated, RUA Life Sciences' approach to risk management aims to mitigate risk to an acceptable level to execute the Groups' strategy and create value for all stakeholders.

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being, or to be, taken. Risk levels are modified to reflect the current view of the relative significance of each risk.

Roles and Responsibilities
The Board:

- Has overall responsibility for corporate strategy, governance, performance, internal controls and Risk Management Framework.
- Sets the Group's risk appetite and ensures appropriate risk management and internal control systems are in place to enable a robust assessment of the principal risks.
- Ensures effective processes exist to manage the principal risks and takes a balanced view of those risks against RUA Life Sciences' strategy and risk appetite.
- Sets the "tone from the top" and the culture for managing risk.
- Sets strategic priorities in light of the Group's risk profile.
- Challenges the content of the risk register.

The Audit committee:

- Conducts an annual review and reports to the Board on the effectiveness of the Group's risk management and internal control systems
- Ensures compliance with financial and reporting legislation, rules and regulations and ensures the Annual Report is fair, balanced and understandable.

The Executive Team:

- Manages the business and delivery of the Group's strategy.
- Is the central risk team to establish and facilitate the risk management process across the Group to provide risk information for management oversight and decision making.
- Manages the principal risks appropriately to operate within the Group's risk appetite.
- Assigns senior business representatives (Risk Champions) for each category and function to take a lead role in the identification of risk and updating the risk register for senior management oversight.

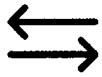
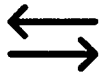
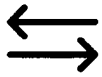
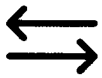
The principal risks and uncertainties identified are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

Conflict in Ukraine
We do not have any customers or suppliers in Ukraine or Russia, and are therefore not currently experiencing any material disruption to our operations but continue to closely monitor the evolving situation and will develop appropriate response plans if required.

Political and economic instability
We face risks in relation to political and economic instability associated with the UK having left the European Union, including potential changes to the legal framework applicable to our business (arising from the removal of retained EU law under the new Brexit Freedoms Bill). Currently, the majority of sales are to US based customers and little impact has been seen to date, however additional customs checks

are resulting in delays on delivery of capital equipment and this risk is mitigated by seeking to place purchase orders in a timely basis.

Principal risks and uncertainties

Risk *(including change in the identified risk over the last reporting period)*	**Potential Impact**	**Mitigation**
Customer Concentration 	Income shortfall Reduced profitability Failure to maintain competitive advantage	Second long-term manufacturing contract secured, and opportunity pipeline in place which has the potential to double existing revenues over 2-3 years Business continuity plans for manufacturing and production facilities, inventory management and our key supply chain to maintain capability to respond rapidly and appropriately to any event. Processes to monitor, manage and provide assurance to raw material supply-based risk.
Failure to deliver effective Business Strategy & Transformation 	Revenue underperformance Loss of competitive advantage Impact on market capitalisation	Development and launch of new products to secure new customers and drive future growth Detailed planning has been undertaken with external regulatory consultants, staff and Board to identify key actions, resource requirements, links between company-wide activities
Innovation & IP 	Revenue *underperformance* Loss of competitive advantage Impact on market capitalisation Reputation loss	Strong pipeline of new products to provide growth and differentiation Strong business planning Effective alignment of corporate and operational strategy Appropriate IP protection, confidentiality and licensing agreements in place to secure our portfolio
People & HR 	Loss of key staff Loss of technical skills Disruption to business performance	Remuneration and benefits, including long-term incentives, are reviewed and designed to be competitive and attract, motivate and incentivise key personnel. Investment in training and development to attract talented people. Positive staff satisfaction survey 2022 – 88%
Regulatory, Quality & Clinical 	Inability to supply our products Delay in product launches Increased costs Loss of Value	Allocation of sufficiently experienced internal and external resource to support the regulatory approval of products, including any extensions to other markets Commitment to open and transparent engagement with Regulators to ensure global compliance; training programmes to ensure compliance with regulatory requirements Utilisation of pre-sub process with FDA to ensure early engagement on product development plans and acceptance of regulatory data

		Monitoring development project high level risks at both a project team and Board level
Finance & Internal Controls ⇄	Financial Loss Liquidity loss Disruption to business operations	Maintenance of an infrastructure of systems, policies and reports to ensure discipline and oversight on liquidity matters, including specific treasury and debt-related issues and control of expenditure to maximise cash runway The funding strategy is approved annually by the Board and includes maintaining appropriate levels of working capital

Foreign Exchange Risk
The Group is exposed to translation and transaction foreign exchange risk. The majority of RUA Biomaterials sales are to customers in the United States and these sales are priced and invoiced in US$. The majority of RUA Contract Manufacture sales are also to the United States but the invoices are raised in GBP. The Group policy is to try to match currency income with currency expenditure as far as possible, in order to minimise currency exposures.

Dollar cash balance at the year end
The extent to which the Group has residual financial assets in foreign currencies (US$) at the financial year end is set out below. Foreign exchange differences on retranslation of these assets and liabilities are taken to profit or loss of the Group.

Asset (2023)	**US$ Balance**	**GB£ Value**
US Dollar Bank Account	$669,221	£542,296
Asset (2022)	**US$ Balance**	**GB£ Value**
US Dollar Bank Account	$214,158	£163,001

Interest Rate Risk
The Group finances its operations through retained cash reserves, and seeks to strike a balance between liquidity and maximising the return on funds. Cash holdings are regularly reviewed by the Board.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2023 is shown in the table below. Interest rate risks are not hedged. If the interest rates to which the Group is exposed had increased by 1%, the reported loss after taxation would not have been materially different to that reported.

	Interest rate		
	Floating	Zero	Total
	GB£000	GB£000	GB£000
Financial assets			
Cash and cash equivalents	1,484	-	1,484
Trade and other receivables	-	588	588
	1,484	588	2,072
Financial liabilities			
Liabilities at amortised cost	-	980	980
	-	980	980

GOVERNANCE

Corporate Governance Statement

As Chairman of the Board it is my responsibility to ensure that the Group has both effective corporate governance and Board leadership. In accordance with the requirement for all AIM quoted companies to adopt a corporate governance code, RUA Life Sciences has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). This report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code in most respects and where we deviate from the expectations set by the QCA I have clearly explained within this report.

The Board believes that corporate governance is not a destination in itself but a journey. As the Group develops and grows, the systems and processes will evolve and change but our commitment to being transparent and open with all of our stakeholders will not change. The QCA code provides a framework to allow the Board to better communicate to our shareholders.

QCA PRINCIPLES

Deliver Growth

1. Establish a strategy and business model which promote long-term value for shareholders

The strategic objective is to drive value for shareholders over the medium term by developing a range of medical devices which are enabled by incorporating RUA Life Sciences' world class biomaterial, Elast-Eon™, into the design. The Board recognises that developing medical devices can be both costly and time consuming. The business is currently undertaking investment in developing its own range of medical devices. As the product development progresses, more of the development tasks have been brought in house reducing the reliance on third party partnerships. All of the devices being developed are seeking to limit market risk by developing replacements for current device technology that have the advantages of Elast-Eon™ but will not require surgical training as surgical procedures will remain the same. In order to monitor progress against the strategy, a reorganisation of financial reporting was undertaken to better analyse the business segments and the value to the Group.

2. Seek to understand and meet shareholder needs and expectations

As mentioned above, RUA Life Sciences is currently developing new medical devices incorporating our world class biomaterial, Elast-Eon™. The focus of the Board is on the successful development of these products and the Board understands that shareholders expect capital growth from the execution of this clearly defined strategy.

Relationships with our shareholders are important to us and we seek to provide effective communications through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Group's website, www.RUAlifesciences.com, for information on products and technology.

RUA encourages two-way communication with both its institutional and private investors and responds promptly to all queries received both by telephone and by email. The Chairman, Group Managing Director and Chief Financial Officer talk to and meet with the Group's major shareholders and ensure their views are communicated fully to the Board. This process is further enabled by our Nomad/broker, Cenkos, which organises presentations to existing and potential investors and updates the Board on feedback and any changes to shareholders views and expectations. The Nomad/broker is regularly briefed on developments to enable research notes to reflect the current status of the Group. RUA has also engaged with a third-party research organisation, Equity Development, to publish financial analysis on the Group. Members of the Board make themselves available to shareholders to answer any questions particularly relevant to their particular area of expertise.

The Annual General Meeting ("AGM") is an important opportunity to meet with the Company's private shareholders. All the Directors attend the AGM and are available to meet shareholders individually or as a group, listen to their views and answer questions. For each resolution the number of proxy votes received for, against or withheld is disclosed to all attendees. The results for the AGM are subsequently published on the Group's corporate website. At the 2022 AGM, held in person for the first time since COVID restrictions were lifted, all resolutions were passed unanimously at the meeting and proxy votes were in excess of 94% in favour of all resolutions.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

With the acquisition of RUA Medical in 2020, the business of RUA Life Sciences has grown substantially and now has employees, premises, and regulated processes. The Board recognises that its long-term success depends upon the efforts of its employees and maintaining strong relationships with its customers, suppliers and regulators. To monitor all these relationships, a balanced score card system is in operation and monitored by the Board.

The key stakeholder however is the patient whose life is dependent on a RUA Life Sciences device. Only by serving the patient first, and by demanding quality in all areas of the business, will RUA Life Sciences be a long-term success.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

On pages 21 to 23 of this Annual Report and Accounts, the key risks to the business are identified and how these are mitigated, in addition to the change in the identified risk over the last reporting period.

The Board is responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading issues, discuss performance and any new risks associated with ongoing product development. An ISO accredited Quality Management system (ISO 13485) is in place for the entire Group which is subject to external audit and during the period the Group successfully extended its areas of registration.

The Board has formalised the review and reporting of the main internal controls within the business. During the year, the Directors continued to review and address identified risks within the key risk factors facing the Group. These areas included regulatory, research and development, commercial, human resources, and information technology. The Board will continue to review the system of internal controls within the Group.

The Board of Directors is responsible for the Group's system of financial controls. However, it should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The principal elements of the system include:

- A clearly defined structure which delegates authority, responsibility and accountability.
- A comprehensive system for reporting financial results. Actual results are measured monthly against budget which together with a commentary on variances and other unusual items allows the Board to monitor the Group's performance on a regular basis.
- A comprehensive annual planning and budgeting programme.
- A revision of annual forecasts on a periodic basis.

There is no independent internal audit function. The Directors believe that such a function would not be cost effective given the current size of the Group, but they will continue to monitor the situation as the Group goes forward. The Board has reviewed the effectiveness of the system of internal controls as outlined above and considers the Group has an established system which the Directors believe to be appropriate to the business. As part of the evolution of systems and controls, a digital transformation programme is being undertaken which has systemised the control of expenditure through purchase order systems and reconciliations.

Maintain a Dynamic Management Framework

5. Maintain the Board as a well-functioning, balanced team led by the Chair.

The Company is controlled by the Board. In the year to 31 March 2023, the Board was led by the Chairman, William Brown. The Group Managing Director, Caroline Stretton had executive responsibility for running the Group's business and implementing strategy.

All Directors receive regular and timely information regarding the Group's operational and financial

performance. Relevant information is circulated to the Directors in advance of Board meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Board comprises five Executive Directors and three Non-Executive Directors. The Board considers that all Non-Executive Directors bring an independent judgement to bear. The Non-Executive Directors are much more active than is normally expected and participate closely in new product development activities.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration and Nominations Committees. The Schedule of Matters Reserved and Committee Terms of Reference are available on the Group's website.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills, and capabilities

The Board recognises that it is healthy for membership of the Board to be periodically refreshed. Half of the Board has been appointed within the last three years; Caroline Stretton and Ian Ardill were appointed in January 2021, Lachlan Smith, and Iain Anthony in March 2022. Two Non-Executive directors have served for five years and one for two years. The Nominations Committee is chaired by the Company's Chairman. Meetings are arranged as necessary. The Committee is responsible for nominating candidates (both Executive and Non-Executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board. RUA Life Sciences believes that a well-managed business must continuously look to improve the quality and skill sets of the team. All Directors receive induction on joining the Board covering the Group's operations, goals and strategy, and their responsibilities as directors of the Company. The Company supports the Directors in developing their knowledge and capabilities.

The Board has established a procedure for Directors in the furtherance of their duties to take independent professional advice, if necessary, at the Company's expense.

All Directors are subject to election by shareholders at the first opportunity after their appointment. In accordance with the Company's Articles of Association, all Directors are required to retire by rotation and shall be eligible for re-election. The terms and conditions of appointment of the Non-Executive Directors are available for inspection upon request.

The terms of reference of the Nominations Committee have been placed on the Company's website. The Company Secretary supports the Chairman in addressing the training and development needs of the Directors.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board undertook an evaluation process to consider Board performance which was conducted by a self-assessment during FY22 by the Chairman assisted by the Company Secretary. This process identified the needs discussed in item 6 above and resulted in the action points so described.

The Board recognised the need to enhance its skills and experience and improved the position through the appointment of Lachlan Smith and Iain Anthony in March 2022.

8. Promote a corporate culture that is based on ethical values and behaviours

RUA Life Sciences operates in the medical device field where human life is dependent upon its products. As such, sound ethical values and behaviours are not only an asset to the Group, but a requirement under the regulatory standards under which its products are required to be designed, tested and manufactured. The platform on which corporate culture is based is "The patient is the most important stakeholder".

