RUA LIFE SCIENCES PLC

ANNUAL REPORT AND ACCOUNTS

For the year to 31 March 2021

Registered in Scotland. Company number SC170071

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Board of Directors and Advisors

Directors
W Brown Executive Chairman
D Richmond Group CEO
C Stretton Group COO
J McKenna Director of Clinical Marketing
I Ardill Non-Executive Director
G Berg Non-Executive Director
J Ely Non-Executive Director

Company Secretary
K M Full FCCA

Registered Office
c/o Davidson Chalmers Stewart LLP
163 Bath Street
Glasgow G2 4SQ

Head Office
2 Drummond Crescent
Irvine
Ayrshire
KA11 5AN

web: www.rualifesciences.com
email: info@rualifesciences.com

Nominated Adviser
Shore Capital and Corporate Limited
Cassini House
57 St. James's Street,
London SW1A 1LD

Lawyers
Davidson Chalmers Stewart LLP
163 Bath Street
Glasgow
G2 4SQ

Burness Paull LLP
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Stockbrokers
Shore Capital Stockbrokers Limited
Cassini House
57 St. James's Street,
London SW1A 1LD

Cenkos Securities plc
6,7,8 Tokenhouse Yard
London
EC2R 7AS

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Independent Auditor
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
101 Cambridge Science Park
Milton Road
Cambridge CB4 0FY

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.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Company's audited final results for the year ended 31 March 2021.

On the first day of the financial year under review, the Company completed the strategically important acquisition of RUA Medical Devices Limited ("RUA Medical"). Since 2018, the Company has been pursuing a strategy of moving up the value chain within medical device manufacturing, from being a licensor of the world class long term implantable polymer Elast-Eon™ to ultimately seeking to market the Company's own range of Elast-Eon™ enabled devices. The acquisition of RUA Medical has enabled the Company to accelerate its ambitions by bringing a fully regulated manufacturing and device design business into the Group. The progress made over the past year in pursuit of our strategic objectives has been very positive particularly given the extended lock downs and disruption to supply chains as a result of Covid-19.

Our first range of products, large bore vascular grafts, has been fully developed and the key mechanical testing and in-vivo trial results meet all of our design objectives and we are close to submitting the file for regulatory clearance. However, due to the unexpected presence of cellulose, a non-toxic, natural plant-based material, in the recent analysis of the leachable extracts from the graft samples tested, in what the Board believes is likely due to contamination at some stage in the chain of custody, the Company has decided to undertake an additional test on grafts from another production batch and carry out detailed chemical analysis on the original samples before submission to confirm the presence of cellulose as a one-off. The Company continues to anticipate first revenues from the sale of grafts by the end of the current financial year. Meeting this timeframe has been enabled by the acquisition of RUA Medical and the dedication and hard work by the team. During the year, the Company also completed an equity fund raise in December 2020, where the Company raised a total of £7.0 million (before expenses) providing the finance necessary to take the business through the next phase of development.

Trading for Year

Trading for the year represents the consolidated results for the enlarged Group and as such, year on year comparisons are largely meaningless due to the scale of the acquired business being greater than the parent company. As a result, I have sought to split out the key comparatives. Total revenue for the year amounted to £1,528,000 (2020: £489,000) which was represented by revenues from the polymer business of £507,000 and RUA Medical, £1,021,000. The polymer business performed ahead of our initial expectations as a result of royalties from licensees being higher than anticipated at the time of making the trading statement in early May 2021. RUA Medical's revenues were derived from sales of other medical devices produced as a sub-contract manufacturer. Orders from its major customer were impacted by the deferral of elective surgeries and we estimate that the impact was a reduction in revenue of around £400,000. The operating loss for the year was £1,551,000 (2020: £941,000). Of this loss, £249,000 was recognised in the subsidiary, RUA Medical, which, as mentioned above, was adversely affected by Covid-19 related reduction in revenues. Administration expenses within the parent company amounted to £1,818,000 compared to £1,123,000 last year. The increase was due to a significant rise in professional fees for the acquisition of RUA Medical together with the costs attributed to the equity fund raise, plus additional expenditure on R&D activities. Year-end cash balances amounted to £6,294,000 (2020: £1,976,000). After the fund raise completed, the Group commenced a period of capital investment in equipment necessary to scale up the production capacity for both the manufacture of the vascular product range and further development of the heart valve project. Further details of the capital investment plans are discussed in the Group Chief Executive's Report.

Research and Development costs have been charged through the profit and loss account. R&D Tax Credits were recognised in the year of £87,000 (2020: £81,000) which related to expenditure incurred in the preceding financial year. During the year, expenditure on the two main R&D projects, (being the Vascular Graft and Heart Valve projects) increased by 123% to £541,000.

Board

Following the acquisition of RUA Medical, David Richmond who had been a Non-Executive Director of the Group became Group Chief Executive Officer, with the governance benefits of splitting the role of Chairman and CEO. The Executive Board was also strengthened by the appointment of Dr Caroline Stretton in January 2021 as Group Chief Operating Officer.

Gordon Wright, one of the founders of the predecessor company to RUA Life Sciences retired from the Board during the year and I would like to both personally, and on behalf of the Company, thank Gordon for his many years' service and sound counsel. I am pleased that Gordon continues to have a relationship with the Group as Honorary Life President.

The Board had recognised the requirement for an independent Non-Executive director to take on the role of Chair of the Audit Committee. Our search criteria were very exacting as our preferred candidate would not only be a qualified accountant and have experience as a Finance Director of a listed or an AIM quoted company but also have experience in the highly regulated medical device industry. I am delighted that Ian Ardill, who joined the Board in January 2021, was able to meet all of our requirements.

The Board is now very well balanced between Executive and Non-Executive directors with many years' experience and expertise in all the necessary areas required for RUA Life Sciences to reach its potential.

Outlook

While the past year has been very difficult for most businesses, RUA has been able to achieve a great deal during the global pandemic.

Major progress has been made over the past year with the vascular graft development being a significant achievement. The current year is expected to build upon this progress further. The next major step is obtaining FDA clearance to market and, in anticipation of this, we are currently making very good progress with our engagement with potential partners, to both purchase our grafts to incorporate into OEM devices and to take the grafts into US hospitals on a distribution basis. Feedback from commercial partners and key opinion leaders has been positive and the opportunity to replace current animal-derived solutions to the problem of sealing grafts with the unique properties of Elast-Eon™ has been recognised as potentially game changing disruptive technology. Our primary focus will be to secure a successful commercial launch of this product line during the current financial year.

The new technology invented as part of the graft project is now being further exploited for other Group projects. The vascular patch development is now advancing well utilising the core graft IP, and a separate 510k incorporating a wider range of applications than originally anticipated is also expected to be submitted during the year.

Similarly, the Heart Valve project has now moved beyond the initial proof of concept stage with the polymeric leaflet system currently undergoing a number of manufacturing improvements. Some of the data received from the animal testing on the graft programme has very interesting implications for the next generation of heart valves and we are now committing further resources to the project in both engineers and in house testing equipment.

Your Board looks forward to the current year and beyond with a great deal of confidence.

William Brown
Chairman

9 July 2021

William Brown

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present my Report to shareholders of RUA Life Sciences on the activities of the last year and our plans for the current year. I would like to thank two key stakeholder groups for their support of the Group over the past year. Firstly, the employees who have embraced the new Group culture and objectives whilst contributing so much during the uncertainties and disruption of the global pandemic, and secondly our shareholders, both old and new, who supported the fund raise to enable us to pursue our ambitious plans. Our employees should feel very proud of what they have achieved, and our shareholders are hopefully seeing that we are delivering on the vision set out for the business. As development continues, our plans for future investment in the business are given below.

People

On acquisition of RUA Medical, the head count of the business amounted to 25 split across production, quality, research and development and administration functions. Despite the global pandemic, we have grown the capacity of the business by investing in our technical departments and recruited a number of highly experienced engineers in both production and R&D thus head count has now increased to 32. This growth is anticipated to continue as the graft project transitions from R&D and is handed over to production once regulatory clearance is received and the not inconsiderable task of validating the new equipment necessary to meet our production targets is achieved.

Capital Investment

On conclusion of the fundraise, the Group set the investment plans for the business in train. Some of this investment was made in the year to 31 March 2021 however, the scale of the total project amounts to just over £2.5 million. The plans are summarised as set out below.

RUA Medical textile capacity - £300,000 invested in new warper and creel system together with weaving looms to scale up production of graft materials. The capacity introduced should provide the feed stock to allow around 18,000-20,000 grafts to be manufactured per annum. Further graft and patch manufacturing equipment has also been committed to at a total investment of around £750,000. The manufacturing process has been highly automated and designed for a single shift of 9 operatives to manufacture and pack 900 grafts a month on a single shift basis (1,700 on a double shift).

The heart valve project also required further capital investment. The total budget amounts to approximately £800,000, split between testing equipment, manufacturing machinery and associated tooling. Testing has been brought in house to reduce lead time on testing prototype valves while shortening the time between iterations and determination of the ultimate manufacturing settings. Around 75 per cent. of the heart valve capital budget is however contingent upon satisfactory results from the initial testing regime.

RUA has always sought to anticipate future production needs and it is currently anticipated that the production capacity for patches and grafts from the current facility could be exhausted within 24 months of market launch. For this reason, we recently agreed to purchase the neighbouring industrial unit to our graft manufacturing plant in Irvine, Scotland. This factory which is the mirror image of the current facility includes 11,064 sq ft of office and production space which can be configured to more than triple clean room space while meeting production needs for a number of years to come. Additionally, by consolidating the two units, this will provide opportunities for further extensions on the attached land. The budget for both the initial purchase, cleanroom, office construction and fit out amounts to around £700,000 or a little under £60 per square foot.

Research and Development

R&D activities are key to the future value creation of the business. The investment made over the past year has taken the grafts through around 80 prototypes, through design freeze and subsequent in vitro and in vivo testing to allow FDA submission. Further investment is planned to allow scale up of production capacity and to bring the patches to a similar level of progress. The budget for the current year amounts to around £700,000 with deliverables being three FDA cleared product ranges.