RUA Life Sciences is still a small Group, so the actions of its Executives are highly visible and reflect directly upon the Group. The Group operates through a number of partnerships, and it seeks to work with other

businesses that portray similar business ethics and values and have the capabilities of operating under strict regulatory environments. The S172 report on pages 16 to 17 further details some of the work undertaken in relation to culture, ethics and stakeholder engagement.

9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

William Brown, as Chairman, is responsible for leading an effective board, fostering a good corporate governance culture and ensuring appropriate strategic focus and direction.

Caroline Stretton, as Group Managing Director, has overall responsibility for day-to-day management of the Group's business as well as responsibility for implementation of business strategy

Lachlan Smith, as Chief Financial Officer, has overall responsibility for establishing and leading the finance function of the Group, and ensuring alignment with all group strategies and compliance with all relevant regulation and standards.

Iain Anthony, as Director of Vascular R&D, Quality, Clinical and Regulatory Affairs has overall responsibility for the clinical, quality and regulatory affairs functions of the group, as well as responsibility for product development of patches and grafts.

John McKenna, an Executive Director, has responsibility for advising on design inputs to new product development, establishing a sales and marketing network and managing Key Opinion Leaders.

The Non-Executive Directors are all willing to engage with shareholders should they have a concern that is not resolved through the normal channels.

John Ely, a Non-Executive Director, provides advice for the design and oversight of the regulatory process for the Company's Heart Valve project.

Geoff Berg, a Non-Executive Director, provides advice on surgical matters regarding the design and ultimate implantation of the Company's devices; and chairs the Remuneration Committee.

Ian Ardill, a Non-Executive Director provides financial and public company expertise and chairs the Audit Committee.

The Board delegates authority to three committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management. The committees meet independently of Board meetings.

Audit Committee

The objective of the Committee is to provide oversight and governance to the Group's financial reports, its internal controls and processes in place, its risk management systems and the appointment of and relationship with the external auditor.

The Audit Committee is chaired by Ian Ardill and consists of the three Non-Executive Directors. The Executive Directors attend by invitation. It meets a minimum of two times per year and at least once a year with the external auditors present.

Its role is to monitor the integrity of the Group financial statements, including the Annual and Interim Reports, review the significant accounting policies and financial reporting judgements contained therein and provide updates and recommendations to the Board. It is also responsible for reviewing and evaluating the adequacy of internal control and risk management processes.

The terms of reference for the Audit Committee can be found at www.RUAlifesciences.com.

Remuneration Committee

The report of the Remuneration Committee is set out on page 32 to 34. The aim of the Remuneration Committee is to ensure that shareholder and management interests are aligned. The Remuneration Committee consists of the three Non-Executive Directors. It is chaired by Geoff Berg and meets as required during the year. The Committee determines the remuneration and benefits of the Executive Directors.

The remuneration of Non-Executive Directors is determined by the Board within the limits set by the Company's Articles of Association.

The Chairman is invited to attend meetings of the Committee but is not involved in any decisions relating to his own remuneration.

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisers when it considers it appropriate.

A more detailed terms of reference for the Remuneration Committee can be found at www.RUAlifesciences.com.

Nominations Committee

The primary purpose of the Committee is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board.

The Nominations Committee is chaired by the Chairman and consists of the three Non-Executive Directors. The Committee meets as necessary to fulfil its responsibilities and meet its objective.

Its role is to review the structure, size and composition of the Board, consider succession planning, review performance of the Directors and the Board as a whole and identify candidates for new Board positions.

The terms of reference for the Nominations Committee can be found at www.RUAlifesciences.com.

Membership of the Committees is as follows:

Director	Audit Committee	Remuneration Committee	Nominations Committee
William Brown	n/a	n/a	Chair
Ian Ardill	Chair	Member	Member
Geoff Berg	Member	Chair	Member
John Ely	Member	Member	Member

The following table sets out the member attendance at Board and Committee meetings during the year ended 31 March 2023:

	Number of Meetings Attended			
Director	**Board**	**Audit**	**Remuneration**	**Nominations**
William Brown	5/6	-	-	-
John McKenna	6/6	-	-	-
Geoff Berg	4/6	2/2	5/5	-
John Ely	5/6	2/2	5/5	-
Ian Ardill	6/6	2/2	5/5	-
Caroline Stretton	6/6	-	-	-
Lachlan Smith	6/6	-	-	-
Iain Anthony	6/6	-	-	-

The schedule of matters reserved for the Board's decision continues to include:

1. Setting strategy
2. Capital structure
3. Financial reporting and controls
4. Borrowing powers
5. Acquisitions and disposals
6. Shareholder resolutions and circulars
7. Board composition
8. Remuneration policies
9. Corporate governance
10. Capital markets compliance

Build Trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe. The Board has formal responsibilities and agendas and three sub-committees; in addition, strong informal relations are maintained between Executive and Non-Executive Directors. Non-Executive Directors meet with other business partners and give advice and assistance between meetings. Board dinners are held from time to time to provide opportunities for broader discussions.

The Chairman regularly meets with investors after results announcements have been made and at other shareholder participant events. The Company also meets regularly with the Group's Nomad/broker and discusses any shareholder feedback – the Board is briefed accordingly.

All Directors attend the Annual General Meeting and engage both formally and informally with shareholders during and after the meeting. The results of voting at the AGM is communicated to shareholders via RNS and on the Group's website.

The Chairman makes presentations to institutional shareholders and analysts each year immediately following the release of interim and full year results.

William Brown

William Brown
Chairman

25 July 2023

Audit Committee Report

The Audit Committee has an important role to play in effective reporting to our stakeholders and ensuring high standards of quality and effectiveness in the external audit process. The committee provides a separate report on its activities focusing on matters relevant to RUA Life Sciences plc and the work of the committee during the year.

Membership
The Audit Committee comprises the Non-Executive Directors and is chaired by Ian Ardill.

Main activities
The committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls. The committee also oversees the relationship with the external auditor including the effectiveness of the external audit and the provision of non-audit services by the external auditor.

Meetings
- The committee meets at least twice and met formally on two occasions during the 2022/23 financial year to consider:
  - the 2021/22 audit findings of the external auditors including impairment testing, recommendations for internal control improvements, going concern considerations, audit fees, auditor independence and rotation of audit partners and staff;
  - the review of judgements exercised and sensitivities applied in: the calculation of the fair value of share-based payments; impairment reviews; going concern cash flow forecasts and: the non-capitalisation of development costs;
  - the final 2021/22 report and accounts and to recommend its approval to the Board, and;
  - the progress made on bringing in-house of the group's accounting function.
- To consider the 2022/23 interim report including the consideration of going concern and to recommend its approval to the Board.

The external auditors, Company Secretary and certain Executive Directors also attended the meetings at the invitation of the committee chairman. The Committee met with the external auditors on one occasion without the Executive Directors or Management present.

A further meeting was held immediately post the year end in which the external auditors presented their plan for the 2022/23 audit. This will be reported on in next year's Audit Committee Report.

Financial reporting
The committee has recently concluded that the Annual Report and Financial Statements for the year ended 31st March 2023, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's business model, strategy and performance. The committee reviewed the process for preparing the Annual Report. This process included the following key elements:
- Monitoring of the integrity of the financial statements and other information provided to shareholders to ensure they represented a clear and accurate assessment of the Group's financial performance and position.
- Review of matters of accounting judgement and the underlying rationale in each case including specifically: impairment reviews of assets acquired in the April 2020 business combination and of investments in subsidiaries, capitalisation of product development expenditure, and the calculation of share-based payment charges. Where appropriate the committee reviewed papers prepared by management and agreed with the accounting treatment.
- Review of significant accounting policies.
- Review of a paper outlining the business plan and cash forecast as the basis of the going concern assessment.
- The committee reviewed the full-year announcement (and the half-year results announcement at the relevant time), Annual Report and financial statements and considered reports from the external auditors identifying the accounting or judgmental issues requiring its attention.

The committee also reviewed the Strategic Report and concluded that it presented a fair, balanced and understandable addition to the Annual Report.

External audit
The external Audit Partner and team were changed ahead of the audit of the 2022/23 financial year in accordance with regulatory requirements on rotation of audit partners and staff.

In the year ended 31 March 2023 there were no fees for non-audit services (2022: £20k). The committee was satisfied with the quality of the audit, the degree of challenge and review of the report and accounts.

Risk management and internal control
During the previous financial year (2021/22), the Directors commissioned an updated risk review exercise and the Committee considered and approved Management's risk framework proposal as the basis for a detailed review of the risks facing the Group and the available mitigating actions. The full risk review and register was presented to the Board during the 2022/23 financial year. Risks were identified, categorised, graded, allocated ownership and mitigating actions recorded. These categories included: Branding, Reputation, Trust, Marketing, Sales and Distribution; Business Strategy & Transformation; Corporate; Finance & Internal Controls; Health & Safety; Infrastructure & Facilities; Innovation & IP; IT, Data Management & Digital Transformation; Operations; People & HR, and; Quality, Regulatory & Clinical. The risk review process is a key part of the Group's day to day operations and updates on the tracked risks and mitigating actions are reported at each Board meeting, with particular focus given to a particular key risk. The Committee plans to perform a further review of risks during the 2023/24 financial year.

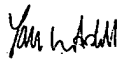
The Board of Directors is responsible for the Group's system of financial controls and both the Committee and the Board will continue to review the system of internal controls within the Group. However, it should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The principal elements of the system include:

- A clearly defined structure which delegates authority, responsibility and accountability.
- A comprehensive system for reporting financial results. Actual results are measured monthly against budget which together with a commentary on variances and other unusual items allows the Board to monitor the Group's performance on a regular basis.
- A comprehensive annual planning and budgeting programme.
- A revision of annual forecasts on a periodic basis.

There is no independent internal audit function. The Directors believe that such a function would not be cost effective given the current size of the Group but they will continue to monitor the situation as the Group goes forward. The Board has reviewed the effectiveness of the system of internal controls as outlined above and considers the Group has an established system which the Directors believe to be appropriate to the business.

Overview
The committee considers that it has acted in accordance with its responsibilities. The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the committee.



Ian Ardill
Chairman of Audit Committee

25 July 2023

GOVERNANCE

Directors' Remuneration Report
This report covers the financial year ended 31 March 2023.

The Company is not required by either the AIM Listing Rules or the Companies Act 2006 to produce a separate director's remuneration policy and report although AIM companies are required to report and disclose certain information on directors pay under AIM Rule 19 and pursuant to s412 of the Companies Act 2006. The Company is a member of the QCA and has provided the information below as recommended by the QCA as part of its commitment to transparency and good corporate governance.

Responsibilities
The Remuneration Committee is Chaired by Geoff Berg and comprises the Non-Executive Directors. The Committee is responsible for setting the remuneration packages for Executive Directors as well as approving, where appropriate, the remuneration of senior staff. The Committee sets incentive schemes for the Executive Directors and general staff in order to align their interests with those of the shareholders and to encourage the strategic development of the business.

Executive Remuneration Policy
The Company's aim is to attract, retain and incentivise the Executive Directors, senior management and staff in a manner in line with good market practice and good corporate governance. The Committee endeavours to offer competitive remuneration packages to meet these objectives taking into account a number of factors including the salaries, benefits and incentives available at comparable companies or on advice of specialist advice from executive search consultants for new recruits.

The remuneration packages for the Executive Directors were entered into on 11 June 2018; or the date of their appointment if later. Remuneration packages are reviewed each year to ensure that they are in line with the Group's business objectives. No Director participates in decisions about their own remuneration package. The main components in determining pay are as follows:

Basic salary/fees and benefits

The basic annual salary is subject to an annual review, which takes into account the performance of the Group and the individual as well as market factors. Benefits comprise the provision of a death in service insurance scheme, private medical insurance and pension contribution. In the year to 31 March 2022, there were a number of changes to roles and responsibilities, time commitments and the completion of a phased benchmarking exercise. For the year to 31 March 2023, there were no such revisions and the Executive Directors received a salary increase in line with the general award to all staff. The annual basic salaries of the Executive Directors as at 31 March 2023 are as follows:

		2023	2022
William Brown	Full Time	£242,420	£230,000
John McKenna	Part Time (86 days minimum)	£73,780	£70,000
Caroline Stretton	Full Time	£158,100	£150,000
Iain Anthony	Full Time	£126,480	£120,000
Lachlan Smith	Full Time	£126,480	£120,000

Annual performance related bonus

Historically there has been no formal bonus scheme for the Executive Directors. During the year to 31 March 2023, the Committee agreed a bonus plan that could have paid out up to 10% of salary. The bonus was set on specific objectives and milestones with an emphasis on progressing the regulatory pathway of the vascular graft range. Although many achievements were made, the trigger point was not met and as a result no bonus award has been made.

Pensions
Executive Directors receive pension contributions of 10% of salary to a stakeholder or money purchase scheme.

Share Options Scheme

Share options are granted to encourage Directors and key employees to deliver sustained, long term growth. During FY2019, we implemented an EMI approved Share Option Plan consistent with the Plan described in the Placing and Open Offer Circular issued during the year and approved by shareholders at the general meeting. In December 2019 a further unapproved plan was set up for the benefit of Non-Executive Directors. A further award of EMI options was made in February 2021 to key personnel of RUA Medical Devices Ltd.

The following vesting conditions apply to all these pre 2023 share options: 20 per cent. after the expiry of 3 years from the date of grant, 30 per cent. on the receipt by the Company of a regulatory approval for any of its products and 50 per cent. on the share price reaching at least £3.00.

New options were awarded to two Executive Directors who had been appointed to the Board at the end of the previous financial year. The vesting terms described above had been criticised by certain proxy engagement advisers and as such the terms of the latest options issued were revised to better meet these recommendations. The exercise price of the Options is 44.5 pence per share, representing the closing mid-market price per Ordinary Share on the day preceding the award of the options.