The heart valve project is not as far advanced as the graft project due to the complexity of the task, however, the achievements of the past year have given the Board the confidence to commit to an R&D budget of a further £700,000 in this area with the objective of reaching design freeze and having durability trials well under way. The leaflet system design allows the valve to function well under hydrodynamic testing whilst the computational modelling indicates very low stress levels on the leaflets. The key to success of a polymeric leaflet heart valve is a combination of long-term durability together with bio-stability of the material. Having the IP to the Elast-Eon™ material is a major advantage in development of this project. A detailed literature review indicated that a number of projects were trialled with textile leaflets which had good durability but fell short in animal trials due to tissue in growth. The trials undertaken on our graft project

confirmed this tissue ingrowth issue with the control grafts, however, the Elast-Eon™ sealant allowed tissue ingrowth on the inside of the graft only and the external surface remained remarkably free of any adhesion. As a result, the heart valve project has been expanded to consider this textile reinforcement opportunity based on the graft technology. The 100 per cent. polymer leaflet is still being developed, however, in parallel we are also pursuing a textile variant of the design. The theory being that the mechanical properties of the leaflet material expressed as a factor of the maximum stress on the leaflets would increase by a factor of 30.

It is intended to trial both manufacturing methods against each other through durability trials.

Elast-Eon™

RUA Biomaterials is the IP licensing division that owns the family of medical grade polymers known as Elast-Eon™. Elast-Eon™ has been in long term human implants for well over 15 years and is the enabling technology behind over 7 million life sustaining devices. Elast-Eon™ has an FDA Masterfile and testing data has demonstrated the material to have all of the characteristics necessary for a long-term implantable biomaterial.

RUA Biomaterials has licensed manufacturing rights to Biomerics and the rights to use the material to a number of other medical device companies. During the year to 31 March 2021, royalty income and licence fees from this business activity grew from £489,000 to £507,000. Whilst the increase in GBP terms is approximately 4 per cent., the increase in USD terms is closer to 12 per cent. increasing from $608,000 to $679,000 in invoiced currency.

Elast-Eon™ is also being exploited by other Group companies as the enabling technology behind the grafts and patches being developed by RUA Vascular and the heart valve being developed by RUA Structural Heart. Both RUA Biomaterials and our licensed manufacturing partner are investing in the marketing of the Elast-Eon™ polymer, and we expect to see further growth in this area over the next few years as the material is adopted by more device companies.

RUA Medical

RUA Medical was acquired by the Group at the start of the financial year under review. It is a specialist end to end subcontract designer, developer and manufacturer of bespoke engineered medical devices with two facilities and four cleanrooms. The business is unique in the field of implantable textile devices, in being equipped to take a customer's product idea and progress it from design straight through to delivering retail packaged devices for clinical use. RUA Medical will continue to provide and grow these services to third party customers but through the availability of Elast-Eon™ polymers and know how, will expand the offering to include textile medical devices enabled by Elast-Eon™. Additionally, the RUA Medical team, facilities and systems are now fully available to continue the product developments for RUA Vascular and RUA Structural Heart.

This business was impacted most out of the Group by Covid restrictions on surgeries. We worked hard to support our customers through these difficult times and have been praised for quality of service and on-time delivery. Having demonstrated this high level of service, we believe it provides the opportunity to take on additional product lines for our major customer.

The business also successfully retained its ISO 13485:2016 certification, and formally added the new cleanrooms to its Irvine site and 'Contract Design and Development' to its current scope of certification.

Commercial Opportunities

The priority for the current year on business development activities is to organise the route to market for initially the vascular graft products and secondly the soft tissue patches. Due to the current regulatory regimes in place globally, we have identified the North American market for first launch which co-incidentally is also the highest value market by unit hospital pricing. We estimate that annual global demand for large bore surgically implanted grafts is around 200,000 units per annum of which North America represents around 45 per cent. by volume. Hospital pricing ranges from $1,000 to $3,000 depending on size and complexity (i.e. our one piece aortic root graft). Additionally, there is a market for grafts within the medical device industry for use in heart assist devices and valved conduits. RUA Life Sciences does not intend to sell grafts direct to hospitals but leverage the existing infrastructure of cardiovascular salesforces by partnering with distributors. This strategy reduces sales value potential through the need to provide distributor margin but is compensated for by the significantly lower costs of sales and marketing.

We are actively engaged with a number of potential distribution partners and the product has been met with much enthusiasm both from these sales focussed organisations and also from the KOL surgeons who have been exposed to the concept of a non-animal derived vascular graft. Most new products brought to the

market are "me too" versions of existing technology, ours on the other hand has been described as a game changer and truly disruptive. We understand that current recommendations to hospitals is that if a non-biogenic (not animal sourced) product is available, this should be offered to patient groups as an alternative.

We are now working on our plans for a European launch and similar discussions are underway in key European territories however the focus here is on organising the key centres to undertake the clinical trials required. European commercial launch is around 18 months to 2 years behind North America.

David Richmond

David Richmond
Group Chief Executive Officer
9 July 2021

STRATEGY

The strategy of the Group is simple. To exploit the benefits of the Company's IP and the family of biostable polymers with exceptional long-term performance. This is being undertaken through:

- licensing Elast-Eon™ to third parties through RUA Biomaterials;
- developing textile based and Elast-Eon™ coated implantable devices through RUA Vascular;
- developing a revolutionary and market disrupting Elast-Eon™ leaflet polymeric heart valve through RUA Structural Heart; and
- becoming a centre of excellence for designing, developing and manufacturing Elast-Eon™ based medical devices through RUA Medical Devices, whilst continuing to serve and expand its current customer base.

RUA Life Sciences is the holding company of each of these subsidiaries and 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.

In the financial year to March 2022 it is intended that RUA Vascular Limited and RUA Structural Heart Limited will begin to trade as separate entities. All Research and Development work for those two business areas has been undertaken through RUA Life Sciences for the year ended 31 March 2021.

DIRECTORS

The Company is managed by the Board of Directors which, at 31 March 2021, is comprised of four Executive (William Brown, David Richmond, Caroline Stretton and John McKenna) and three independent Non-Executive Directors.

John McKenna is a part-time Executive Director contracted to 67.5 days per annum. The Non-Executive Directors, being Ian Ardill, John Ely and Geoff Berg, are considered independent and provide a minimum of one day per month.

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 30 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, concluded that despite the Company having outstanding technology, its business model would not succeed. Since then, the historic difficulties have been addressed and a strategy developed to monetise the core technology. Bill oversees the finance and financing of the Group, corporate issues and capital markets, the IP and license arrangements together with helping to develop strategic relationships.

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

David Richmond (Group Chief Executive Officer). David founded RUA Medical in 2004. The company was re-acquired from Lombard Medical Technologies plc in December 2013 (having previously been sold to them in June 2007). RUA Medical Devices provides contract design, development, manufacture, assembly, retail packing and consultancy services to clients worldwide in the medical device and biotech industries from its two modern facilities in Prestwick and Irvine, Scotland. On 1 April 2020, RUA Medical Devices Limited was sold to RUA Life Sciences plc and David became Group Chief Executive Officer. David oversees the key manufacturing and research and development activities of the Group and remains responsible for the key customer relationships and business development.

Key Areas of Expertise Medical device market, device manufacture, international business development, product development, regulatory affairs, strategic planning, finance.

Caroline Stretton (Group Chief Operations Officer, RUA Medical Chief Executive Officer) 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 who achieved a multi-million pound exit to Danish surgical medical device manufacturer Coloplast in 2010. Caroline joined the Board of RUA Life Sciences on 1 April 2020.

Key Areas of Expertise Manufacturing & Operations, product development, quality assurance, regulatory affairs, project management office, strategic planning, Environmental, Social & 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 rejoined 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 Managing Director of Causeway Finance Associates Limited, a CFO and accountancy consultancy focussed in Life Sciences, which he founded in 2017. Previously, he was Chief Financial Officer of Diurnal Limited, 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 2021

As required by Section 172(1) of the Companies Act, a director of a company must act in the way he or she considers, in good faith, would likely promote the success of the company for the benefit of the shareholders.

In doing so, the director must have regard, amongst other matters, to the following issues:

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

The Group's ongoing engagement with stakeholders and consideration of their respective interests in its decision-making process is as described below.

Our culture
Our five company values (Innovation, Agility, Quality, Collaboration, Integrity) are a big part of how we work with each other and our clients to develop new market leading products, and they allowed us to deliver our service to the highest standards and create an environment where innovation can flourish. The entire organisation is involved in creating a positive culture, to ensure everyone feels included in driving toward the company's business goals. The life and soul of our Company is entirely down to the people who are a part of it.

Shareholders
The primary mechanism for engaging with shareholders is through the Company's AGM and also through the annual cycle of investor meetings 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 on pages 15 to 20.

Customers and suppliers
RUA Medical's customers continue to head towards the increased trend of outsourcing their manufacturing as they focus more on their core competencies, and overcoming the challenges of getting their products to market sooner and more cost effectively. RUA Medical therefore expanded its business operations to position itself as a single source manufacturing partner which offers complete end-to-end contract manufacturing services, including contract design, development, manufacture, assembly, packing, inventory management, logistics, regulatory & quality consultancy, sterilisation management and testing. A key strategy over the last year was to set the wheels in motion to capitalise on maximising business from existing customers, who are already loyal customers with a good working relationship with RUA Medical. A concerted effort was made to communicate our sustaining engineering capabilities, so that these valued customers better understood our ability to address improvements, enhancements and changes to their existing product lines as feedback returns from the field. We can also provide new solutions incorporating Elast-eon™ to assist them in their global marketplaces.
We see customers as our business partners and build solid long-lasting relationships with them. We had a robust supply chain in place during the past year, involving approved suppliers, dual sourcing and minimum stock levels, which helped us to successfully mitigate any potential impact on our operations due to COVID-19 (and Brexit). A recent customer satisfaction survey had an average satisfaction level of 95%, and impressive comments such as 'Service level is one of the best among suppliers ', 'Your company is small enough to be agile but has very deep bench strength in all aspects of medical device/components manufacturing' and 'Level of documentation on PQ's is world class' to name a few.

Employees
We believe that the most successful businesses are ones that embrace the employee experience and protect employee wellbeing. Our team is highly skilled and passionate, sharing the same vision and values, and are trusted to meet our priorities and objectives. We have created an environment where innovation can flourish, and have driven engagement in the workforce through systems training and upskilling,

introduction of Personal Development Plans, whilepositively managing and encouraging the right working environment so that together we make a difference.