The key vesting terms are that the options may not be exercised before the third anniversary of grant. In addition, performance conditions apply such that 50% of the Options may only be exercised if the Company has received regulatory approval for at least one medical device and the company continues to exploit one such device. The performance condition for the balance of the Options is based on total shareholder return with full vesting achieved at 50% annualised return and a minimum of the median performance of the constituents of the FTSE AIM index.

Options Granted	**2023**	**2022**
Lachlan Smith	120,000	-
Iain Anthony	120,000	-

Options lapsed in the year were as follows:

Options Lapsed	**2023**	**2022**
David Richmond (retired 31 August 2021)	-	120,000

No share options were exercised in the year.

Directors interest in share options

Director	**Date of grant**	**Number**	**Exercise price**	**Expiry date**
William Brown	08 June 2019	1,121,072	30.00p	08 June 2028
John McKenna	08 June 2019	469,531	30.00p	08 June 2028
John Ely	02 December 2019	120,000	92.50p	02 December 2029
Geoff Berg	02 December 2019	120,000	92.50p	02 December 2029
Caroline Stretton	05 February 2021	135,000	155.00p	08 June 2028
Lachlan Smith	13 December 2022	120,000	44.50p	12 December 2032
Iain Anthony	13 December 2022	120,000	44.50p	12 December 2032

Directors' Emoluments

The emoluments of the Directors of the parent Company for the year in accordance with the basis of preparation were as follows:

	Salary & fees £	Share-based payments £	Pension contributions £	Private medical care £	2023 Total £	2022 Total £
Parent Executive						
W Brown	242,420	29,596	24,242	322	296,580	301,345
D Richmond (retired 31 August 2021)	-	-	-	-	-	87,084
C Stretton	158,100	39,604	15,678	215	213,597	191,234
J McKenna	73,780	12,396	-	-	86,176	90,248
L Smith	126,480	3,000	12,390	131	142,001	-
I Anthony	126,480	3,000	12,648	160	142,288	-
Non-Executive						
G Berg	37,944	13,728	-	-	51,672	49,728
J Ely	42,834	13,728	-	-	56,562	49,573
I Ardill	37,944	-	-	-	37,944	36,000
	845,982	115,052	64,958	828	1,026,820	805,212

Directors' Service Contracts

The details of the service contracts in relation to the Executive Directors and letters of appointment in relation to the Non-Executive Directors are:

Director	Position	Unexpired Term	Notice Period
William Brown	Chairman	None	12 months
John McKenna	Director of Marketing	None	12 months
Ian Ardill	Non-Executive Director	6 months (first three year term)	1 month
Geoff Berg	Non-Executive Director	11 months (second three year term)	3 months
John Ely	Non-Executive Director	11 months (second three year term)	3 months
Caroline Stretton	Group Managing Director	None	12 months
Iain Anthony	Director of Vascular R&D, Quality, Clinical and Regulatory Affairs	None	6 months
Lachlan Smith	Group Chief Financial Officer	None	6 months

Directors' interests in shares

The Directors' interests in the Ordinary Shares of the Company at the end of the period were:

	31 March 2023	31 March 2022
W Brown	569,149	569,149
J McKenna	35,452	35,452
G Berg	25,018	25,018
J Ely	4,167	4,167
L Smith	19,341	-

C. Berg.

On behalf of the Board
G Berg
Chairman of the Remuneration Committee

25 July 2023

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

GOING CONCERN

The Board has to consider that the Going Concern principle is appropriate for the preparation of these accounts. At 31 March 2023, the Group had cash and cash equivalents of £1.48m (2022: £2.96m) and, as at the date of signing these Financial Statements, the cash balance was £0.9m.

RUA Life Sciences has two cash-generative units (RUA Biomaterials and RUA Contract Manufacture). These cash-generating units provide a healthy Gross Margin (89% and 49%), and contributions to Group operating loss were £493,000 and £794,000. The Group has two cash-consuming units (RUA Vascular and RUA Structural Heart), and both these units require further investment before commercialisation and cash generation can be achieved. The investment will chiefly be for a GLP animal study and Human Clinical Trials for RUA Vascular. The Board anticipates the requirement for additional funding over the course of the financial year as the internal cash generation will not cover the additional investment required.

The Board has considered the current cash position, reviewed budgets and profit and cash flow forecasts over the going concern period (to October 2024) along with sensitivity analyses and made appropriate enquiries. The Board has concluded that further financing is required and has taken advice from the Company's Nomad and Broker on the current state of the equity market and the chances of a successful fundraise. The Board has formed a judgement at the time of approving the financial statements that the Group will have access to adequate resources, including new financing, to continue in operational existence for the period of the going concern assessment. If finance is not successful, which management see as unlikely, management have a number of mitigating actions which can be taken. There is a level of uncertainty around the ability of management to implement the mitigations during the going concern period, for this reason management have concluded a material uncertainty is appropriate. For this reason, the Board considers that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

The Financial Statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group was unable to continue as a going concern. Due to the factors described above, specifically the uncertainty around the ability to raise new financing and the ability to implement mitigating actions, a material uncertainty exists, which may cast significant doubt on the Group and the Company's ability to continue as a going concern.

RESEARCH AND DEVELOPMENT ACTIVITIES

Investing in research and development programmes delivers product innovation and manufacturing improvements within RUA Life Sciences plc. Expenditure on research and development in the period amounted to £1.1 million (2022: £0.9 million), of which £1.1million was expensed to the consolidated income statement as it does not meet the requirements for capitalisation under IAS38.

POST STATEMENT OF FINANCIAL POSITION EVENTS

Post balance sheet events and the future developments of the Group are detailed in the Chairman's Statement on pages 5 and 6.

DIRECTORS AND THEIR INTERESTS

At 31 March 2023 the Executive Chairman of the Group was W Brown, the Executive Directors were C Stretton, J McKenna, I Anthony and L Smith. The Non-Executive Directors were G Berg, J Ely and I Ardill.

At each Annual General Meeting any Director who has been appointed by the Board since the last annual general meeting, or any Director for whom it is their third annual general meeting since being elected or re-elected, should be proposed for election or re-election. As such John Ely and Geoff Berg are due for re-election.

The interests of the Directors at 31 March 2023 and 31 March 2022 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2023 Number of shares	31 March 2022 Number of shares
W Brown	**569,149**	**569,149**
J McKenna	**35,452**	**35,452**
G Berg	**25,018**	**25,018**
L Smith	**19,341**	-
J Ely	**4,167**	**4,167**

SUBSTANTIAL SHAREHOLDERS

With the exception of the following shareholdings, the Directors have not been advised of any individual interest or group of interests held by persons acting together which at 1 April 2023 exceeded 3% of the Company's issued share capital:

	Number of shares	**%**
AJ Bell, stockbrokers	**2,244,793**	10.12%
Dowgate Capital	**2,233,529**	10.07%
Hargreaves Lansdown, stockbrokers	**1,754,788**	7.91%
Mr David Richmond	**1,533,334**	6.91%
Interactive Investor	**1,360,012**	6.13%
Mr Clive Titcomb	**1,050,000**	4.73%
Charles Stanley	**834,334**	3.76%
Amati Global Investors	**795,586**	3.59%
HSDL, stockbrokers	**795,555**	3.59%

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The Directors have taken the option to include disclosures in relation to financial risk and dividends within the Strategic Report on pages 21 to 23 as these are deemed to have strategic importance to the Group.

DIRECTORS' LIABILITY INSURANCE

The Group maintains Directors and Officers liability insurance which gives appropriate cover against legal action that may be brought against them.

INDEPENDENT AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Grant Thornton UK LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

William Brown

William Brown
Chairman
RUA Life Sciences plc
Company number SC170071

25 July 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report and Directors' Report, the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law including FRS 101 "Reduced Disclosure Framework") and to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BY ORDER OF THE BOARD:

William Brown

William Brown
Chairman

25 July 2023

Independent auditor's report to the members of RUA Life Sciences plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of RUA Life Sciences plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2023, which comprise the Consolidated income statement, the Consolidated statement of financial position, the Consolidated cash flow statement, the Consolidated statement of changes in equity, notes to the Consolidated financial statements, including a summary of significant accounting policies, the Parent Company Statement of financial position, the Parent Company Statement of Changes in Equity and notes to the Parent Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- 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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates the requirement for the Group and parent company to obtain additional funding in order to be able to meet their future obligations and hence their ability to continue as a going concern. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

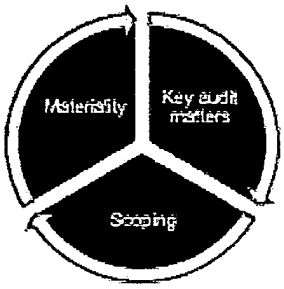
- Obtaining and assessing management's evaluation of going concern assumptions and supporting information, including budgets and cash flow forecasts, for a period up to 31 October 2024, as well as sensitivity analyses covering reasonably possible downside and reverse stress test scenarios;
- Challenging the key assumptions in the forecasts, sensitivities, historical accuracy for forecasts and the scope of scenario planning undertaken given current social and economic conditions in the UK and globally;
- Obtaining an understanding of financing arrangements in place, management's assessment of their adequacy and plans to manage these;
- Challenging management's assessment of what reasonably possible assumptions would cause the business to run out of funding and testing and assessing management's mitigations to be applied if the assumptions occurred;
- Assessing the historical accuracy of the forecasts prepared by management by comparing the prior year forecasts to actuals and understanding the reasons for any significant variances to inform sensitivities to be reviewed by the engagement team;
- Engaging internal specialists to review the conclusions drawn from testing performed and the appropriateness of the going concern assumption; and
- Examining the disclosures concerning the basis of preparation of the financial statements and assessing the appropriateness of the use of going concern in preparing the financial statements.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

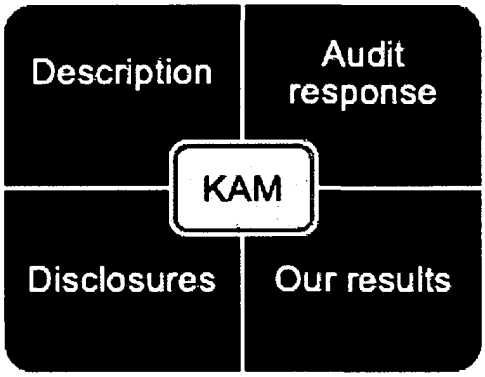
Our approach to the audit

	Overview of our audit approach
Grant Thornton 	Overall materiality: Group: £116,000, which represents 5% of the Group's loss before taxation. Parent company: £87,000, which represents 5% of the parent company's loss before taxation.
	Key audit matters were identified as: • Impairment of goodwill and other intangible assets (same as previous year); • Impairment of investments in subsidiaries (same as previous year); and • *Going concern (new).* Our auditor's report for the year ended 31 March 2022 included no key audit matters that have not been reported as key audit matters in our current year's report.
	We performed audits of the financial statements of RUA Life Sciences plc and of the financial information of its only significant component using component materiality (full-scope audit

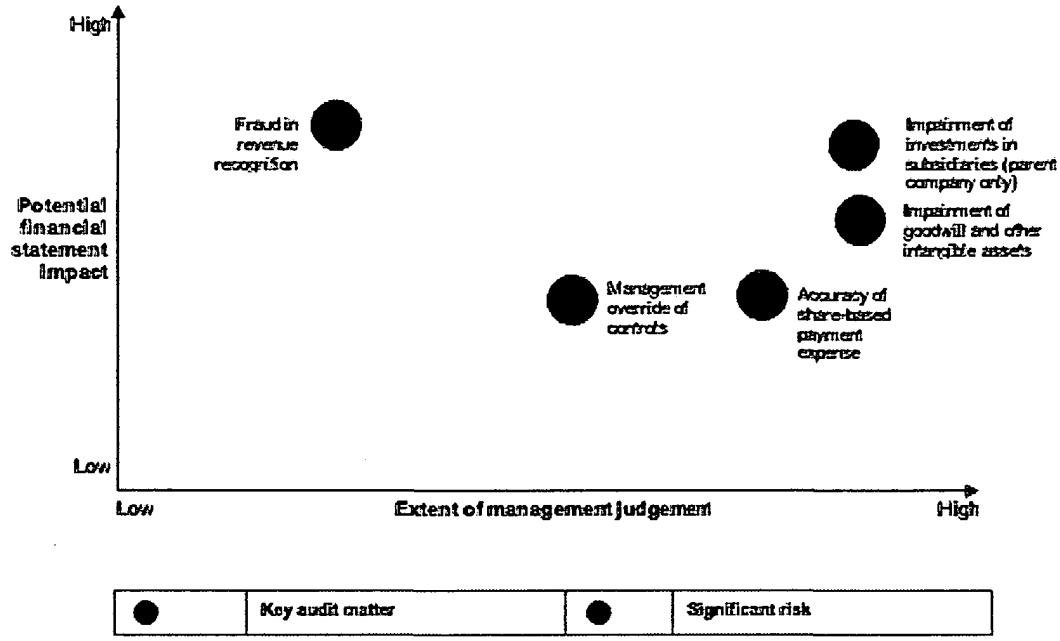
	procedures). We performed analytical procedures on the four dormant subsidiaries. There were no changes in scope from the prior year. In total, our audit procedures covered 100% of the Group's net assets, 100% of the Group's revenue and 100% of the Group's loss before taxation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included those that 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 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 the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.



Key Audit Matter – Group	How our scope addressed the matter – Group
Impairment of goodwill and other intangible assets We identified impairment of goodwill and other intangible assets as one of the most significant assessed risks of material misstatement due to error. The goodwill in respect of the RUA Medical Devices Limited is subject to an annual impairment review under International Accounting Standard ('IAS') 36 'Intangible Assets'. Goodwill and other assets are allocated by the Group to individual cash generating units ('CGUs') on the basis of the Group's operations. The Group's segmental reporting has changed during the year to allocate the business to more segments than was previously the case. There is management judgement in the allocation of goodwill and other assets to the new CGUs, and as such it could be subject to management bias. Furthermore, management's assessment of the potential impairment of goodwill and other assets that are subject to an impairment review incorporates significant judgements. This includes the selection of assumptions such as the timing and extent of future profits and cash flows, the relevant CGUs and an estimate of their values in use, future growth rates and application of an appropriate discount rate that are all subject to management bias.	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's assessment and conclusion on CGUs identified, and assessed whether this has been undertaken correctly in accordance with the requirements of IAS 36; • Assessed the allocation of the Group's cash flows and assets between the CGUs for appropriateness and consistency with our understanding of the business; • Obtained management's assessment and conclusion on the impairment review. Examined the impairment review performed by management, considered the underlying assumptions and sensitivities within the model, robustly challenging them and corroborating explanations received from management to relevant support or with individuals outside of the finance team; • Engaged our internal valuations experts to assess the appropriateness of certain key assumptions, particularly the discount rate applied to the cash flows; • Evaluated the sensitivity analysis performed to determine whether a reasonably possible change in assumptions would trigger an impairment; • Assessed the historical accuracy of the forecasts prepared by management by comparing the prior year forecasts to actuals and understanding the reasons for any significant variances to inform sensitivities to be tested by the engagement team; and • Assessed the relevant accounting policies and disclosures to determine whether they are compliant with the financial reporting framework, including IAS 36.
Relevant disclosures in the Annual Report and Accounts for the year to 31 March 2023 • Financial statements: Note 2.8, Summary of significant accounting policies, Impairment testing of goodwill, other intangible assets and property, plant and equipment • Financial statements: Note 2.19, Use of accounting estimates and judgements • Financial statements: Note 10, Goodwill; Note 11, Other intangible assets	**Our results** Based on our audit work, we have not obtained evidence of material misstatement in respect of impairment of goodwill and other intangible assets.

Key Audit Matter – Parent Company	How our scope addressed the matter – Parent Company

Impairment of investments in subsidiaries We identified impairment of investments in subsidiaries as one of the most significant assessed risks of material misstatement due to error. The carrying value of the investment in RMD in the parent company financial statements requires an impairment assessment given the delays in the vascular graft range revenues and some uncertainty in this area, including lower than forecast revenues and increased associated costs with the regulatory delay. Management's assessment of the potential impairment incorporates significant judgements in assumptions such as the timing and extent of future profits and cash flows and an estimate of their values in use, future growth rates and application of an appropriate discount rate that are all subject to management bias.	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's assessment and conclusion on the impairment review. Examined the impairment review performed by management, considered the underlying assumptions and sensitivities within the model, robustly challenging them and corroborating explanations received from management to relevant support or with individuals outside of the finance team; • Engaged our internal valuations experts to assess the appropriateness of certain key assumptions, particularly the discount rate applied to the cash flows; • Evaluated the sensitivity analysis performed to determine whether a reasonably possible change in assumptions would trigger an impairment; • Assessed the historical accuracy of the forecasts prepared by management by comparing the prior year forecasts to actuals and understanding the reasons for any significant variances to inform sensitivities to be tested by the engagement team; and • Assessed the relevant accounting policies and disclosures to consider whether they are in accordance with the financial reporting framework, including IAS 36.
Relevant disclosures in the Annual Report and Accounts for the year to 31 March 2023 • Financial statements: Note 1, Accounting policies	**Our results** Based on our audit work, we have not obtained evidence of material misstatement in respect of impairment of investments in subsidiaries.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

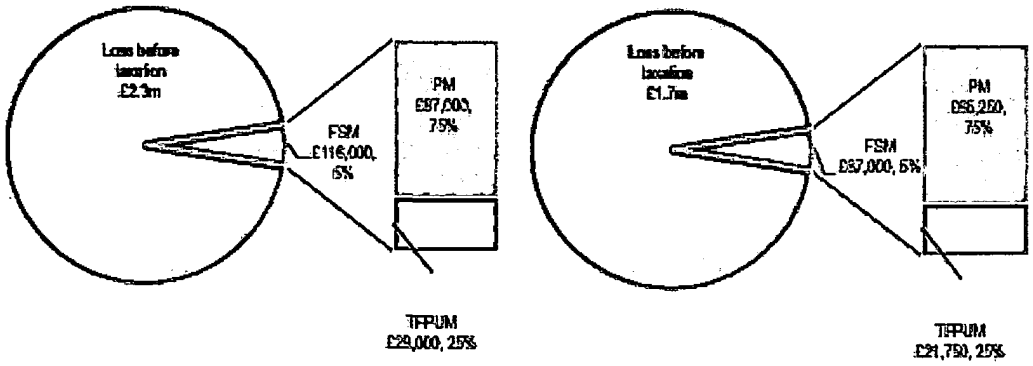
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£116,000, which is 5% of the Group's loss before taxation.	£87,000, which is 5% of the parent company's loss before taxation.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements:	In determining materiality, we made the following significant judgements

Materiality measure	Group	Parent company
	• We considered loss before taxation to be the most appropriate benchmark given the Group's main focus is the development of a new product, and all research and development costs are expensed through profit or loss, as the Group does not yet have regulatory approval for the product. As such, we believe that a key measure of the Group's performance and the area of most interest to users is how it manages this expenditure. • We considered 5% to be an appropriate measurement percentage due to the size and scale of the Group and the complexity of its operations. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2022 to reflect the change in benchmark used from the prior year. The benchmark was changed in the year due to the engagement team determining that loss before taxation was more reflective of the Group's current operations and of more interest to users.	• We considered loss before taxation to be the most appropriate benchmark given the Group's main focus is the development of a new product, and all research and development costs are expensed through profit or loss, as the Group does not yet have regulatory approval for the product. As such, we believe that a key measure of the Group's performance and the area of most interest to users is how it manages this expenditure. • We considered 5% to be an appropriate measurement percentage due to the size and the scale of the parent company and the complexity of its operations. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2022 to reflect the change in benchmark used from the prior year. The benchmark was changed in the year due to the engagement team determining that loss before taxation was more reflective of the parent company's current operations and of more interest to users.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£87,000, which is 75% of financial statement materiality.	£85,250, which is 75% of financial statement materiality.
Significant judgements made by auditor in *determining* performance materiality	In determining performance materiality, we made the following *significant judgements*: • the strength of the control environment and our experience auditing the financial statements of the Group, including the effect of limited misstatements identified in previous audits.	In determining performance materiality, we made the following *significant judgements*: • the strength of the control environment and our experience auditing the financial statements of the parent company including the effect of limited misstatements identified in previous audits.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could	

Materiality measure	Group	Parent company
	reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Transactions with related parties that are not Group entities.	We determined a lower level of specific materiality for the following areas: • Transactions with related parties that are not Group entities.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£5,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,350 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group	Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

We obtained an understanding of the Group and its environment, including Group-wide controls as follows:

- The Group's accounting process is structured around the centralised Group finance function based at the Group's head office in Irvine, UK.

- The Group has two trading entities, being the parent company RUA Life Sciences plc, and a subsidiary, RUA Medical Devices Limited. There are also four dormant subsidiaries. All entities in the Group are registered in the UK.

Identifying significant components

- We identified and evaluated the components to assess their significance and to determine the planned audit response based on both quantitative and qualitative factors. We determined significance as a percentage of the Group's revenue and the Group's loss before taxation. We identified RUA Life Sciences plc and RUA Medical Devices Limited as the only individually significant components.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

Based on our assessment of the Group as above, we focused our Group audit scope on the two components that were determined to be individually financially significant, as follows:

- We performed an audit of the financial information using component materiality (full-scope audit procedures) on the financial statements of the components determined to be significant; specifically, RUA Life Sciences plc and RUA Medical Devices Ltd, the only trading subsidiary.
- At the Group level we also tested the consolidation process and carried out analytical procedures on the financial information of the remaining four dormant subsidiaries to obtain assurance that there were no significant risks of material misstatement of the aggregated financial information of those remaining components.
- At the Group level we performed an evaluation of the group's internal control environment, including its IT systems and controls.
- We identified impairment of goodwill and other intangible assets and impairment of investments in subsidiaries as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report.

Performance of our audit

- All audit procedures were performed by the Group engagement team, there were no component auditors involved in the performance of the audit.
- The audit was performed partly on site and partly remote.
- We have tailored our audit response accordingly with all audit work undertaken by the Group engagement team. In assessing the risk of material misstatement of the Group financial statements, we considered the transactions undertaken by each entity and therefore where the focus of our work was required.

Changes in approach from previous period

- Our overall scope of the audit has not changed from the prior year.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage LBT
Full-scope audit	2	100	100	100
Analytical procedures	4	-	-	-

Other information

The other information comprises the information included in the Annual Report and Accounts for the year to 31 March 2023, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts for the year to 31 March 2023. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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 in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and the industry in which they operate through our general commercial and sector experience. We determined that the following laws and regulations were most significant: UK-adopted international accounting standards, the Companies Act 2006, the AIM Rules for Companies, the Quoted Companies Alliance Corporate Governance Code and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, including regulations related to the manufacture, distribution and use of medical materials and products by relevant authorities in certain jurisdictions.
- We obtained an understanding of the applicable legal and regulatory frameworks and how the parent company and the Group are complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through an inspection of board meeting minutes and legal and professional fees incurred during the year. We enquired of management and the Audit Committee whether they had knowledge of actual, suspected or alleged fraud. We enquired of management and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the parent company's and the Group's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. Audit procedures performed by the engagement team included:
  - identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in making its significant accounting estimates;
  - identifying and testing journal entries, in particular any large or unusual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
  - completing audit procedures to conclude on the compliance of disclosures in the Annual Report and Accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - Knowledge of the industry in which the Group and parent company operate; and
  - Understanding of the legal and regulatory requirements applicable to the Group and parent company.
- The communications within the engagement team in respect of non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manual journal entries and also through areas of key estimation or where management judgement is required;
- In assessing the potential risk of material misstatement, we obtained an understanding of:

- The operations of the Group and parent company, including its revenue streams and objectives, in order to understand the classes of transactions, account balances, expected disclosures and risk areas that were most susceptible to material misstatement; and
- The Group and parent company's control environment, including the adequacy of the controls in place to mitigate the risks identified.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

James Andersen
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
Date 25/7/2023

Consolidated income statement

	Notes	Year ended 31 March 2023 GB£000	Year ended 31 March 2022 GB£000
Revenue		**2,179**	1,625
Cost of sales		**(388)**	(267)
Gross profit		**1,791**	1,358
Other income		**72**	66
Administrative expenses	**5**	**(4,169)**	(3,776)
Operating loss		**(2,306)**	(2,352)
Net finance expense		**(16)**	(8)
Loss before taxation	**7**	**(2,322)**	(2,360)
Taxation	**8**	**319**	293
Loss from continuing operations attributable to owners of the parent company		**(2,003)**	(2,067)
Loss attributable to owners of the parent company		**(2,003)**	(2,067)
Loss per share			
Basic & Diluted (GB Pence per share)	**9**	**(9.03)**	(9.32)

The notes on pages 53 to 75 form part of these financial statements.

There was no other comprehensive income for 2023 (2022: £Nil).