The Group became accredited as Living Wage employers, where all employees receive a minimum hourly wage of £9.50 (this rate is higher than the statutory minimum for over 23s of £8.91 per hour introduced in April 2021). We chose to pay the real Living Wage on a voluntary basis, recognising the value of our employees and ensuring that we directly invest in the health and wellbeing of our employees and improve their quality of life. Receiving accreditation from Living Wage Scotland also represents to potential clients that our employees are properly remunerated, and promotes a more productive business since we have a happier, motivated and loyal workforce.

We addressed gender bias and inequality by creating an inclusive workplace, and RUA Medical currently boasts a 47%:53% female to male employee split, with a 50% female C-suite management ratio and gender pay gap of -8% (mean) and 9% (median - difference between the midpoints in the ranges of hourly earnings of men and women).

An employee satisfaction survey was recently conducted and an 84% satisfaction level demonstrated that employee perceptions were consistent and positive, and that employees were engaged, emotionally attached and loyal to the Company. Results also showed that employees held a strong identification with corporate objectives and held a strong belief in the vision of the Company. They also held a strong belief in the unity and competitive ability of the Company.

Community and environment
During the year we aligned our business practises with the United Nation's 2030 Sustainable Development Goals as a blueprint to achieving a more sustainable future.

We fostered an environmentally aware culture through our Green Champion in partnership with Zero Waste Scotland, Creative Carbon Scotland and Scottish Engineering. Our Green Champion is an employee responsible for promoting sustainability initiatives, engaging other members of staff and increasing environmental responsibility with the business

We practised good stewardship of the aquatic and terrestrial environment by exercising a high degree of control over raw materials and chemicals within our manufacturing process, and in line with the Control of Substance's Hazardous to Health Regulations 2002

We are passionate about our Development of the Young Workforce (DYW) programme. Twenty per cent. of our workforce are young people, and we work with Skills Development Scotland to routinely offer foundation, modern and graduate apprenticeships to employees and local school students.

We also encourage younger generations into STEM subjects, and RUA Medical's STEM Ambassador hosted a Bronze Go4Set Project in conjunction with the Engineering Development Trust for 3rd year local school students focusing on STEM innovation projects.

Although there will always be improvements to be made, we are pleased with our current progress and look forward to further developments in upcoming years.

OPERATING AND FINANCIAL REVIEW

Principal Activities
During the year to 31 March 2021, the Company was a manufacturer of medical devices and licensor of its IP and know-how together with developing medical devices utilising its polymer IP.

Review Of Business And Future Developments
The consolidated Income Statement is set out on page 39 indicating the Group's loss for the financial year of £1,451,157 (2020: £815,692) which will be deducted from the reserves.

On a Group basis, the business review and future prospects are contained within the Chairman's Statement and Group Chief Executive's report on pages 4 to 8. The Directors consider the Group's financial key performance indicators to be revenue growth, control of operating expenses and the pre-tax result. In addition, the Directors consider the Group's non-financial key performance indicators to be the achievement of milestones in the research and development projects being undertaken.

PRINCIPAL RISKS AND UNCERTAINTIES

One of the major risks and uncertainties facing RUA Life Sciences, as well as almost every other business globally, is the impact of Covid-19. The Group was impacted by reduced customer orders within the RUA Medical business but managed its resources through a combination of Furlough and other cost control. There remains a backlog of deferred surgeries which will require a period of catch up but until the pandemic is better controlled globally, the risk remains.

We face risks in relation to the political and economic instability associated with the UK leaving the European Union, as well as potential changes to the legal framework applicable to our business.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.

The Directors consider the other principal risks and uncertainties facing the Group at this stage of its development to be as follows: obtaining regulatory approval for its devices in development; the success rate of several key customers utilising our products in various medical device fields; small customer base generating revenues; retention of key management; any adverse results which may arise during development and regulatory phases; product liability risks; competitive markets with changing technology and evolving industry standards. All of the above risks and uncertainties are considered fundamental to the achievement of the Group's strategy as an IP focussed business and are being actively managed at Board level. Along with the internal control environment process as detailed on page 22, mitigation of these risks include: regular review of new market opportunities; active management of licensees; review of Board skills and remuneration packages (as explained in the Remuneration Report) and appropriate structuring of licence agreements to mitigate product liability risk. The Directors do not consider Brexit to pose any significant risk to the Group as the majority of its business takes place outside the European Union, and within RUA Medical, the major Brexit risk is related to supply of raw material stock. In preparation for Brexit, RUA Medical increased its raw material stock and has sufficient to satisfy a number of years' demand.

No dividends have been paid or proposed for the years ended 31 March 2021 and 31 March 2020.

Financial Risks
The financial risks faced by the Group are as follows:

Market Risk
Market risk encompasses two types of risk, being currency risk and fair value interest rate risk. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the sub-section entitled "Interest Rate Risk" below.

Currency Risk
The Group is exposed to translation and transaction foreign exchange risk. The majority of the Group's sales are to customers in the United States and these sales are priced and invoiced in US$. The majority of RUA Medical sales are also to the United States but their 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.

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	US$ Balance	GB£ Value
US Dollar Bank Account	$348,924	£253,158

Liquidity Risk
The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely. As disclosed within the Report of the Directors, the Directors have set out their assessment of why they believe the Group continues to remain a going concern, including the assumptions they have made in this regard.

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 2021 is shown in the table below. The table includes trade receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

	Interest rate		
	Floating	Zero	Total
	GB£000	GB£000	GB£000
Financial assets			
Cash and cash equivalents	6,294	-	6,294
Trade and other receivables	-	949	949
	6,294	949	7,243
Financial liabilities			
Liabilities at amortised cost	-	1,649	1,649
Fair value through profit or loss	-	-	-
	-	1,649	1,649

Credit Risk
The Group's principal financial assets are cash and trade receivables. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from trade receivables. The Directors regularly review the profile of trade receivables to minimise the Group's exposure to bad debts.

Capital Management Objectives
The Directors' capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders. The Company's Board meets regularly to review performance and discuss future opportunities and threats with the aim of optimising sustainable returns and minimising risk. Capital in the business is represented by the Company's ordinary share capital. Success in meeting the capital management objectives are assessed by reference to the Group's profitability, and, in turn, its share price.

William Brown

William Brown
Chairman
RUA Life Sciences plc
Company number SC170071
9/7/2021

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 Company 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

In early 2018, the RUA Life Sciences Board conducted a thorough strategy review which culminated in an equity fund raising to support a new growth business model. 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 model adopted to obtain the greatest value for money in Research and Development spend was to work with partners who have a combination of skills, infrastructure and regulatory approvals to undertake work on our behalf. 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.

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 and Group Chief Executive 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, Shore Capital and joint broker Cenkos, whom organise presentations to existing and potential investors and they update 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 Company. RUA has also engaged with a third party research organisation, Equity Development, to publish financial analysis on the Company. 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 2020 AGM held as a poll due to Covid restrictions, all resolutions were passed unanimously at the meeting and proxy cards were 98.66% in favour of all resolutions.

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

With the recent acquisition of RUA Medical , 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 of 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,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 13 and 14 of this Annual Report and Accounts, the 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 RUA Medical which is subject to external audit. A similar QMS has been developed for all other divisions and ISO 13485 accreditation will be sought as developments require.

The Board has formalised the review and reporting of the main internal controls within the business. In previous periods, the Directors commissioned a risk review exercise during the course of which the key risk factors facing the Group were identified. 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.

Maintaining 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 2021, the Board was led by the Chairman, William Brown, and David Richmond the CEO had executive responsibility for running the Group's business and implementing strategy.

RUA Life Sciences recognised that unless there was justifiable and explained circumstances, the chair should not also fulfill the role of chief executive. The strategic review and business model previously adopted by AorTech had resulted in no need for a full executive team as much of the business activities

were undertaken by business partners. This, together with the specific areas of expertise and active involvement of the Non-Executive Directors in development projects, meant that splitting the role of Chairman and Chief Executive at that time would not have been the best use of the Company's resources. It was however accepted by the Board that as the Company developed this issue would be normalised. During the year, David Richmond was appointed full time Group Chief Executive Officer thus splitting the roles of Chairman and CEO.

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 now comprises four Executive Directors and three Non-Executive Directors. The Board considers that all Non-Executive Directors bring an independent judgement to bear notwithstanding the varying lengths of service. 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 is available on the Company's website.

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

As part of the equity fundraising in 2018, the skills required to help implement the Group's strategy were identified as being specific to medical devices, their design, manufacture, marketing use and the regulation thereof. The balance of financial and public market skills were provided by the Chairman.

The Board recognises that it is healthy for membership of the Board to be periodically refreshed, the longest serving board member, Gordon Wright, retired during the year, two new members of the Board (one Executive and one Non-Executive) were appointed and the other two Non-Executive directors have served for under three 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. The principal activity of the Nominations Committee during the year was the search for and appointment of a Non-Executive director to assume responsibility for chairing the Audit Committee. This task was completed by the appointment of Ian Ardill who demonstrated the key attributes, qualifications and experience for both the Audit Committee chair but also to contribute on broader matters. Additionally, the Nominations Committee recognised the opportunity to broaden the operational skills on the Board by appointing Dr Caroline Stretton as Group COO.

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 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 previously recognised the reliance upon two Executive Directors and resolved this weakness through the appointment of David Richmond and Caroline Stretton.

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 Company, 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 very small company, so the actions of its Executives are highly visible and reflect directly upon the Company. The Company 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 11 and 12 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.

David Richmond, as Group CEO has overall responsibility for managing the Group's business as well as responsibility for development and manufacture of patches and grafts and manufacture of polymeric heart valves.

Caroline Stretton, as Group COO has day to day responsibility for managing the RUA Medical Devices subsidiary and detailed planning of the scale up and manufacturing of the Company's devices.

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 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.

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.

Ian Ardill, a Non-Executive Director provides financial and public company expertise and Chairs the Group 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 23. 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 purposes 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 2021:

	Number of Meetings Attended			
Director	**Board**	**Audit**	**Remuneration**	**Nominations**
William Brown	6/6	2/2	-	1/1
John McKenna	6/6	-	-	-
Gordon Wright	3/4	0/2	-	-

David Richmond	6/6	-	-	-
Geoff Berg	6/6	2/2	1/1	1/1
John Ely	6/6	2/2	1/1	1/1
Ian Ardill	2/2	-	1/1	-
Caroline Stretton	2/2	-	-	-

The Board has revised its schedule of matters reserved for its decision during the year. These matters 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

9 July 2021

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. For the first time, the committee has provided 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 since his appointment on 18 January 2021, succeeding the Chairman.