Consolidated statement of financial position

	Notes	31 March 2023 GB£000	31 March 2022 GB£000
Assets			
Non current assets			
Goodwill	10	301	301
Other intangible assets	11	470	521
Property, plant and equipment	12	2,739	2,597
Total non current assets		3,510	3,419
Current assets			
Inventories	14	81	124
Trade and other receivables	15	588	1,120
Cash and cash equivalents	16	1,484	2,963
Total current assets		2,153	4,207
Total assets		5,663	7,626
Equity & liabilities			
Equity			
Issued capital	17	1,109	1,109
Share premium	17	11,729	11,729
Other reserve		(1,450)	(1,552)
Capital redemption reserve		11,840	11,840
Profit and loss account		(18,545)	(16,542)
Total equity attributable to equity holders of the parent		4,683	6,584
Liabilities			
Non-current liabilities			
Borrowings	18	165	199
Lease liabilities	18/19	200	83
Deferred tax	20	85	75
Other liabilities	21	116	174
Total non-current liabilities		566	531
Current liabilities			
Borrowings	18	29	23
Lease liabilities	18/19	81	39
Trade and other payables	21	255	410
Other liabilities		49	39
Total current liabilities		414	511
Total liabilities		980	1,042
Total equity and liabilities		5,663	7,626

The consolidated financial statements were approved by the Board on 25 July 2023 and were signed on its behalf by

William Brown

W Brown, Chairman

L Smith, Group CFO

Company number SC170071

The notes on pages 53 to 75 form part of these financial statements

Consolidated cash flow statement

	Year ended 31 March 2023 GB£000	Year ended 31 March 2022 GB£000
Cash flows from operating activities		
Group loss after tax	**(2,003)**	(2,067)
Adjustments for:		
Amortisation of intangible assets	**51**	53
Depreciation of property, plant and equipment	**307**	259
Share-based payments	**102**	145
Net finance costs	**16**	8
Tax credit in year	**(319)**	(293)
Decrease / (increase) in trade and other receivables	**327**	(53)
Decrease / (increase) in inventories	**43**	(39)
Taxation received	**533**	87
Decrease in trade and other payables	**(203)**	(453)
Net cash flow from operating activities	**(1,146)**	(2,353)
Cash flows from investing activities		
Purchase of property plant and equipment	**(449)**	(904)
Interest paid	**(28)**	(8)
Net cash flow from investing activities	**(477)**	(912)
Cash flows from financing activities		
Proceeds from borrowing	**229**	-
Repayment of borrowings and leasing liabilities	**(97)**	(66)
Net cash flow from financing activities	**132**	(66)
Net decrease in cash and cash equivalents	**(1,491)**	(3,331)
Cash and cash equivalents at beginning of year	**2,963**	6,294
Effect of foreign exchange rate changes	**12**	-
Cash and cash equivalents at end of year	**1,484**	2,963

The notes on pages 53 to 75 form part of these financial statements

Consolidated statement of changes in equity

	Issued share capital GB£000	Share premium GB£000	Other reserve GB£000	Capital redemption reserve GB£000	Profit and loss account GB£000	Total equity GB£000
Balance at 31 March 2021	**12,949**	**11,729**	**(1,697)**	**-**	**(14,475)**	**8,506**
Share-based payments	-	-	145	-	-	145
Buyback of deferred shares	(11,840)	-	-	11,840	-	-
Transactions with owners	**(11,840)**	**-**	**145**	**11,840**	**-**	**145**
Total comprehensive loss for the year	-	-	-	-	(2,067)	(2,067)
Balance at 31 March 2022	**1,109**	**11,729**	**(1,552)**	**11,840**	**(16,542)**	**6,584**
Share-based payments	-	-	102	-	-	102
Transactions with owners	**-**	**-**	**102**	**-**	**-**	**102**
Total comprehensive loss for the year	-	-	-	-	(2,003)	(2,003)
Balance at 31 March 2023	**1,109**	**11,729**	**(1,450)**	**11,840**	**(18,545)**	**4,683**

The notes on pages 53 to 75 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

General information

RUA Life Sciences plc is the ultimate parent company of the Group, whose principal activities comprise exploiting the value of its IP & know-how, medical device contract manufacturing and development of cardiovascular devices.

RUA Life Sciences plc is incorporated and domiciled in the UK and its registered office is c/o Davidson Chalmers Stewart LLP, 163 Bath Street, Glasgow, G2 4SQ.

Basis of preparation

The Consolidated financial statements are for the year ended 31 March 2023. They have been prepared in compliance with UK-adopted International Accounting Standards.

The Consolidated financial statements have been prepared under the historical cost convention, with the exception of fair value adjustments made in connection with the acquisition of RUA Medical.

The accounting policies remain unchanged from the previous year.

Going concern

The Board has to consider that the Going Concern principle is appropriate for the preparation of these accounts. At 31 March 2023, the Group had cash and cash equivalents of £1.48m (2022: £2.96m) and, as at the date of signing these Financial Statements, the cash balance was £0.9m.

RUA Life Sciences has two cash-generative units (RUA Biomaterials and RUA Contract Manufacture). These cash-generating units provide a healthy Gross Margin (89% and 49%), and contributions to Group operating loss were £493,000 and £794,000. The Group has two cash-consuming units (RUA Vascular and RUA Structural Heart), and both these units require further investment before commercialisation and cash generation can be achieved. The investment will chiefly be for a GLP animal study and Human Clinical Trials for RUA Vascular. The Board anticipates the requirement for additional funding over the course of the financial year as the internal cash generation will not cover the additional investment required.

The Board has considered the current cash position, reviewed budgets and profit and cash flow forecasts over the going concern period (to October 2024) along with sensitivity analyses and made appropriate enquiries. The Board has concluded that further financing is required and has taken advice from the Company's Nomad and Broker on the current state of the equity market and the chances of a successful fundraise. The Board has formed a judgement at the time of approving the financial statements that the Group will have access to adequate resources, including new financing, to continue in operational existence for the period of the going concern assessment. If finance is not successful, which management see as unlikely, management have a number of mitigating actions which can be taken. There is a level of uncertainty around the ability of management to implement the mitigations during the going concern period, for this reason management have concluded a material uncertainty is appropriate. For this reason, the Board considers that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

The Financial Statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group was unable to continue as a going concern. Due to the factors described above, specifically the uncertainty around the ability to raise new financing and the ability to implement mitigating actions, a material uncertainty exists, which may cast significant doubt on the Group and the Company's ability to continue as a going concern.

Changes in accounting policies

Standards, amendments and interpretations to existing standards that are not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. None of these new standards, amendments and interpretations, based on an initial analysis are expected to have a significant impact on the Group's financial statements based on current agreements in place and activity.

2. Principal accounting policies

2.1 Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value to the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

Where considered appropriate, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

2.2 Revenue

IFRS 15 "Revenue from Contracts with Customers" establishes a principles-based approach to recognising revenue only when performance obligations are satisfied, and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue, and cash flows arising from contracts with customers. IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards.

- Step 1 – Identify the contract(s) with a customer
- Step 2 – Identify the performance obligations in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the performance obligations in the contract
- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation

The Group principally satisfies its performance obligations at a point in time. Ad hoc revenue is recognised relating to performance obligations satisfied over time. Therefore, the accounting for revenue under IFRS 15 does not represent a substantive change for recognising revenue from sales to customers.

Revenue is recognised either at a point in time when control passes to the customer or over time as the Group satisfies performance obligations by transferring the promised good or services and depending on the nature of the goods or service being provided.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer, excluding VAT and trade discounts, as follows:

a) *Royalty revenues:* Royalty revenues are recognised as earned in accordance with returns and notifications received from customers. In the event that subsequent adjustments to royalties are identified they are recognised in the period in which they are identified.

b) *Contract manufacture:* Income from contract manufacture sales are generally recognised at the date of dispatch unless contractual terms with customers state that risk and title pass on delivery of goods, in which case revenue is recognised on delivery. For income derived from custom products that may entail engineering, revenue is recognised as performance obligations are satisfied over time.

2.3 Defined contribution pension plans

Payments to defined contribution pension plans are recognised as an expense when employees have rendered services entitling them to the contributions.

2.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using actual costing techniques. The cost of finished goods comprises raw materials, third party manufacturing costs and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In arriving at net realisable value, provision is made for any obsolete or damaged inventories.

2.5 Interest

Interest income is the interest earned on cash or cash equivalents held with the Group's bankers and recognised within the period earned, accrued on a time basis by reference to the principal outstanding and at the effective rate applicable.

2.6 Intangible assets

Intangible assets are stated at historic cost or capitalised at fair value at time of acquisition , less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the deemed useful life of an asset and is applied to the cost less any residual value. The asset classes are amortised on a straight-line basis over the following periods:

Patents and Trademarks (IP)	**-**	**20 years**
Know how (IP)	**-**	**5 years (upon asset being available to be utilised/exploited)**
Customer related	**-**	**5 years**
Technology Related	**-**	**10 years**

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses

2.7 Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss. The gain or loss arising

from the sale or revaluation of held for sale assets is included in "other income" or "other expense" in the Consolidated income statement.

2.8 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result some assets are tested individually for impairment and some are tested at a cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Individual assets or cash-generating units that include goodwill or intangible assets with an indefinite useful life, and those intangible assets not yet available for use, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.9 Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation. The Group has entered into a number of Plant and Machinery and leaseback arrangements for which the associated right-of-use assets are classified as Plant and Machinery (Leased). Plant and Machinery (Leased) is measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of the Plant and Machinery (Leased) includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

Depreciation is provided at annual rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Land & buildings	
- Land & buildings	– 50 years
- Property improvements	– 20% reducing balance
Plant & Machinery	
- Plant & Machinery	– 10 years
- Plant & Machinery (leased)	– 10 years
Office equipment	
- Office equipment	– 15% reducing balance
- Computer equipment	– 3-4 years

The directors consider the value of land included within land & buildings to be insignificant.

2.10 Financial assets

Financial assets held by the group comprise cash, loans and receivables. Financial assets are assigned to a category by management on initial recognition, depending on the purpose for which they were acquired. The Group has adopted the simplified model for trade receivables allowable under IFRS 9 "Financial Instruments".

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are measured at transaction price with all other Financial assets initially recognised at fair value plus transaction costs.

Financial assets are measured at amortised cost when both of the following conditions are met:

- The financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount owing.

The Group has a relatively small number of customers and therefore the assessment of impairment of trade receivables is done on a customer-by-customer basis, based on historical impairments and cash collection history, as well as a review of lifetime expected credit losses that are estimated based on historical loss rates for the relevant country where the customer is domiciled, adjusted where evidence is available that different rates are likely to apply in the future. This is based on changes to the expected insolvency rates in the relevant countries.

An assessment for impairment is undertaken at least at each date of the statement of financial position. A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Cash and cash equivalents comprise cash on hand and demand deposits together with other short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

2.11 Financial liabilities

Financial liabilities fall into the following category: Financial liabilities at amortised cost.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Financial liabilities at amortised cost (trade payables and accruals) are subsequently recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the income statement. Finance charges are charged to the income statement on an accrual's basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.12 Taxation

Current tax is the tax currently payable based on taxable profit for the accounting period.

Deferred taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity. Tax which relates to items recognised in other comprehensive income is recognised in other comprehensive income.

2.13 R&D Tax Credits

R&D tax credits are recognised once the R&D tax credits have been calculated and the tax return for the relevant year submitted to HMRC.

2.14 Equity

Equity comprises the following:

- "Issued capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of cash consideration received for equity shares, net of expenses of the share issue.
- "Other reserve" represents the difference arising on consolidation between the nominal value of RUA Life Sciences Plc shares issued (£3,206,884) and the nominal value of RUA Biomaterials Ltd (formerly AorTech Europe Ltd) shares acquired (£1,001,884) and the associated share premium account (£201,857) in the company. This acquisition was prior to the transition to IFRS.

  Also included in other reserve is the credit entry when recognising Share Based Payment expense.
- "Profit and loss account" represents retained profits and losses.
- "Capital redemption reserve" represents the difference arising between the nominal value of the shares and the proceeds of the fresh issue of shares on the company buy back of its deferred shares during the 2022 financial year.

2.15 Share-based Payments

Share options

The Group operates Share Option Plans for its employees and directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability and remaining an employee of the Company over a specified time period).

Share based compensation is recognised as an expense in the Consolidated income statement with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

The grant of any share-based payment is measured at its fair value using the Black Scholes Option Pricing Model (BSOPM). The fair value of the share options is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings over the vesting period, based on the best available estimate of the number of share options expected to vest.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

2.16 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency) which is the UK on the basis of where the cost base of the business is. The Company's functional currency is Sterling and the Group's presentational currency is Sterling.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in profit or loss.

2.17 Grant Income

Government grants are recognised at their fair value in the Consolidated income statement within Other Income over the same period as the costs to which the grants relate, and is only recognised when there is reasonable assurance that the performance conditions attaching to the grant are met.

2.18 Leases

Any contract entered into, which contains an identified asset, whose use the Group has the right to direct throughout the period of the lease, and the right to obtain substantially all of the economic benefits from, is accounted for as a lease. At the lease commencement date, the Group recognises a right-of-use leased asset and a lease liability on the statement of financial position. The lease liability is measured at the present value of the total lease payments due, discounted using the interest rate implicit in the lease if readily available, or at the Group's incremental borrowing rate. The right-of-use asset is measured at cost, being the lease liability, plus any initial direct costs incurred by the Group, or lease payments made in advance of the commencement date. Right-of-use assets are depreciated on a straight-line basis to the end of the lease term. The Group assesses the right-of-use asset for impairment when such indicators exist. Lease liabilities are remeasured to reflect any reassessment or modification of the lease – when the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use leased asset, or in the Consolidated Statement of Comprehensive Income if the asset is already reduced to zero.

2.19 Use of accounting estimates and judgements

The preparation of the Group financial statements in conformity with IFRSs requires Management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key judgements are as follows;

Research and development
IAS 38 Intangible Assets requires management to differentiate between research and the development phase of R&D activities and their related costs. In accordance with IAS 38, an intangible asset arising from development shall be recognised if, and only, if, an entity can demonstrate certain criteria. The Board continually monitor its activities against the prescribed criteria to determine the point in which the Group would enter the development phase of its activities. The Group is currently in the phases of formulation, design and evaluation of its products and therefore management are confident that the relevant projects are in the research phase. As a result, any expenditure arising from R&D activities are expensed in the Consolidated income statement.

Deferred taxation
The Group has accumulated tax losses of £18.525 million (2022: £16.543 million). IAS 12 requires that a deferred tax asset relating to unused tax losses is carried forward to the extent that future taxable profits will be available. The company is in an investment phase, expecting to have increased expenditure on R&D and business development over the next three years which will increase the tax losses. After the investment period the Board expects the Company to generate healthy profits but it is difficult at this stage to reliably estimate the period over which profits may arise in the future. The Board has therefore determined to not recognise the asset at the reporting date. This approach does not affect the future availability of the tax losses for offset against future profits.

Impairment
In carrying out impairment reviews of intangible assets and goodwill, a number of significant assumptions have to be made when preparing cash flow projections.