Meetings
The committee met formally twice during the year - once to consider the interim report and the other to consider the final year end report and accounts for the year. The external auditors, Company Secretary and the Chairman also attended the meeting to consider the year end accounts at the invitation of the committee chairman. After this meeting, the committee met with the external auditors without the presence of the Executive Directors or management.

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.

Financial reporting
The committee has recently concluded that the Annual Report and Financial Statements for the year ended 31st March 2021, 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:

- Review the requirements of IFRS3 following the acquisition of RUA Medical Devices Ltd in the year. An independent expert was engaged to conduct the valuation of the Intangible assets acquired, and the Directors considered the fair value of the tangible assets acquired.
- 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: capitalisation of product development spend, deferred tax related to brought forward historical losses and whether or not any expenses should be analysed as exceptional. 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 and half-year results announcement, 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
In the year ended 31 March 2021 fees for non-audit services amounted to £26,700. The committee was satisfied with the quality of the audit, the degree of challenge and review of the report and accounts and will carry out a formal assessment of audit quality post the year end in 2021.

Risk management and internal control
The Board has formalised the review and reporting of the main internal controls within the business. In previous periods, the Directors commissioned a risk review exercise in the course of which the key risk factors facing the Group were identified. 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. Following the acquisition of RUA Medical Devices Ltd, the Board approved an authorisation system for capital expenditure and is developing enhanced stock control measures.

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.

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. We would welcome feedback from shareholders on this report.

Ian Ardill
Chairman

9 July 2021

GOVERNANCE

Directors' Remuneration Report
This report covers the financial year ended 31 March 2021.

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 to align their interests with those of the shareholders and to encourage the strategic development of the business.

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
David Richmond	Group CEO	None	12 months
John McKenna	Director of Clinical Marketing	None	12 months
Ian Ardill	Non-Executive Director	2 years 6 months (first three year term)	1 month
Geoff Berg	Non-Executive Director	2 years 11 months (second three year term)	3 months
John Ely	Non-Executive Director	2 years 11 months (second three year term)	3 months
Caroline Stretton	Group Chief Operating Officer	None	6 months

Executive Remuneration Policy
The Committee endeavours to offer competitive remuneration packages which are designed to attract, retain and incentivise Executive Directors with the experience and necessary skills to operate and develop the Group's business to their maximum potential, thereby delivering the highest level of return for the shareholders. Consistent with this policy, the benefits packages awarded to Executive Directors are intended to be competitive and comprise a mix of contractual and performance related remuneration that is designed to incentivise them; but not to detract from the goals of corporate governance.

The remuneration packages for the Executive Directors were entered into on 11 June 2018; or the date of their appointment if later. The composition of each Director's remuneration is based on a maximum payment under the terms of an annual performance related bonus. 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. The annual basic salaries of the Executive Directors as at 31 March 2021 are as follows:

William Brown	Full Time	£175,000
John McKenna	Part Time (67.5 days minimum)	£50,000
David Richmond	Full Time	£175,000
Caroline Stretton	Full Time	£100,860

Annual performance related bonus
No formal bonus scheme is currently in place for the Executive Directors.

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 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 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.

The Options issued to the Directors were as follows:

Options Granted	**2021**	**2020**
G Berg	-	120,000
J Ely	-	120,000
D Richmond	-	120,000
C Stretton	135,000	-

No share options were exercised in the year.

Directors' Emoluments (audited)
The emoluments of the Directors of the parent Company for the year in accordance with the basis of preparation were as follows:

	Salary & fees GB£	**Share-based payments GB£**	**Pension contributions GB£**	**2021 Total GB£**	2020 Total GB£
Executive					
W Brown	**166,250**	**54,260**	**16,625**	**237,135**	246,760
D Richmond	**166,250**	**13,728**	**16,625**	**196,603**	34,543
C Stretton	**100,860**	**4,088**	**7,817**	**112,765**	-
J McKenna	**47,500**	**22,725**	**4,750**	**74,975**	77,725
Non-Executive					
G Berg	**28,500**	**13,728**	**-**	**42,228**	34,543
J Ely	**28,338**	**13,728**	**-**	**42,066**	35,478
G Wright (retired December 2020)	**21,000**	**-**	**-**	**21,000**	30,000
I Ardill	**6,154**	**-**	**-**	**6,154**	
	564,852	**122,257**	**45,817**	**732,926**	459,049

Acquisition of RUA Medical Devices Limited and Related Party Transaction
During the year the Company acquired RUA Medical Devices Limited, as approved by shareholders at a general meeting. RUA Medical Devices Limited was wholly owned by David Richmond. The acquisition was completed on 1 April, 2020.

At the time of acquisition, David Richmond had a directors loan of £5,494 outstanding to RUA Medical Devices Limited. The amount was settled in the accounting period to 31 March 2021.

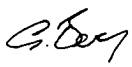
During the year, RUA Medical Devices Limited purchased property at Skye Road, Prestwick for £207,134 from Glenavon Estates, a partnership comprising Lorna Richmond (wife of David Richmond) as one of the partners.

Directors' interests in shares (audited)

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

	31 March 2021	31 March 2020
D Richmond	1,533,334	33,334
G Wright	641,645	641,645
W Brown	569,149	506,649
J McKenna	35,452	18,785
G Berg	25,018	16,685
J Ely	4,167	-

On behalf of the Board
G Berg
Chairman of the Remuneration Committee
9 July 2021



FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

GOING CONCERN

After considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to 31 October 2022 which incorporate planned investment in new product development and assumptions related to the return towards normal business particularly relating to the RUA Medical Devices subsidiary, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

POST BALANCE SHEET EVENTS

The future developments of the Group are detailed in the Chairman's Statement on pages 4 and 5.

DIRECTORS AND THEIR INTERESTS

At 31 March 2021 the Executive Chairman of the Group was W Brown, the Executive Directors were D Richmond, C Stretton and J McKenna. 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 Ian Ardill and Caroline Stretton are due for election and David Richmond is due for re-election.

The interests of the Directors at 31 March 2021 and 31 March 2020 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2021 Number of shares	31 March 2020 Number of shares
D Richmond	**1,533,334**	33,334
G Wright (retired 10 December 2020)	**641,645**	641,645
W Brown	**569,149**	506,649
J McKenna	**35,452**	18,785
G Berg	**25,018**	16,685
J Ely	**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 2021 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Walker Crips Stockbrokers	**2,929,760**	13.21%
Amati Global Investors	**1,791,000**	8.07%
Mr David Richmond	**1,533,334**	6.91%
Hargreaves Lansdown Asset Mgt	**1,355,575**	6.11%
A J Bell Securities	**1,250,802**	5.64%
Share Centre Investment Management	**993,539**	4.48%
Mr Clive Titcomb	**837,749**	3.78%
HSDL, Stockbrokers	**716,781**	3.23%
Charles Stanley	**711,851**	3.21%

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 13 and 14 as these are deemed to have strategic importance to the Group.

DIRECTORS' INDEMNITY

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

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting for 11.00am on Tuesday, 31 August 2021 at RUA Medical, 2 Drummond Crescent, Riverside Business Park, Irvine Ayrshire KA11 5AN is set out on pages 74 to 80. An explanation of certain business to be considered and voted on at the AGM is set out on pages 70 to 73.

In light of the Covid-19 pandemic, special arrangements have had to be put in place for the AGM and these are explained on page 70.

William Brown
William Brown
Chairman
RUA Life Sciences plc
Company number SC170071

9 July 2021

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 Laws including FRS 101 "Reduced Disclosure Framework") and to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs 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 auditors are 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.

AUDITOR

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD:

William Brown

William Brown
Chairman

9 July 2021

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 2021, which comprise the Consolidated income statement, the Consolidated income statement, the Consolidated and Parent company balance sheets, the Consolidated cash flow statement, the Consolidated and Parent company statements of changes in equity and notes to the 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

Conclusions relating to going concern

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.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

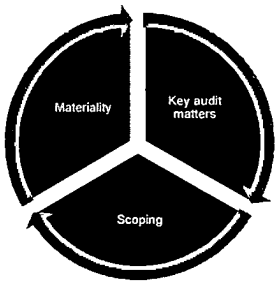
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability

to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

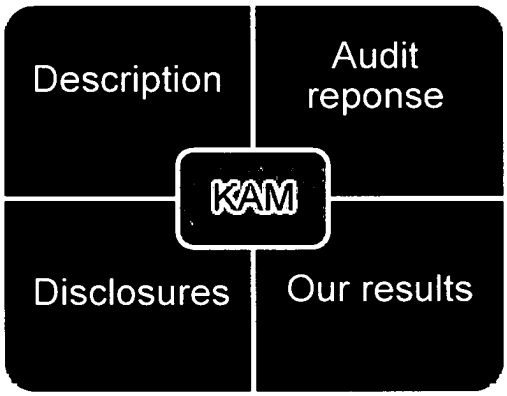
The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

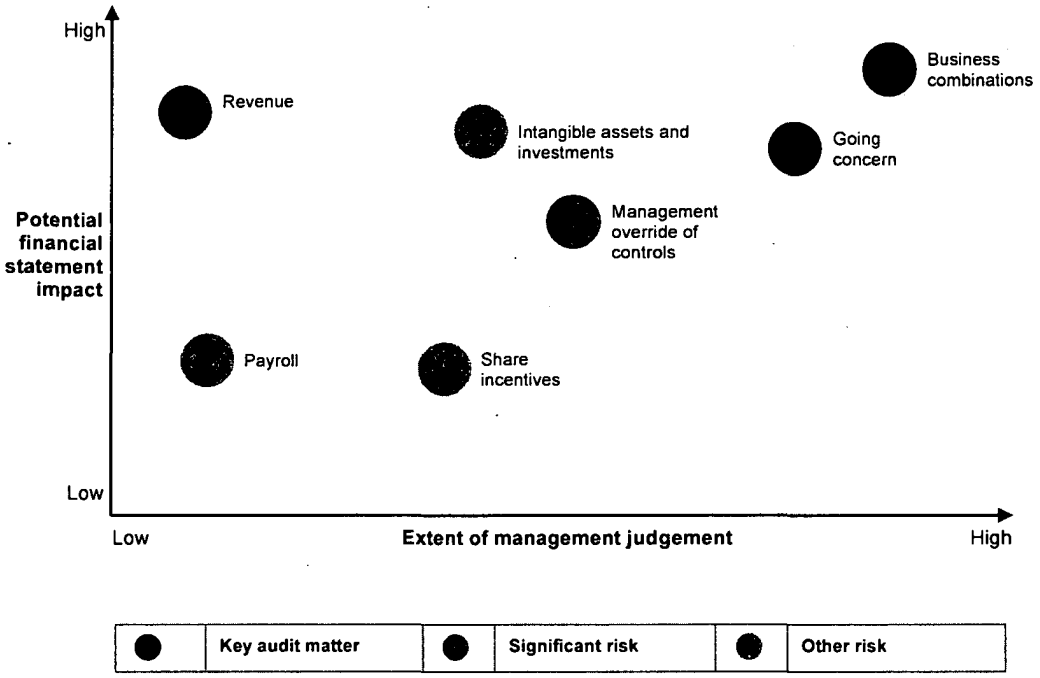
	Overview of our audit approach
Grant Thornton 	Overall materiality: Group: £141,000, which represents approximately 1.5% of the group's total assets. Parent company: £128,000, which represents approximately 1.5% of the parent company's total assets.
	Key audit matters were identified as • Business combination (New); and • Going concern (Same as previous year) Our auditor's report for the year ended 31 March 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to impairment of intangible assets (specifically intellectual property) where the relative size of these assets has reduced as a result of amortisation. The associated valuation risk associated with this balance has also reduced due to the relative size when compared to the increased current year materiality. The intangibles and goodwill resulting from the acquisition in the year have been addressed within the business combination key audit matter.
	We performed audits of the financial information of Rua Life Sciences Plc and of the financial information of all components using component materiality (full scope audit procedures).

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.



Key Audit Matter – Group and parent company	How our scope addressed the matter – Group and parent company
Business combinations We identified Business combinations as one of the most significant assessed risks of material misstatement due to error. The acquisition of Rua Medical Devices Limited in the year represents a significant acquisition for the group. There is a risk that the intangible assets, including goodwill, are not recognised in accordance with IFRS 3 'Business Combinations'. There is significant judgement and complexity associated with the allocation of excess consideration over net assets acquired between separable intangible assets and remaining goodwill. Management have used an external expert to calculate the fair value of intangible assets. Due to the inherent uncertainty and key assumptions involved in determining the accurate valuation of acquired intangible assets and goodwill, we therefore identified the valuation of intangible assets on recognition of the acquired business as a significant risk	In responding to the key audit matter, we performed the following audit procedures: Examined the share purchase agreement to ensure the accounting treatment and presentation are consistent with the transaction details Examined the business combination accounting workings and supporting schedules; Examined and assessed the fair value of the consideration given and assets acquired, in particular intangible fixed assets; Consulted with our internal auditors expert to examine and assess the intangibles valuation performed by management's expert including the assumptions used within the calculation i.e. discount rates and growth rates; Examined other identifiable assets and liabilities on acquisition and performed appropriate audit tests on these; Challenged management on the assumptions used within the business combination accounting; and Examined the disclosure in the financial statements to ensure it is in accordance with IFRS 3 – Business Combinations.
Relevant disclosures in the Annual Report and Accounts 2021 **Financial statements:** • Note 2.1, Basis of Consolidation • Note 2.17 – Use of accounting estimates and judgements • Note 3 – Acquisitions and disposals	**Our results** Based on our audit work, we noted no material misstatement within the business combination accounting.

Key Audit Matter – Group and parent company	How our scope addressed the matter – Group and parent company
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. The current major macro-economic uncertainties in the form of Covid-19 and Brexit affect the operations of entities and their working capital. The risk that the use of going concern basis in preparing the financial statements may not be appropriate. The directors after considering the year end cash position, making appropriate enquiries and reviewing budgets and cash flow forecasts to 31 October 2022 which incorporate planned investment in new product development and assumptions related to the return towards normal business particularly relating to the Rua Medical Devices subsidiary, have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, the directors consider the adoption of the going concern basis in preparing the consolidated financial statements is appropriate. **Relevant disclosures in the Annual Report and Accounts 2021** • Financial statements: Note 1, Basis of preparation – going concern • Report of the directors – going concern	In responding to the key audit matter, we performed the following audit procedures: • Obtained and examined management's assessment of going concern assumptions and supporting information including budgets and cash flow forecasts, for the period to October 2022 and associated sensitivity analysis; • Challenged the key assumptions in the forecasts, sensitivity analysis and the scope of scenario planning undertaken given current social and economic conditions in the UK and wider world; • Examined the historical accuracy of management's forecasting and considered the implications of this on the reliability of management's current year forecasts; • Obtained an understanding of financing arrangements in place, management's assessment of their adequacy and plans to manage these; and • Examined the disclosures concerning the basis of preparation of the financial statements and assess the appropriateness of the use of the going concern assumption in preparing the financial statements. **Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

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.

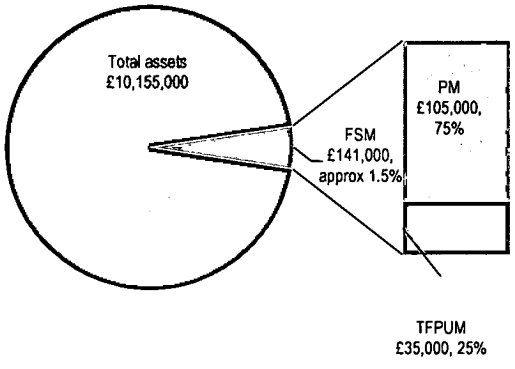
Materiality was determined as follows:

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	£141,000 which is approximately 1.5% of the group's total assets.	£128,000 which is approximately of 1.5% of the parent company's total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements • the selection of an appropriate benchmark; • the selection of an appropriate percentage to apply to that benchmark; and • the consideration of other qualitative factors We consider total assets benchmark to be the most appropriate as the group is exploiting its intangibles, investment in Rua Medical Devices Limited and cash and other assets to fund further research and development. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect the increase in group total assets.	In determining materiality, we made the following significant judgements • the selection of an appropriate benchmark; • the selection of an appropriate percentage to apply to that benchmark; and • the consideration of other qualitative factors We consider total assets benchmark to be the most appropriate as the parent company is exploiting its intangibles, investment in Rua Medical Devices Limited and cash and other assets to fund further research and development. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect the increase in parent company total assets.
Significant revisions of materiality threshold that were made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, re-assessed initial materiality based on actual total assets and this did not result in the need to change materiality calculated at the planning stage.	We calculated materiality during the planning stage of the audit and then during the course of our audit, re-assessed initial materiality based on actual total assets and this did not result in the need to change materiality calculated at the planning stage.
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	£105,000 which is 75% of financial statement materiality.	£96,000 which is 75% of financial statement materiality.

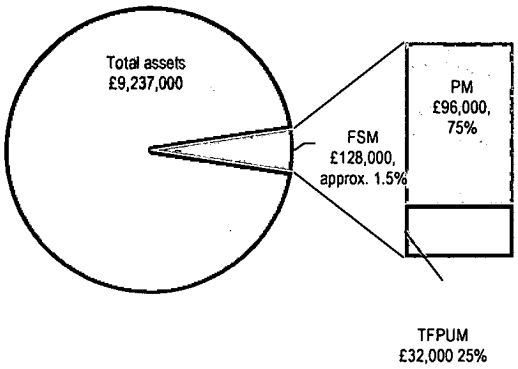
Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements • Our experience with auditing the financial statements of the group – the effect in the current year of previously identified and uncorrected misstatements.	In determining materiality, we made the following significant judgements • Our experience with auditing the financial statements of the group – the effect in the current year of previously identified and uncorrected misstatements.
Significant revision of performance materiality threshold that were made as the audit progressed	The performance materiality threshold percentage did not change during the course of the audit nor did the overall threshold given no change in materiality as referred to above.	The performance materiality threshold percentage did not change during the course of the audit nor did the overall threshold given no change in materiality as referred to above.
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 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: • Directors' remuneration; and • Related party transactions • Auditors remuneration disclosure	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions • Auditors remuneration disclosure
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£7,050 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,400 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

- Rua Life Sciences plc group management are responsible for the consolidation, acquisition accounting and going concern assessment with a centralised accounting function for the group, parent company and subsidiary with operational support from subsidiary management. We have tailored our audit response accordingly with all audit work undertaken by the group audit 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.

Identifying significant components

- We performed full scope audit procedures on the financial statements of Rua Life Sciences plc, and we completed full scope audit procedures on the financial information of Rua Medical Devices Limited, the only trading subsidiary. We completed full scope procedures on areas arising on a consolidated basis i.e. business combination adjustments.

Performance of our audit

Audit approach	No. of components	% coverage **Total assets**	% coverage **Revenue**	% coverage **LBT**
Full-scope audit	**2**	**100**	**100**	**100**

Changes in approach from previous period

- Our audit approach is in the current year has been adapted for the current year given the acquisition of Rua Medical Devices Limited in the group compared to Rua Life Sciences plc as a single entity in the prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 for the financial statements

As explained more fully in the directors' responsibilities statement, 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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. We determined that the following laws and regulations were most significant: International accounting standards in conformity with the requirements of the Companies Act 2006, Companies Act 2006, AIM Rules, 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 laws and regulations relating to employment matters, data security and protection and the use of substances in the development of products.
- We obtained an understanding of how the parent company and the Group is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board meeting minutes.
- We enquired of management and the audit committee, whether they had knowledge of actual, suspected or alleged fraud. We corroborated this through our testing around the risk of management override of controls and significant estimates and judgements.
- We enquired of management and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations. We corroborated this through our review of professional fees incurred during the year.
- We assessed the susceptibility of the parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
    - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud:
    - challenging assumptions and judgements made by management in making its significant accounting estimates;
    - utilising our internal auditors expert to review managements identification and valuation of intangible assets arising from the business combination in the year.
    - 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
    - assessing the extent of compliance with certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements.
- We reviewed the Group's press releases and performed a search of any related information in the public domain.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- It is the audit partner's assessment that the audit team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
- The Group's management and Audit Committee have not noted any matters of non-compliance with laws and regulations or fraud that were communicated with the audit team.
- We completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable financial reporting requirements.