Sources of estimation uncertainty:

a) Impairment: In carrying out impairment reviews, a number of significant assumptions have to be made when preparing cashflow projections to determine the value in use of the asset or cash-generating unit (CGU). These include the success and timing of regulatory approval for the vascular graft range, future rate of market growth, discount rates, the market demand for the products acquired and the future profitability of acquired businesses or products. If actual results differ or changes in expectations arise, impairment charges may be required which would adversely impact the statutory results. Further information, can be found in notes 10 and 11.

b) Estimates as to the inputs to the share option valuation models underlying the share-based payment charge, as disclosed in Note 6.

3. Segmental reporting

The principal activity of the RUA Life Sciences Group comprises exploiting the value of its IP & know-how, medical device contract manufacturing and development of cardiovascular devices.

Following the acquisition of RUA Medical Devices Ltd and an internal organisation and reporting review, the Board has decided the business will report by business unit segments, namely royalty and license income (Biomaterials), Contract Manufacture, product development (Vascular) and product innovation (Structural Heart), rather than trading entities, which is consistent with both how the business will be managed and reported internally in the future.

The following analysis by segment is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Chief Operating Decision Maker (considered to be the executive chairman of the board) to assess performance and make strategic decisions about the allocation of resources.

A brief description of the segments of the business is as follows:

- Biomaterials – Licensor of Elast-Eon polymers to the medical device industry.
- Contract Manufacture – End-to-end contract developer and manufacturer of medical devices and implantable fabric specialist.
- Vascular – Development and commercialisation of the Group's Elast-Eon sealed Vascular Graft products.
- Structural Heart – Development of the Group's tri leaflet polymeric heart valves.

Operating results which cannot be allocated to an individual segment are recorded as central and unallocated.

Segment Analysis 2023

	Biomaterials GB£000	Contract Manufacture GB£000	Vascular GB£000	Structural Heart GB£000	Central and unallocated GB£000	Total GB£000
Consolidated group revenues from external customers	554	1,625	-	-	-	2,179
Contributions to group operating loss	493	794	(1,201)	(488)	(1,905)	(2,307)
Depreciation	-	139	93	16	59	307
Amortisation of intangible assets	-	43	-	-	8	51
Segment assets	305	1,406	1,268	156	2,528	5,663
Segment liabilities	-	165	632	31	152	980
Intangible assets – goodwill	-	301	-	-	-	301
Other intangible assets	-	259	139	-	72	470
Additions to non-current assets	-	-	433	-	16	449

Restatement of Segment analysis to 31 March 2022 is as follows:

Segment Analysis 2022

	Biomaterials GB£000	Contract Manufacture GB£000	Vascular GB£000	Structural Heart GB£000	Central and unallocated GB£000	Total GB£000
Consolidated group revenues from external customers	487	1,138	-	-	-	1,625
Contributions to group operating loss	418	447	(1,083)	(492)	(1,642)	(2,352)
Depreciation	-	135	68	8	48	259
Amortisation of intangible assets	-	43	-	-	11	54
Segment assets	294	1,735	1,099	173	4,325	7,626
Segment liabilities	-	184	410	30	418	1,042
Intangible assets – goodwill	-	301	-	-	-	301
Other intangible assets	-	302	139	-	79	520
Additions to non-current assets	-	17	345	156	387	905

The Group's revenue for 2023 is segmented as follows:

Analysis of revenue by income stream

	Biomaterials GB£000	Contract Manufacture GB£000	Vascular GB£000	Structural Heart GB£000	Central and unallocated GB£000	Total GB£000
Contract Design & Manufacture of Medical Devices	-	1,625	-	-	-	1,625
Royalty revenue	554	-	-	-	-	554
Total	**554**	**1,625**	**-**	**-**	**-**	**2,179**

Analysis of revenue by geographical location

	Biomaterials GB£000	Contract Manufacture GB£000	Vascular GB£000	Structural Heart GB£000	Central and unallocated GB£000	Total GB£000
Switzerland	168	-	-	-	-	168
UK	-	(1)	-	-	-	(1)
Italy	-	15	-	-	-	15
USA	338	1,611	-	-	-	1,949
Israel	48	-	-	-	-	48
Total	**554**	**1,625**	**-**	**-**	**-**	**2,179**

Restatement of Analysis of revenue by income stream to 31 March 2022 is as follows:

Analysis of revenue by income stream

	Biomaterials GB£000	Contract Manufacture GB£000	Vascular GB£000	Structural Heart GB£000	Central and unallocated GB£000	Total GB£000
Contract Design & Manufacture of Medical Devices	-	1,138	-	-	-	1,138
Royalty revenue	487	-	-	-	-	487
Total	**487**	**1,138**	**-**	**-**	**-**	**1,625**

Analysis of revenue by geographical location

	Biomaterials GB£000	Contract Manufacture GB£000	Vascular GB£000	Structural Heart GB£000	Central and unallocated GB£000	Total GB£000
Switzerland	148	-	-	-	-	148
UK	-	21	-	-	-	21
Italy	-	23	-	-	-	23
USA	285	1,094	-	-	-	1,379
Israel	54	-	-	-	-	54
Total	**487**	**1,138**	**-**	**-**	**-**	**1,625**

All of the Group's non-current assets are held in the United Kingdom.

The Group receives more than 10% of its revenue from a single customer. Revenues from one customer of the Group's royalty revenue represents 16% of the Group's total revenues (2022: 1 customer, 18%). Revenues from one customer of the Group's Contract Manufacture revenue segment represents 67% of the Group's total revenues (2022: 67%).

4. Employees

The average monthly number of persons (including Directors) employed by the Group during the year was:	2023 Numbers	2022 Numbers
Directors	**8**	**6**
Administration/Management	**6**	10
Production & Medical Textiles	**19**	**10**
Research & Development	**9**	**7**
Quality	**6**	**5**
	48	**38**

The aggregate remuneration, including Directors, comprised:

	2023 GB£000	2022 GB£000
Wages and salaries	**2,018**	1,708
Social security costs	**221**	181
Pension contributions	**116**	86
Share based payment (credit)/expenses (note 6)	**102**	145
Total costs	**2,457**	2,120
Directors' remuneration comprised: Emoluments for qualifying services	**1,027**	805

The key management personnel whose remuneration is included in the table above for the current year comprise five Executive and three Non-Executive Directors.

Please see the Report of the Remuneration Committee on page 32 for full details of Directors' emoluments. The highest paid Director's total emoluments were £296,580 (2022: £301,345). The Company made contributions of £64,958 (2022: £45,084) into Directors pensions in the year ended 31 March 2023. The number of directors who received pension contributions was 4 (2022: 3)

5. Expense by nature

The administrative expenses charge by nature is as follows:

	2023 Total GB£000	2022 Total GB£000
Advertising, conferences and exhibitions	23	9
IT, telecoms and office costs	140	159
Legal, professional and consultancy fees	402	497
Other expenses	67	290
Patent and IP costs	63	87
Premises and establishment costs	379	254
Research and development costs	1,072	911
Staff costs, recruitment and other HR	1,527	1,075
Travelling, subsistence and entertaining	41	33
Share-based payment (expense (Note 6)	102	145
Depreciation & Amortisation charge (Note 11/12)	358	313
Bad debt expense	(5)	3
Total administrative expenses	**4,169**	**3,776**

6. Share-based payments

Director and Employee Share Option Plans

The Group established a Share Option Plan, as an approved EMI plan, in June 2018 for the benefit of senior executives (including Executive directors) and in December 2019 established a Share Option Plan, as an unapproved plan, for the benefit of Non-Executive Directors. Share options are granted under these plans to Directors to encourage them to deliver sustained, long term growth.

Under the plans, participants are granted options which only vest if certain performance standards are met. Participation in the plans is at the discretion of the board and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits.

The amount of options that will vest depends on the following performance conditions being satisfied:

- After the expiry of the period 3 years from the date of grant, 20%
- On receipt by the Company of a CE Mark or FDA approval (this change having recently been approved by the Board, in order to address an inconsistency between options granted under the EMI and the unapproved plan, with the EMI scheme previously quoting CE Mark approval only) for any of its products, 30% and
- On the closing middle market quotation of the Company's ordinary shares as derived from AIM Appendix to the Daily Official List of the London Stock Exchange being at least £3.00 for 10 consecutive days on which trading takes place on the AIM Market of the London Stock Exchange, 50%.

A number of EMI options were granted in February 2021 to employees of RUA Medical Devices Limited, with the same vesting terms as those stated above.

A number of EMI options were granted in December 2022 to directors of RUA Life Sciences, with the vesting terms stated below. The fair value of the options granted is reflected as share-based payment in the Consolidated income statement of the group, and credited to other reserves.

The amount of options that will vest depends on the following performance conditions being satisfied:

- As to 50% of the Option Shares (the "Total Return Option Shares"), on any day when the Company has achieved a total return for its shareholders (in percentage terms) in the period from the Grant Date at least equal to the median total shareholder return of the constituents of the FTSE AIM Index (in percentage terms) (the "Minimum Return") over the same period, PROVIDED THAT, where the Minimum Return on that day is less than a compound total shareholder return of 50% per annum over the same period
- As to the other 50% of the Option Shares, upon the Company achieving both of the following strategic objectives, the Company having achieved regulatory approval for at least one medical device; and the Company continuing to commercially exploit one of such approved devices.

All share options lapse on the tenth anniversary of the date of grant unless exercised and if no event occurs to cause it to lapse earlier in accordance with the scheme rules.

The exercise price for each option share granted is as follows:

2019 - £0.300

2020 - £0.925

2021 - £1.550

2023 - £0.445

Summary of number options granted under the plans:

	2023	2022
Options at start of financial year	2,160,603	2,280,603
Granted during the year	240,000	-
Exercised or lapsed during the year	(120,000)	(120,000)
Options at the end of the financial year	2,280,603	2,160,603

The 120,000 Options lapsed in the year relate to Options granted in FY21 to staff who have now left the group.

Fair Value of options granted

The assessed fair value at the grant date of the various options granted have been determined using the Black Scholes Option Pricing Model ('BSOPM'), with the results as follows:

Year of Grant	Fair Value
FY2020	£0.78
FY2021	£1.40
FY2023	£0.39

The BSOPM takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option.

The inputs into the Black-Scholes models for the options granted were as follows:

	2023	2021	2020	2019
Share price at date of grant	£0.470	£1.705	£0.985	£0.400
Exercise price	£0.445	£1.550	£0.925	£0.300
Fair value at date of grant	£0.390	£1.400	£0.780	£0.330
Expected volatility	78.02%	81.82%	75.84%	75.84%
Expected life	10 years	10 years	10 years	10 years
Risk-free rate	3.35%	0.54%	1.10%	1.52%
Expected dividends	Nil	Nil	Nil	Nil

7. Loss before taxation

	2023	2022
Loss before taxation has been arrived at after charging :	**GB£000**	GB£000
Foreign exchange differences	**(12)**	(11)
Depreciation of property, plant and equipment	**306**	259
Amortisation of intangible assets	**51**	54
Employee benefits expense:		
Employee costs (Note 4)	**2,457**	2,120
Audit and non-audit services:		
Audit of the Accounts of the Group	**94**	68

8. Income tax expense

The tax assessed for the year differs from the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The differences are explained below:

	2023	2022
	GB£000	GB£000
Loss for the year before tax	**(2,323)**	(2,360)
Loss for year multiplied by the respective standard rate of corporation tax applicable (19%)	**(441)**	(448)
Fixed asset differences	**(5)**	(34)
Expenses not deductible for tax purposes	**33**	16
Income not taxable for tax purposes	**(2)**	(1)
Adjustment to tax charge in respect of previous periods*	**(329)**	(207)
Movement in deferred tax not recognised**	**425**	381
Actual tax credit	**(319)**	(293)
Current tax:		
Adjustment in respect of prior periods	**(329)**	**(205)**
Deferred tax:		
Origination and reversal of temporary differences	**10**	(116)
Adjustment in respect of prior periods	**-**	(2)
Effect of tax rate change on opening balance	**-**	30

Tax credit per Consolidated Income Statement	**(319)**	(293)

Unrelieved tax losses remain available to offset against future taxable profits. These losses have not been recognised as deferred tax assets within the financial statements as there is a lack of certainty regarding the timing and scale of future profits to allow the losses to be utilised. Losses carried forward in the UK total £9,743,000 – the tax effect after taking account of losses offset against unrecognised fixed asset temporary differences as per note 20 is £2,251,000 (2022 - £8,558,000 – tax effect £1,851,000). An unprovided deferred tax asset in respect of share options totals £130,000 (2022: £104,000). The increase to the rate of corporation tax from 19% to 25% was announced in the March 2021 budget and substantively enacted on 24 May 2021, and therefore 25% was the prevailing rate at the statement of financial position date. The effective rate of tax is 13.7%.

*This relates to R&D tax relief
** In the prior year this line was disaggregated, this has been updated in the current year to make it clearer to the reader on the financial statements what the items relate to.

9. Loss per share

	2023	2022
	GB£000	GB£000
Loss for the year attributable to equity shareholders	**(2,003)**	**(2,067)**
Basic and diluted loss per share		
From continuing operations attributable to ordinary equity holders of the company (GB pence per share)	**(9.03)**	**(9.32)**
Weighted average number of shares		
Issued ordinary shares at start of the year	**22,184,798**	**22,184,797**
Issued ordinary shares at end of the year	**22,184,798**	**22,184,798**
Weighted average number of shares in issue for the year (used for calculating basic loss per share)	**22,184,798**	**22,184,798**

10. Goodwill

The Goodwill arising on the acquisition of RUA Medical Devices Limited and is attributable to the Contract Manufacture CGU, is as follows:

	2023
	GB£000
Gross carrying amount	
Balance at 31 March 2022	301
Impairment	-
Balance at 31 March 2023	**301**

Impairment review

An impairment review of the Group's intangible and tangible non-current assets was conducted at 31 March 2023. Impairment tests are mandatory for CGUs containing goodwill acquired in a business combination. Impairment tests for other CGUs are carried out when an indication of impairment is considered to exist.