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

Paul C Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
9 July 2021

Consolidated income statement

	Notes	Year ended 31 March 2021 GB£000	Year ended 31 March 2020 GB£000
Revenue	**4**	**1,528**	489
Cost of sales		**(276)**	-
Gross Profit		**1,252**	489
Other income		**279**	14
Administrative expenses		**(2,690)**	(1,123)
Other expenses:			
Share-based payments	**7**	(128)	(91)
Bad debt expense		**8**	(37)
Amortisation & depreciation	**12/13**	**(272)**	(193)
Total administrative expenses		**(3,082)**	(1,444)
Operating loss	**4**	**(1,551)**	(941)
Finance (expense) / income		**(43)**	44
Loss before taxation	**8**	**(1,594)**	(897)
Taxation	**9**	**143**	81
Loss from continuing operations attributable to owners of the parent company		**(1,451)**	(816)
Loss attributable to owners of the parent company		**(1,451)**	**(816)**
Loss per share			
Basic & Diluted (GB Pence per share)	**10**	**(8.20)**	(5.55)

The notes on pages 43 to 61 form part of these financial statements

Consolidated statement of financial position

	Notes	31 March 2021 GB£000	31 March 2020 GB£000
Assets			
Non current assets			
Goodwill	11	301	-
Other intangible assets	12	574	255
Property, plant and equipment	13	1,952	5
Total non current assets		2,827	260
Current assets			
Inventories	15	85	-
Trade and other receivables	16	949	258
Cash and cash equivalents	17	6,294	1,976
Total current assets		7,328	2,234
Total assets		10,155	2,494
Equity & Liabilities			
Equity			
Issued capital	18	12,949	12,574
Share premium	18	11,729	4,550
Other reserve		(1,697)	(1,825)
Profit and loss account		(14,475)	(13,024)
Total equity attributable to equity holders of the parent		8,506	2,275
Liabilities			
Non-current liabilities			
Borrowings	19	223	-
Lease liabilities	20	124	-
Deferred tax	21	163	-
Other liabilities		40	-
Total non-current liabilities		550	-
Current liabilities			
Borrowings	19	23	-
Lease liabilities	20	40	-
Trade and other payables	22	1,016	219
Other liabilities		20	-
Total current liabilities		1,099	219
Total liabilities		1,649	219
Total equity and liabilities		10,155	2,494

The consolidated financial statements were approved by the Board on 9 July and were signed on its behalf by

W Brown, Chairman

William Brown

D Richmond, Group CEO

David Richmond

Company number SC170071

The notes on pages 43 to 61 form part of these financial statements

Consolidated cash flow statement

	Year ended 31 March 2021 GB£000	Year ended 31 March 2020 GB£000
Cash flows from operating activities		
Group loss after tax	**(1,451)**	(816)
Adjustments for:		
Amortisation of intangible assets	**68**	193
Depreciation of property, plant and equipment	**204**	1
Share-based payments	**128**	91
Interest expense/(income)	**9**	(7)
Tax credit in year	**(143)**	(81)
(Increase) / decrease in trade and other receivables	**(589)**	(20)
(Increase) / decrease in inventories	**7**	-
Increase / (decrease in taxation	**122**	81
Increase / (decrease) in trade and other payables	**231**	120
Net cash flow from operating activities	**(1,414)**	(438)
Cash flows from investing activities		
Purchase of property plant and equipment	**(620)**	(5)
Proceeds from disposal of property plant and equipment	**18**	-
Acquisition of subsidiary net of cash acquired	**(341)**	-
Interest received / (paid)	**(9)**	7
Net cash flow from investing activities	**(952)**	2
Cash flows from financing activities		
Proceeds of issue of share capital, net of issue costs	**6,462**	-
Proceeds from borrowing	**260**	
Repayment of borrowings and leasing liabilities	**(38)**	
Net cash flow from financing activities	**6,684**	-
Net (decrease)/increase in cash and cash equivalents	**4,318**	(436)
Cash and cash equivalents at beginning of year	**1,976**	2,412
Cash and cash equivalents at end of year	**6,294**	1,976

The notes on pages 43 to 61 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	Profit and loss account GB£000	Total equity GB£000
Balance at 31 March 2019	**12,574**	**4,550**	**(1,916)**	**(12,208)**	**3,000**
Share-based payments	-	-	91	-	91
Issue of equity share capital (net of issue costs)	-	-	-	-	-
Transactions with owners	**-**	**-**	**91**	**-**	**91**
Total comprehensive loss for the year	-	-	-	(816)	(816)
Balance at 31 March 2020	**12,574**	**4,550**	**(1,825)**	**(13,024)**	**2,275**
Share-based payments	-	-	128	-	128
Issue of equity share capital - acquisition (net of fees) – **note 3**	75	1,004	-	-	1,079
Issue of equity share capital - exercise of warrants	8	42	-	-	50
Issue of equity share capital (net of issue costs) – fundraise	292	6,133	-	-	6,425
Transactions with owners	**375**	**7,179**	**128**	**-**	**7,682**
Total comprehensive loss for the year	-	-	-	(1,451)	(1,451)
Balance at 31 March 2021	**12,949**	**11,729**	**(1,697)**	**(14,475)**	**8,506**

The notes on pages 43 to 61 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

General information

RUA Life Sciences plc changed its name from Aortech International plc on 16 June 2020. It is the ultimate parent company of the Group, whose principal activities comprise exploiting the value of its IP and know-how.

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 2021. They have been prepared in compliance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

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, as detailed in note 3.

The accounting policies remain unchanged from the previous year.

Going concern

After considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to 31 October 2022 which incorporate planned investment in new product development and assumptions related to the return towards normal business particularly relating to the RUA Medical Devices subsidiary, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

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 Consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.2 Revenue

Revenue is measured at the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts, as follows:

(a) *Licence fees*: Upfront payments in respect of licence revenues for access by third parties to the Group's technology are recognised as revenue once a third party has a binding contractual obligation to the Group based on the specific contract terms and the Group has no remaining obligations to perform. Licence fee income in the current and prior year was based on minimum royalty levels. Where revenue recognised is based on minimum royalty levels, such revenue is treated as being inherent in the licence, disclosed as licence fee income and recognised consistent with royalty income as detailed below.

(b) *Royalty revenues*: Royalty revenues are recognised as earned in accordance with third parties' sales of the underlying products.

(c) *Medical devices: Income from medical device sales is recognised at the earlier of dispatch to customer, or if dispatch is delayed at the request of the customer, when final packed ready for despatch.*

2.3 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.

2.4 Exceptional items

Items considered significant by virtue of their size or nature are separately disclosed on the face of the Income Statement to enable a full understanding of the underlying performance of the Group.

2.5 Intangible assets

(a) Patents, trademarks and know-how (intellectual property):

Patents and trademarks (intellectual property) are included at cost and are amortised on a straight line basis over their useful economic lives of 20 years, which corresponds to the lives of the individual patents.

Know-how is included in 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.

(b) Research and development:

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate all of the following:

- the technical feasibility of the intangible asset so that it will be available for use or sale. In practice this will be when the Group is satisfied that the appropriate regulatory hurdles have been or will be achieved.

- its intention to complete and its ability to use or sell the asset.
- how the asset will generate future economic benefits.
- the availability of economic resources to complete the asset.
- the ability to measure the expenditure during development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future sales. Assets are tested for impairment when an impairment trigger occurs.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date.

Development costs capitalised are being amortised over their useful economic lives of five years

The following intangible assets were recognised on acquistion of RUA Medical Devices Ltd:

(c) Customer Related

RUA Medical's contract accounts for the majority of its revenue, with the relationship running since the early 2000's. The current contract is due to expire in 2023 and there is a renewal expectation for another 5 year period following this.

The excess earnings approach was used to value this intangible asset, 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.

(d) Technology based

RUA Medical has developed know-how and in-house trade secrets associated with the production of base mesh, Elast-Eon™ sealed patches and grafts, combining its expertise as an implantable fabric specialist and full-service contract device developer and manufacturer with Elast-Eon™'s biostable and biocompatible properties.

The Company's technology based asset (know-how) was valued 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 RUA Medical's technology, and pay a royalty related to turnover achieved in this industry.

Technology based intangible assets are amortised over 10 years.

(e) Goodwill

In accordance with IFRS3, goodwill arose at acquistion due to the excess cost of the RUA Medical business above the identifiable assets acquired less liabilities assumed. Any intangible assets that do not meet the criteria for recognition as a separate asset should be included in Goodwill.

The residual goodwill figure can be explained by the following factors:
- The customer related intangible asset valuation excludes potential future contracts and relationships. The expectation of new contracts and relationships is included in goodwill.
- The technology based intangible valuation captures existing technology in place but excludes potential future technology. The Company's ability to develop new technology resides in goodwill
- Identified intangible assets have limited useful economic lives, any value beyond the attributed useful life is considered in goodwill

- *The assembled workforce cannot be separately recognised from goodwill.*

2.6 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 income statement.

2.7 Impairment testing of intangible assets

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.

Individual assets or cash-generating units that include 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 asset's 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.

2.8 Property, plant and equipment

Property, plant and equipment is 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 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:

Buildings – 50 years
Computer equipment – 3-4 years
Plant & Machinery – 10 years
Property improvements – 20% reducing balance
Office equipment – 15% reducing balance

2.9 Financial assets

Financial assets fall into the following category: Loans and receivables.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs and subsequently measured at amorised cost

The group uses a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

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.

2.10 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 accruals 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.

2.11 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 balance sheet 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.

2.12 R&D Tax Credits

R&D tax credits are recognised on a cash received basis.

2.13 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 fair value of share-based payments.
- "Profit and loss account" represents retained profits and losses.

2.14 Share-based Payments

a) Share options

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

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.

b) Share warrants

Where warrants are awarded in lieu of fees the fair value is recognised in the Profit and Loss Account (or if pertaining to fundraising costs charged to the Share Premium Account) and a corresponding credit recognised within Other Reserves.

c) 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 balance sheet 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.

2.15 Grant Income

Government grants are recognised at their fair value in the Consolidated Statement of Comprehensive 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.

2.16 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 balance sheet. 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.