Goodwill relates to the acquisition of RUA Medical Devices Ltd, which was acquired by the Group in the year ending 31 March 2021.

For the purpose of annual impairment testing, goodwill is allocated to RUA Contract Manufacture which is a single cash generating unit and compared to its recoverable amount and we are satisfied that no impairment is required.

The recoverable amount has been based on value in use, by reference to the budgets and projected cash flows for the CGU over a five-year period. Revenue growth rates average 24.9% over the five-year forecast, reflecting revenue from new contracts for medical device manufacturing as outlined in the Chairman's statement, with future cash flows discounted at a rate of 16.2% (2022: 16.2%) referencing the discount rate used for the independent valuation of the intangibles at acquisition. Cash flows beyond the five-year period are extrapolated using a 2.0% growth rate.

Impairment calculations are sensitive to changes in the assumptions around trading performance and discount rate. Reasonable sensitivities have been applied to these assumptions as two separate scenarios, being

1. Scenario 1
    1.1. An increase in the discount rate of 10.8 percentage points and
    1.2. increase in working capital requirements by 3 percentage points
2. Scenario 2
    2.1. A shortfall in revenue of 50% against a failure to onboard additional forecasted manufacturing contracts
    2.2. No movement in working capital requirements and
    2.3. A reduced discount rate of 11.5%

In both scenarios there remained significant headroom against the carrying value of the goodwill held. The Directors have considered the sensitivity of the key assumptions, including the discount rate, and have concluded that any possible changes that may be reasonably contemplated in these key assumptions would not result in the value in use falling below the carrying value of goodwill, intangibles and plant, property and equipment, given the headroom available.

11. Other intangible assets

	Development costs	Intellectual property	Customer Related (CM)	Technology Based (CM)	Total
	GB£000	GB£000	GB£000	GB£000	GB£000
Gross carrying amount					
At 1 April 2021	337	3,325	247	141	4,050
Additions	-	-	-	-	-
At 31 March 2022	337	3,325	247	141	4,050
Additions	-	-	-	-	-
At 31 March 2023	337	3,325	247	141	4,050
Amortisation and impairment					
At 1 April 2021	334	3,099	29	14	3,476
Charge for the year	3	7	29	14	53
At 31 March 2022	337	3,106	58	28	3,529
Charge for the year	-	8	29	14	51
At 31 March 2023	337	3,114	87	42	3,580

Net book value					
At 31 March 2022	-	219	189	113	521
At 31 March 2023	**-**	**211**	**160**	**99**	**470**

1. Intellectual Property:

Intellectual property includes patents and trademarks which are amortised on a straight line basis over their useful economic lives of 20 years.

The carrying value of patents and trademarks within at 31 March 2023 is £80,000 (2022: £88,000). The amortisation charge for the period is £8,000 (2022: £7,000) and the cumulative amortisation is £3,114,000 (2022: £3,106,000).

Know-how relating to the RUA Vascular CGU is also included under Intellectual Property at cost and will be amortised over 5 years from the commencement of revenue derived from the sale of devices following the exploitation of the know-how.

The carrying value of know how held in intellectual property at 31 March 2023 is £139,000 (2022: £139,000). The Group has yet to commercialise the intangible asset and has therefore not incurred any amortisation.

The Know How allocated to RUA Vascular as a cash generating unit is subject to annual impairment testing until such time as revenues commence and then amortised over 5 years.

The recoverable amount has been based on value in use, by reference to the budgets and projected cash flows for the CGU over a five-year period. Commercial revenues are expected to commence in FY 2027 with YOY growth to FY 2028 estimated at 86%, with future cash flows discounted at a rate of 20% to reflect the risk profile. Working capital requirements are estimated at 4%. Cash flows beyond the five-year period are extrapolated using a 2% growth rate.

Reasonable sensitivities have been applied to these assumptions as two separate scenarios, in both scenarios there remained significant headroom against the carrying value of the intangible asset held.

The Directors have considered the sensitivity of the key assumptions, including the discount rate, and have concluded that any possible changes that may be reasonably contemplated in these key assumptions would not result in the value in use falling below the carrying value of goodwill, intangibles and plant, property and equipment, given the headroom available. The directors believe the only indication to impairment would be derived from failure to achieve FDA clearance.

The following intangible assets were recognised on acquisition of RUA Medical Devices Ltd and are allocated to the Contract Manufacture CGU.

2. Customer Related

The excess earnings approach was used to value this intangible asset on acquisition of RUA Medical Devices Ltd, with the value of the contract being the sum of the present value of projected cash flow in excess of returns on contributory assets over the lives of the relationship.

Customer related intangible assets are amortised over 8.5 years.

3. Technology based

The Group's technology-based asset was valued on acquisition of RUA Medical Devices Ltd by means of the royalty savings (relief from royalty) method of the income approach. Under the premise, it is assumed that a company, without a similar intangible asset would license the right to use technology, and pay a royalty related to turnover achieved in this industry.

Technology based intangible assets are amortised over 10 years.

12. Property, plant and equipment

	Land & Buildings GB£000	Assets Under Construction GB£000	Plant & Machinery GB£000	Office Equipment GB£000	Motor Vehicles GB£000	Total GB£000
Cost						
At 31 March 2021	944	-	1,114	63	28	2,149
Additions for the year	391	-	500	16	-	907
Disposals	-	-	-	-	(3)	(3)
At 31 March 2022	**1,335**	-	**1,614**	**79**	**25**	**3,053**
Additions for the year	**-**	**142**	**291**	**16**	**-**	**449**
At 31 March 2023	**1,335**	**142**	**1,905**	**95**	**25**	**3,502**
Depreciation						
At 31 March 2021	58	-	112	18	9	197
Charge for the year	62		175	15	7	259
At 31 March 2022	**120**	-	**287**	**33**	**16**	**456**
Charge for the year	60	-	222	17	8	307
At 31 March 2023	**180**	-	**509**	**50**	**24**	**763**
Net book value						
At 31 March 2022	1,215	-	1,327	46	9	2,597
At 31 March 2023	**1,155**	**142**	**1,396**	**45**	**1**	**2,739**

Included in the net carrying amount of property plant and equipment are right-of-use assets as follows:

	Plant & Machinery (Leased) GB£000	Motor Vehicles GB£000	Total GB£000
Cost			
At 31 March 2021	162	28	190
Disposals	-	(3)	(3)
At 31 March 2022	**162**	**25**	**187**
Additions for the year	**229**	**-**	**229**
At 31 March 2023	**391**	**25**	**416**
Depreciation			
At 31 March 2021	7	9	16
Charge for the year	16	7	23
At 31 March 2022	**23**	**16**	**39**
Charge for the year	25	8	33
At 31 March 2023	**48**	**24**	**72**
Net book value			
At 31 March 2022	139	9	148
At 31 March 2023	**343**	**1**	**344**

See notes 10 and 11 for impairment considerations for property, plant and equipment.

13. Financial instruments

Risk management
The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables. These arise directly from the Group's operations, and it is the Group's policy that no trading in financial instruments shall be undertaken.

The Groups Risk Management Framework outlines the Group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Categories of financial instrument

	2023	2022 Restated
	GB£000	GB£000
Financial assets at amortised cost		
Cash and cash equivalents	**1,484**	2,963
Trade receivables	**422**	532
	1,906	3,495
Financial liabilities		
Liabilities at amortised cost	**722**	679
	722	679

Maturity profile of financial liabilities

The undiscounted maturity analysis of the carrying amount of the Group's financial liabilities at 31 March 2023 is as follows:

	Less than six months	**Later than six month and not later than one year**	**Later than one year and not later than two years**	**Later than three years and not later than Four years**	**Greater than five years**	**Total**
	GB£000	**GB£000**	**GB£000**	**GB£000**	**GB£000**	**GB£000**
Repayments	(318)	(70)	(256)	(134)	(85)	(863)
Finance Charges	15	16	56	32	22	141
Present Value	(303)	(54)	(200)	(102)	(63)	(722)

The financial statements for 2022 contained a misstatement relating to the overstatement of both Trade and other receivables and Liabilities at amortised cost. This resulted in a restatement of trade and other receivables as at 31 March 2022 from £1,120,00 to £532,000 and a restatement of Liabilities at amortised cost as at 31 March 2022 from £1,042,00 to £679,000. These adjustments were identified in the current year and the restatement had no impact on prior period income or expenditure.

A reconciliation of the movements within the restatement is below

Trade and other receivables

	GB£000
Trade and other receivables per 2022 statements	1,120
Less prepayments	(315)
Less tax credit due	(205)
Less other receivables	(68)
2022 Restatement	532

Liabilities at amortised cost

	GB£000
Liabilities at amortised cost per 2022 statements	1,122
Less taxes due	(60)
Less deferred tax	(76)
Less deferred grant	(214)
Less other liabilities	(80)
2022 Restatement	679

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group seeks to transact the majority of its business in its reporting currency (£Sterling). However, many customers and suppliers are outside the UK and a proportion of these transact with the Group in US Dollars and Euros. For that reason, the Group operates current bank accounts in US Dollars and Euros as well as in its reporting currency. To the maximum extent possible receipts and payments in a particular currency are made through the bank account in that currency to reduce the amount of funds translated to or from the reporting currency. Cash flow projections are used to plan for those occasions when funds will need to be translated into different currencies so that exchange rate risk is minimised.

If the exchange rate between Sterling and the Dollar had been 10% higher/lower at the reporting date the effect on profit and equity would have been approximately £32,000 (2022: £34,000) higher/lower and £5,000 (2022: £4,000) higher/lower respectively

Cash balances are carried within the Group in bank accounts, which comprise the following currency holdings:

	2023	2022
	GB£000	GB£000
Sterling	941	2,799
Euros	1	1
US dollars	542	163
	1,484	2,963

The Group holds the majority of its cash balances in a mixture of Sterling' and US dollars. As the Group reports in Sterling, there is translation risk in respect of US dollar balances. Based on year-end balances held in USD, a 10% adverse movement in the $ / £ exchange rate would have had a £49,300, adverse impact on net assets and expenses (2022: £14,818).

Interest rate risk
The Group finances most of its operations through equity fundraising, although some capital purchases in its subsidiary have been financed with HP and bank loans, on fixed rate terms. (See note 18). The following cash balances and are held at floating bank interest rates:

	2023 GB£000	2022 GB£000
Cash and cash equivalents	**1,484**	2,963
	1,484	2,963

Sensitivity analysis
A rise or fall of interest rates over the year of 1% would have a minimal adverse impact on the results, given the current low bank interest rates being offered on deposit account.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk in the case of both the cash and short-term deposits is the value of the outstanding amount.

Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its future obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet its expected cash requirements.

The Group currently holds cash balances and short-term deposits in Sterling and US dollars. These balances provide funding for the Group's trading activities. There is no material difference between the fair values and the book values of these financial instruments.

14. Inventories

Inventories consist of the following:

	2023 GB£000	2022 GB£000
Raw materials	**48**	40
Work in progress	**33**	84
	81	124

The cost of inventories recognised as an expense and included in cost of goods sold amounted to £79K (2022: £58K). Amounts provided against inventory £nil (2022: £nil).

15. Trade and other receivables

	2023 GB£000	2022 GB£000
Current		
Trade receivables – gross	**175**	221
Allowance for credit losses	**-**	(5)
Trade receivables net	**175**	216
Other receivables	**34**	83
Tax credit due	**-**	205
Prepayments and accrued income	**379**	616
	588	1,120

Included in the above is £247,333 (2022: £273,670) of accrued income which relates to royalty revenues not billed until after the period end but which related to royalties earned pre-year end.

In accordance with IFRS 9, trade and other receivables are recognised and carried at their anticipated realisable value, which implies that a provision for a loss allowance on lifetime expected credit losses of the receivables is recognised. A provision for loss allowance for expected credit losses is performed at

each reporting date and is based on a multifactor and holistic analysis depending on several assumptions taken. The Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the assessment of credit risk with regard to customer. The Group's trade and other receivables are all current and not overdue.

Payment terms apply to amounts owed by the customers for contract manufacturing sales, typically this is within 30 days. Historically, invoices are normally paid on or around the due date and this is the established operating cycle under IFRS 9, as a result the loss given default is deemed to be a negligible timing difference. The Group has had no historical losses on trade and other receivables during this period. As long as the customer continues to settle invoices on a monthly basis in line with what has been established practice, there are no indications of a significant increase in credit risk, and therefore deemed there to be an insignificant probability of default. Therefore, it is not considered necessary to provide for any loss allowance on credit losses.

Of the trade receivables balance at the end of the year £116,000 (2022: £155,000) was due from the Group's largest customer. There is one (2022: one) other customer who represents more than 5% of the total balance of trade receivables.