2.17 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:

Judgements in applying accounting policies:

a) Capitalisation of development costs requires detailed analysis of the technical feasibility and commercial viability of the project. The Board regularly reviews this judgement in respect of specific development projects.

b) The Directors must judge whether future profitability is likely in making the decision whether or not to recognise a deferred tax asset. At this stage the timing of future profits is insufficiently certain to warrant inclusion of a deferred tax asset.

c) Identification of functional currencies requires a judgement as to the economic environments of the subsidiaries of the Group and the selection of the presentational currency must reflect the requirements of the users of the financial statements.

d) Revenue recognition requires the Directors to assess the terms of contracts and to determine whether specific obligations have been met before recognising revenue in relation to licence fees and milestone payments. Licence fee income in the current and prior year was based on minimum royalty levels. In addition, the Directors have assessed whether any provision for impairment is necessary against receivables through the estimation of future cash flows in both financial years.

e) Management uses the Black Scholes option pricing model to determine the fair value of share-based payments. This requires a number of assumptions which management uses best available information and professional judgement to ascertain. The model does not take into account all of the variables relating to the share-based payments and actual value may differ from the fair value estimates used.

f) Fair value assessment of a business combination: Following an acquisition the Group makes an assessment of all assets and liabilities,inclusive of making judgements on the identification of specific intangible assets which are recognised separately from goodwill. These include items such as brand names and customer lists, to which value is first attributed at the time of acquisition. The valuation process for the intangible assets requires a number of judgements to be made regarding future performance of an acquisition, together with other asset-specific factors. In order to estimate the fair value of separately identifiable assets in business combinations certain judgements must be made about future trading performance, royalty rates and customer attrition rates. Where acquisitions are significant, appropriate advice is sought from professional advisers before making such allocations. The fair values of assets and liabilities acquired in business combinations are disclosed in note 28 and the carrying values of separately identifiable intangible assets initially measured at fair value are disclosed in note 3.

Sources of estimation uncertainty:

a) Estimates are required as to intangible asset carrying values and impairment charges (see note 2.7).

b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset (see note 2.11).

c) Amortisation rates are based on estimates of the useful lives and residual values of the assets involved (see note 2.5).

d) Estimates as to recoverability of receivables, including future expected cash flows (see note 2.9).

e) Estimates as to fair value of share-based payments (see note 2.14).

f) Carrying value of goodwill: In carrying out impairment reviews of goodwill, 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 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 note 11.

3. Acquisitions and disposals

Acquisition of RUA Medical Devices Limited

On 1 April 2020 RUA Life Sciences plc acquired 100% of the share capital and voting rights of RUA Medical Devices Limited from David Richmond (a related party, being a Non-Executive director of RUA Life Sciences plc at the time). The acquisition provides the Group with full-service medical device development and manufacturing capabilities and facilities, and vertical integration to expand the reach of its Elast-Eon™ products.

	GB£000
Fair value of consideration transferred	
Amount settled in cash	525
Deferred consideration	425
Amount settled in shares	1,091
Total	**2,041**
Recognised amounts of identifiable net assets	
Property, plant and equipment	1,388
Intangible assets	388
Total non-current assets	**1,776**
Inventories	92
Trade and other receivables	110
Cash and cash equivalents	184
Total current assets	**386**
Deferred tax liabilities	192
Deferred grants and lease liabilities	82
Total non current liabilities	**273**
Trade and other payables	148
Total current liabilities	**148**
Identifiable net assets	**1,741**
Goodwill on acquisition	**301**
Consideration transferred settled in cash	525
Cash and cash equivlents acquired	184
Net cash outflow on acquisition	**341**

Consideration transferred

The agreed consideration was £2.45m, settled partly by the issue of 1,500,000 new shares in RUA Life Sciences plc – valued at £1 per share per the agreement (trading at 75p per share on the acquisition date), plus a cash element of £0.95m, some of which was deferred (subsequently settled in April 2021). The fair value of the consideration is deemed to be the trading price, less a discount of 3% in view of the trading restrictions applied to those shares for the first year.

Acquisition related costs totaling £90,000 are not included as part of the consideration transferred and have been recognized as expenses in the consolidated income statement as part of other expenses (£50,000 in the current financial year and £40,000 in the prior year). An additional £12,359 of acquisition costs were deducted from the share premium account, relating to stamp duty and other disbursements.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to £110,355, with a gross contractual amount of £113,738.

Intangible assets were recognised at acquisition relating to the customer contracts valued at £247,000 and developed technology of £141,000. The value and useful economic lives of these intangible assets were established by an external valuation company and will be amortised over 8.5 and 10 years respectively. A deferred tax liability of £73,720 was also recognised on these assets.

A fair value adjustment was made to the book value of the non-current assets acquired, amounting to £150,000 in plant and machinery in respect of a cleanroom the cost of which was not reflected in the accounts at acquisition; and £57,219 uplift in valuation relating to the buildings owned and supported by an independent valuation report.

As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amount to £3,383.

Goodwill
Goodwill of £300,562 has been allocated to RUA Medical Devices Limited, with the entity identified as one distinct cash generating unit. The goodwill recognises the expected future profitability of the entity, the substantial skill and expertise of its workforce plus the synergistic benefits of the combination to the rest of the group. Goodwill is not expected to be deductible for tax purposes.

RUA Medical Devices Limited contribution to Group results
Rua Medical Devices Limited incurred a loss of £209,000 (FY20 £44,000 profit) after tax for the twelve months from 01 April 2020, primarily due to the impact of the pandemic resulting in a downturn in sales in the first quarter of the financial year. Revenue for the financial year was £1,021,000; (FY20 £1,410,000).

4. Segmental reporting

The principal activity of the RUA Life Sciences Group in the prior financial year was exploiting the value of its IP and know-how. In the current financial year following the acquisition of RUA Medical Devices Limited the principal activity has been expanded to include the design and manufacture of medical devices.

As a separate revenue generating business unit, RUA Medical Devices is shown below as a separate reporting segment.

Segment Analysis 2021	RUA Life Sciences GB£000	RUA Medical Devices GB£000	Total GB£000
Consolidated group revenues from external customers	507	1,021	1,528
Contributions to group operating loss	(1,244)	(307)	(1,551)
Depreciation	2	202	204
Amortisation of intangible assets	25	43	68
Segment assets	6,742	3,412	10,154
Segment liabilities	648	1,001	1,649
Intangible assets – goodwill	-	301	301
Other intangible assets	230	345	575
Additions to non-current assets	1	836	837

The Group's revenue is segmented as follows:

	2021			2020
Analysis of revenue by income stream	**RUA Life Sciences GB£000**	**RUA Medical Devices GB£000**	**Total GB£000**	RUA Life Sciences GB£000
Contract Design & Development	-	23	**23**	-
Medical Devices Manufacture & Sales	-	998	**998**	-
Licence fees	-	-	**-**	40
Royalty revenue	507	-	**507**	449
Total	**507**	**1,021**	**1,528**	489
Analysis of revenue by geographical location				
Europe	225	24	**249**	181
USA	240	997	**1,237**	266
RoW	42	-	**42**	42
Total	**507**	**1,021**	**1,528**	489

The operating loss of £1,551,000 (2020: £941,000), and loss on continuing operations before taxation of £1,594,000 (2020: £897,000) is all derived from the United Kingdom.

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 two customers of the Group's royalty revenue segment represents 15% and 16% of the Group's total revenues (2020: 37% and 46%). Revenues from one customer of the Group's Medical Device revenue segment represents 65% of the Group's total revenues (2020: nil).

5. Employees

	2021	2020
	GB£000	GB£000
Employee costs (including Directors):		
Wages and salaries	**1,258**	459
Social security costs	**123**	28
Pension Contributions	**78**	24
	1,459	511

The average number of employees (including Directors) during the year was made up as follows:	2021	2020
	Numbers	Numbers
Administration	**7**	7
Production & Medical Textiles	**14**	-
Research & Development	**7**	-
Quality	**4**	-
Management	**1**	-
	33	7

6. Remuneration of Directors and key management personnel

Key management personnel	2021	2020
	GB£000	GB£000
Emoluments – short-term employee benefits	**744**	465
Pension costs – post-employment benefits	**46**	22
	790	487

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

Please see the Report of the Remuneration Committee on page 23 for full details of Directors' emoluments which have been audited. Included in the aggregate emoluments for the year ended 31 March 2021 were £nil (2020: £nil) made by the Company to third parties. The highest paid Director's total emoluments were £237,135 (2020: £246,760). The Company made contributions of £67,342 into Directors pensions in the year ended 31 March 2021. This includes pension contributions of £29,192 previously accrued prior to a scheme being set-up.

7. 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. The fair value of the options granted is reflected as share based payment in the profit and loss account of the group, and credited to other reserves.

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 in 2019 is £0.30, £0.925 for those granted in 2020 and £1.55 for those granted in February 2021.

Summary of number options granted under the plan:

	2021	2020
Options at start of financial year	1,950,603	1,590,603
Granted during the year	330,000	360,000
Exercised or lapsed during the year	-	-
Options at the end of the financial year	2,280,603	1,950,603

Warrants

In June 2018, warrants were awarded to Shore Capital (nominated adviser) in lieu of £50,000 of fees due in connection with the Placing of new shares at that time. The warrant was priced at £1 and entitled the holder to purchase 166,667 ordinary shares at a price of £0.30 per ordinary share. The warrant was exercised in full in November 2020. No further warrants have been awarded.

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	Deemed Value
FY2019	£0.33
FY2020	£0.78
FY2021	£1.40

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.

8. Loss before taxation

	2021	2020
Loss before taxation has been arrived at after charging :	**GB£000**	GB£000
Foreign exchange differences	**34**	(36)
Depreciation of property, plant and equipment	**68**	1
Amortisation of intangible assets	**67**	193
Employee benefits expense:		
Employee costs (Note 18)	**1,459**	511

Audit and non-audit services:		
Audit of the Accounts of the Company	**65**	40
Audit related assurance services	**-**	-
Taxation compliance services	**3**	4
All other taxation advisory services	**23**	10
All other assurance services	**1**	-

9. 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:

	2020	2020
	GB£000	GB£000
Loss for the year before tax	**(1,594)**	(897)
Loss for year multiplied by the respective standard rate of corporation tax applicable (19%)	**(303)**	(170)
Expenses not deductible for tax purposes and other tax differences:		
Other non deductible expenses	**42**	54
Trading losses (deferred tax not recognised)	**205**	116
Prior year Tax credit paid in financial year	**(87)**	(81)
Prior year tax – carry back claim	**27**	-
Adjustment in respect of previous periods	**(27)**	-
Actual Tax Credit	**(143)**	(81)
Prior year Tax credit recognised in financial year	**(87)**	(81)
Adjustment in respect of previous periods	**(27)**	-
Tax on loss for the year	**-**	-
Deferred tax movement	**(29)**	-
Tax credit per statement of profit or loss	**(143)**	**(81)**

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 £7,280,000 – tax effect is £1,383,000 (2020: £5,892,000 – tax effect £1,119,000). An unprovided deferred tax asset in respect of share options totals £146,000 (2020: £45,000).