16. Cash and cash equivalents

	2023	2022
	GB£000	GB£000
Cash at bank and in hand	**1,484**	2,963
	1,484	2,963

17. Share capital

Ordinary shares of 5 pence each

	Shares Number	Nominal Value GB£000	Premium net of costs GB£000	Total GB£000
In issue at 1 April 2022	22,184,798	1,109	11,729	12,838
Issue of shares	-	-	-	-
In issue at 31 March 2023	**22,184,798**	**1,109**	**11,729**	**12,838**

18. Borrowings

	2023	2022
	GB£000	GB£000
Current		
Bank loans	**29**	23
Lease liabilities	**81**	39
	110	62
Non-current		
Bank loans	**165**	198
Lease liabilities	**200**	83
	365	281

	Bank loans GB£000	Lease liabilities GBP£000	Total GB£000
Repayable in less than 6 months	14	41	55
Repayable in 7 to 12 months	15	40	55
Repayable in 1 to 5 years	102	200	302
Repayable after 5 years	63	-	63
Total	**194**	**281**	**475**

£158,078 of bank loans is secured 1. on the property at 2 Drummond Crescent, Irvine, Ayrshire and 2. A bond and floating charge over the Group's assets. Secured bank loans carry a variable rate of interest, which were between 3.1% and 6.1%.

£35,038 of bank loans is an unsecured government support loan. Unsecured bank loans carry an effective rate of interest at 9%.

The lease liabilities are secured by the related underlying assets. Lease borrowings carry a fixed rate of interest, which were between 4.0% and 9.6%.

19. Leases

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022
	GB£000	GB£000
Current	**81**	39
Non-current	**200**	83
	281	122

The Group has a lease for one motor vehicle and five items of machinery. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 12). The interest charge for the year for right-of-use assets was £16,685 (2022: £7,287).

The Group is prohibited from selling or pledging the underlying leased asset as security. The Group must also insure and maintain the underlying asset in accordance with the lease contract.

20. Deferred tax

Deferred tax arising from temporary differences and unused tax losses are summarised as follows:

	Fixed asset temporary differences GB£000	**Short term temporary differences GB£000**	**Losses and other deductions GB£000**	**Total GB£000**
Deferred tax liability at 1 April 2022	365	-	(290)	75
Origination and reversal of temporary timing differences	10	-	-	10
Effect of tax rate changes on opening balance	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-
Deferred tax liability at 31 March 2023	**375**	**-**	**(290)**	**85**

21. Trade and other payables

	2023	2022
	GB£000	GB£000
Current liabilities		
Trade payables	**43**	185
Other payables	**8**	74
Accruals and deferred income	**204**	151
	255	410

Deferred grant income is included within other liabilities in the Consolidated statement of financial position. £49,000 (2022: £39,000) is included in current liabilities and £116,000 (2022: £174,000) included in Non-current Liabilities.

22. Contingent liabilities

There were no contingent liabilities at 31 March 2023 or at 31 March 2022.

23. Related party transactions

Related party transaction disclosures are included within the Report of the Remuneration Committee.

PARENT COMPANY FINANCIAL STATEMENTS

Parent Company Statement of financial position

	Notes	31 March 2023 GB£000	31 March 2022 GB£000
Assets			
Fixed assets			
Intangible assets	2	**72**	79
Tangible assets	3	**147**	166
Investment in subsidiary undertakings	5	**2,235**	2,244
Total Fixed assets		**2,454**	2,489
Current assets			
Trade and other receivables	6	**2,253**	2,370
Cash and cash equivalents		**1,192**	2,755
Total current assets		**3,445**	5,125
Total assets		**5,899**	7,614
Equity and liabilities			
Equity			
Issued capital	8	**1,109**	1,109
Share premium		**11,729**	11,729
Other Reserve		**554**	452
Capital redemption reserve		**11,840**	11,840
Profit and loss account		**(19,557)**	(17,779)
Total equity attributable to equity holders of the parent		**5,675**	7,351
Liabilities			
Current liabilities			
Trade and other payables	7	**224**	263
Total current liabilities		**224**	263
Total liabilities		**224**	263
Total Equity and liabilities		**5,899**	7,614

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year ended 31 March 2023 was £1,778,000 (2022: loss of £1,560,000).

The parent company financial statements were approved by the Board on 25 July 2023 and were signed on its behalf by

William Brown

W Brown, Chairman

L Smith, Group CFO

Company number SC170071
The notes on pages 78 to 83 form part of these financial statements

PARENT COMPANY FINANCIAL STATEMENTS

Parent Company Statement of Changes in Equity

	Share capital GB£000	Share premium GB£000	Capital redemption reserve GB£000	Other reserve GB£000	Profit and loss account GB£000	Total shareholders' funds GB£000
At 31 March 2021	**12,949**	**11,729**	**-**	**307**	**(16,219)**	**8,766**
Share-based payments	-	-	-	145	-	145
Buyback of deferred shares	(11,840)	-	11,840	-	-	-
Transactions with owners	**(11,840)**	**-**	**11,840**	**145**	**-**	**145**
Total comprehensive loss for the year	-	-		-	(1,560)	(1,560)
At 31 March 2022	**1,109**	**11,729**	**11,840**	**452**	**(17,779)**	**7,351**
Share-based payments	-	-	-	102	-	102
Buyback of deferred shares	-	-	-	-	-	-
Transactions with owners	**-**	**-**	**-**	**102**	**-**	**102**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,778)**	**(1,778)**
At 31 March 2023	**1,109**	**11,729**	**11,840**	**554**	**(19,557)**	**5,675**

The notes on pages 78 to 83 form part of these financial statements

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Statement of compliance
The financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'. The Company has elected to adopt the standard for the year ended 31 March 2023.

All of the policies applied in preparation of the parent company financial statements are consistent with the applied to the Group financial statements as described on pages 53 to 60. Therefore we have not repeated the polices here, but have included any additional accounting policies which are relevant to the parent company financial statements.

Basis of preparation
The Company meets the definition of a qualifying entity under FRS 101. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, share-based payments, fair value measurements, comparative reconciliations for tangible and intangible assets, standards not yet effective, related party transactions with other wholly owned members of the Group and key management personnel compensation. Equivalent disclosures are, where required, given in the Group accounts of RUA Life Sciences plc. The Group accounts of RUA Life Sciences plc are available to the public.

The financial statements have been prepared on the historical cost basis.

Going concern

RUA Life Sciences company going concern has been assessed within the wider RUA Life Sciences Group going concern position. The group going concern assessment (as disclosed in the Group accounts) is as follows:

The Board has to consider that the Going Concern principle is appropriate for the preparation of these accounts. At 31 March 2023, the Group had cash and cash equivalents of £1.48m (2022: £2.96m) and, as at the date of signing these Financial Statements, the cash balance was £0.9m.

RUA Life Sciences has two cash-generative units (RUA Biomaterials and RUA Contract Manufacture). These cash-generating units provide a healthy Gross Margin (89% and 49%), and contributions to Group operating loss were £493,000 and £794,000. The Group has two cash-consuming units (RUA Vascular and RUA Structural Heart), and both these units require further investment before commercialisation and cash generation can be achieved. The investment will chiefly be for a GLP animal study and Human Clinical Trials for RUA Vascular. The Board anticipates the requirement for additional funding over the course of the financial year as the internal cash generation will not cover the additional investment required.

The Board has considered the current cash position, reviewed budgets and profit and cash flow forecasts over the going concern period (to October 2024) along with sensitivity analyses and made appropriate enquiries. The Board has concluded that further financing is required and has taken advice from the Company's Nomad and Broker on the current state of the equity market and the chances of a successful fundraise. The Board has formed a judgement at the time of approving the financial statements that the Group will have access to adequate resources, including new financing, to continue in operational existence for the period of the going concern assessment. If finance is not successful, which management see as unlikely, management have a number of mitigating actions which can be taken. There is a level of uncertainty around the ability of management to implement the mitigations during the going concern period, for this reason management have concluded a material uncertainty is appropriate. For this reason, the Board considers that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

The Financial Statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group was unable to continue as a going concern. Due to the factors described above, specifically the uncertainty around the ability to raise new financing and the ability to implement mitigating actions, a material uncertainty exists, which may cast significant doubt on the Group and the Company's ability to continue as a going concern.

Use of accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Investments
Investments held as fixed assets are stated at cost less provision for impairment. In the opinion of the Directors the value of such investments is not less than that shown at the statement of financial position date.

Deferred tax
Deferred tax is recognised (on an undiscounted basis) on all temporary differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the statement of financial position date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the statement of financial position date.

Share-based payments

Share options
The Group operates a Share Option Plan for its employees. Options awarded to employees and directors of any subsidiary companies are recorded in the relevant subsidiary accounts as a charge to the profit and loss account and a corresponding entry to 'other reserves'. In the parent company accounts the cost is treated as an additional cost of investment in the parent company accounts. The cost is calculated using the Black Scholes Option Pricing Model 'BSOPM' as outlined below.

The grant of any share-based payment is measured at its fair value using the BSOPM. The fair value of the share options is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings over the vesting period, based on the best available estimate of the number of share options expected to vest.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Debtors
The amounts owed by Group undertakings are in respect of intercompany loans. The Company uses its cash to fund the operations of its subsidiaries until such a time that the subsidiaries are in a position to return the monies to Group. These loans are interest free and have no fixed repayment date, all loans are repayable on demand.

Tangible Fixed Assets
Tangible fixed assets are stated at historical cost, less accumulated depreciation.

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit and loss.

Depreciation is provided at annual rates calculated to write off the cost less residual value of each asset over its expected useful life:

Plant and machinery	–	10 years
Computer equipment	–	3 years

2. INTANGIBLE ASSETS

	Intellectual property GB£000	Development costs GB£000	Total GB£000
Cost			
At 31 March 2022	4,929	330	5,259
Additions for the year	-	-	-
At 31 March 2023	**4,929**	**330**	**5,259**
Amortisation			
At 31 March 2022	4,850	330	5,180
Charge for the year	7	-	7
At 31 March 2023	**4,857**	**330**	**5,187**
Net book value			
At 31 March 2022	79	-	79
At 31 March 2023	**72**	**-**	**72**

3. TANGIBLE ASSETS

	Plant & Machinery GB£000	Computer equipment GB£000	Total GB£000
Cost			
At 31 March 2022	171	6	177
Additions for the year	-	-	-
Disposals in the year	-	-	-
At 31 March 2023	**171**	**6**	**177**
Depreciation			
At 31 March 2022	7	4	11
Charge for the year	17	2	19
On disposals	-	-	-
At 31 March 2023	**24**	**6**	**30**
Net book value			
At 31 March 2022	164	2	166
At 31 March 2023	**147**	**-**	**147**

4. DIRECTORS AND EMPLOYEES

The average monthly number of persons (including Directors) employed by the Company during the year was:	**2023 Numbers**	2022 Numbers
Directors	**5**	**4**
Non-executive directors	**3**	**3**
Total	**8**	**7**

The aggregate remuneration comprised:

	2023 GB£000	2022 GB£000
Wages and salaries	**846**	642
Social security costs	**103**	73
Pension contributions	**65**	33
Share based payments	**111**	92
Total costs	**1,125**	840

The Directors are the only employees of the parent company. Disclosure of their emoluments is given in the Report of the Remuneration Committee on page 34.

5. NON-CURRENT ASSET INVESTMENTS

	2023 GB£000	2022 GB£000
Investment in subsidiary undertakings		
Cost		
Historical cost	**2,244**	2,191
RMD Share based payment adjustment (see note 9)	**(9)**	53
Net book value at 31 March	**2,235**	2,244

Interest in subsidiary undertakings

Name of undertaking	Country of registration or incorporation	Registered office	Description of shares held	Proportion of nominal value of shares held %
(i) RUA Biomaterials Limited	Scotland	163 Bath St, Glasgow G2 4SQ	Ordinary £1	100
(ii) RUA Structural Heart Limited	Scotland	163 Bath St, Glasgow G2 4SQ	Ordinary £1	100
(iii) RUA Vascular Limited	Scotland	163 Bath St, Glasgow G2 4SQ	Ordinary £1	100
(iv) RUA Medical Devices Limited	Scotland	163 Bath St, Glasgow G2 4SQ	Ordinary £1	100
(v) Aortech International Limited	Scotland	163 Bath St, Glasgow G2 4SQ	Ordinary £1	100

6. TRADE AND OTHER RECEIVABLES

	2023	2022
Current	**GB£000**	GB£000
Trade receivables – gross	**79**	49
Allowance for credit losses	**-**	-
Trade receivables	**79**	49
Other receivables	**14**	25
Amounts owed by Group undertakings	**1,874**	1,772
Tax credit due	**-**	205
Prepayments and accrued income	**286**	319
	2,253	2,370
Non current		
Amounts owed by Group undertakings	**3,955**	3,955
Less: Provision*	**(3,955)**	(3,955)
	-	-

*A cumulative impairment charge of £3,955,000 as at 31 March 2023 (31 March 2022: £3,955,000) has been made to fully provide against the remaining amount of the inter-company loan account due as at 31 March 2023 to RUA Life Sciences plc by its American subsidiary, AorTech Polymers & Medical Devices, Inc who were in liquidation as of 2014 and remains so at the statement of financial position date.

7. TRADE AND OTHER PAYABLES

	2023	2022
	GB£000	GB£000
Trade payables	**65**	113
Other payables	**2**	37
Accruals and deferred income	**157**	113
	224	263

8. SHARE CAPITAL

See Note 17 in the Consolidated financial statements which details the number of shares in issue at each period end and movements in the period. The nominal value of all shares in issue at 31 March 2023 is £1,109,240 (2022: £1,109,240).

9. SHARE-BASED PAYMENTS

Director and Employee Share Option Plans

See note (6) in group accounts for detail on share-based payments.

10. RELATED PARTY TRANSACTIONS

The Company is exempt under the terms of FRS 101.8 from disclosing transactions with its wholly owned subsidiaries.

Related party transaction disclosures are included within the Report of the Remuneration Committee in the Group accounts.