10. Loss per share

	2021	2020
	GB£000	GB£000
Loss for the year attributable to equity shareholders	**(1,451)**	(816)
Basic & diluted loss per share		
From continuing operations attributable to ordinary equity holders of the company (GB pence per share)	**(8.20)**	(5.55)

Weighted average number of shares		
Issued ordinary shares at start of the year	**14,686,608**	14,686,608
Issued ordinary shares at end of the year	**22,184,797**	14,686,608
Weighted average number of shares in issue for the year (used for calculating basic loss per share)	**17,697,120**	14,686,608

11. Goodwill

The Goodwill arising on the acquisition of RUA Medical Devices Limited is as follows:

	2021 GB£000
Gross carrying amount	
Balance at 31 March 2020	-
Acquired through business combination	**301**
Balance at 31 March 2021	**301**

For the purpose of annual impairment testing, goodwill is allocated to RUA Medical Devices Limited as a cash generating unit and is compared to its recoverable value which has been determined on value in use basis. This is calculated on the basis of projected cashflows for five years, which are derived from detailed budgets for the coming year, extrapolated for subsequent years and taking account of expected cash flows from new products which were in development at acquisition. Revenue growth rates average 53% over the five year forecast, reflecting revenue from new vascular products as outlined in the Chairman's statement. A long-term growth rate of 2% has been used for the terminal value calculation and the cashflows are discounted using a pre-tax discount rate of 19.5% per annum (post tax discount rate of 16.2%). The discount rate was calculated by reference to the discount rate used for the independent valuation of the intangibles at acquisition.

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, given the headroom available.

12. Other intangible assets

	Development costs	Intellectual property	Customer related	Technology based	Total
	GB£000	**GB£000**	**GB£000**	**GB£000**	**GB£000**
Gross carrying amount					
At 1 April 2019	337	3,325	-	-	3,662
Additions	-	-	-	-	-
At 31 March 2020	337	3,325			3,662
Additions on acquisition (note 3)	-	-	247	141	388
At 31 March 2021	**337**	**3,325**	**247**	**141**	**4,050**
Amortisation and impairment					
At 1 April 2019	282	2,932	-	-	3,214
Charge for the year	34	159	-	-	193
At 31 March 2020	316	3,091	-	-	3,407
Charge for the year	18	8	29	14	69
At 31 March 2020	**334**	**3,099**	**29**	**14**	**3,476**

Net book value					
At 31 March 2020	21	234	-	-	255
At 31 March 2021	**4**	**226**	**218**	**127**	**574**

13. Property, plant and equipment

	Land & Buildings GB£000	Plant & Machinery GB£000	Office Equipment GB£000	Motor Vehicles GB£000	Total GB£000
Cost					
At 31 March 2019	-	-	1	-	1
Additions for the year	-	-	5	-	5
At 31 March 2020	**-**	**-**	**6**	**-**	**6**
Acquisition through business combination at fair value	579	765	44	-	1,388
Additions for the year	365	430	14	28	837
Disposals	-	(81)	(1)	-	(82)
At 31 March 2021	**944**	**1,114**	**63**	**28**	**2,149**
Depreciation					
At 31 March 2019	-	-	-	-	-
Charge for the year	-	-	1	-	1
At 31 March 2020	**-**	**-**	**1**	**-**	**1**
Charge for the year	58	120	18	9	205
Eliminated on disposal	-	(8)	(1)	-	(9)
At 31 March 2021	**58**	**112**	**18**	**9**	**197**
Net book value					
At 31 March 2020	-	-	5	-	5
At 31 March 2021	**886**	**1,002**	**45**	**19**	**1,952**

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

	31 March 2021 GB£000
Plant & Machinery	**155**
Motor vehicles	**19**
Total right-of-use assets	**174**

14. 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 Board reviews and agrees policies to manage risk to ensure that the entities within the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the effective management of liquid resources raised through share issues.

Categories of financial instrument

	2021	2020
	GB£000	GB£000
Financial assets at amortised cost– loans and receivables		
Cash and cash equivalents	**6,294**	1,976
Trade and other receivables	**949**	194
	7,243	2,170
Financial liabilities		
Liabilities at amortised cost	**1,649**	208
Fair value through profit or loss	**-**	-
	1,649	208

All amounts are short-term (all payable within six months) and their carrying values are considered reasonable approximations of fair value.

Foreign currency risk
The UK parent company has a trade receivable denominated in US dollars, and holds funds in its US dollar bank account.

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

	2021	2020
	GB£000	GB£000
Sterling	**6,040**	1,943
Euros	**1**	-
US dollars	**253**	33
	6,294	1,976

The Group holds 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 £23,014 adverse impact on net assets and expenses.

Interest rate risk
The Group finances its operations through equity fundraising and does not currently carry any borrowings. The following cash balances and are held at floating bank interest rates:

	2021	2020
	GB£000	GB£000
Cash and cash equivalents	**6,294**	1,976
	6,294	1,976

Sensitivity analysis
A rise or fall of interest rates over the year of 1% would have a minimal 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.

The Group has trade receivables resulting from sales and other receivables from provision of other services which the management consider to be of low risk other than the amounts due from two third parties where full provision has been made following a mediation and arbitration process. The management do not consider that there is any concentration of risk within either trade or other receivables, other than the amounts due from one third party licensee, with such balance being fully provided for.

Liquidity risk
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.

15. Inventories

Inventories consist of the following:

	2021 GB£000	2020 GB£000
Raw materials	**50**	-
Work in progress	**35**	-
	85	-

Amounts provided against inventory £nil (2020: £nil).

16. Trade and other receivables

	2021 GB£000	2020 GB£000
Current		
Trade receivables – gross	**70**	106
Allowance for credit losses	**(2)**	(60)
Trade receivables	**68**	46
Other receivables	**209**	32
Prepayments and accrued income	**672**	180
	949	258
Non-current		
Trade receivables	**-**	-

Included in the above is £204,427 (2020: £147,919) of accrued income.

£22,897 (2020: £45,814) of net trade and other receivables were past due for payment but not impaired at 31 March 2021, of which £13,075 (2020: £32,616) was over 30 days and £nil (2020: £nil) was over 90 days. The impairment provisions apply the IFRS 9 expected loss model.

17. Cash and cash equivalents

	2021	2020
	GB£000	GB£000
Cash at bank and in hand	**6,294**	1,013
Client account	**-**	963
	6,294	1,976

The client account related to payment held for the consideration of RUA Medical Devices Limited as further detailed in note 3.

18. 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 2020	14,686,608	734	2,256	2,990
Share issue	7,498,189	375	7,764	8,139
Less: transaction costs on share issue	-	-	(585)	(585)
In issue at 31 March 2021	**22,184,797**	**1,109**	**9,435**	**10,544**

Deferred shares of 245 pence each

	Shares Number	Nominal Value GB£000	Premium net of costs GB£000	Total GB£000
In issue at 1 April 2020	4,832,778	11,840	2,294	14,134
In issue at 31 March 2021	**4,832,778**	**11,840**	**2,294**	**14,134**
Total at 31 March 2021	**27,017,575**	**12,949**	**11,729**	**24,678**

The deferred shares have subsequently been cancelled, following the passing of a resolution allowing the company to buy back the shares at a General Meeting held on 23 June 2021.

Capital management objectives are set out in the Strategic Report on page 14.

19. Borrowings

	2021 GB£000	2020 GB£000
Current		
Bank loans	**23**	-
Lease liabilities	**40**	-
	63	-
Non-current		
Bank loans	**223**	-
Lease liabilities	**124**	-
	347	-

	Bank loans GB£000	Lease liabilities GBP£000	Total GB£000
Repayable in less than 6 months	12	20	32
Repayable in 7 to 12 months	11	20	31
Repayable in 1 to 5 years	111	124	235
Repayable after 5 years	112	-	112
Total	**246**	**164**	**410**

£196,139 of bank loans is secured on the property at Drummond Crescent, Irvine, Ayrshire.
£50,000 of bank loans is an unsecured government support loan.
The lease liabilities are secured by the related underlying assets.
All borrowing is provided at fixed rates of interest.

20. Leases

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

	2021 GB£000	2020 GB£000
Current	**40**	-
Non-current	**124**	-
	164	-

The Group has a lease for one motor vehicle and two 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 13). The interest charge for the year for right-of-use assets was £4,456.

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.

21. Deferred tax

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

Deferred tax liabilities (assets)	31 Mar 2020	Recognised in business combination	Recognised in profit and loss	31 March 2021
Other intangible assets	-	74	(9)	65
Property plant and equipment	-	118	65	183
Tax losses			(74)	(74)
Short-term timing differences	-	-	(11)	(11)

	192	**(29)**	**163**

22. Trade and other payables

	2021	2020
	GB£000	GB£000
Current liabilities		
Trade payables	**262**	102
Other payables	**471**	11
Accruals and deferred income	**283**	106
	1,016	219

23. Contingent liabilities

There were no contingent liabilities at 31 March 2021 or at 31 March 2020.

24. 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 2021 GB£000	31 March 2020 GB£000
Assets			
Non current assets			
Intangible assets	2	**90**	115
Tangible assets	3	**4**	5
Investment in subsidiary undertakings	4	**2,191**	140
Total non current assets		**2,285**	260
Current assets			
Trade and other receivables	5	**903**	258
Cash and cash equivalents		**6,226**	1,976
Total current assets		**7,129**	2,234
Total assets		**9,414**	2,494
Equity and liabilities			
Equity			
Issued capital	7	**12,949**	12,574
Share premium		**11,729**	4,550
Other Reserve		**307**	179
Profit and loss account		**(16,219)**	(15,028)
Total equity attributable to equity holders of the parent		**8,766**	2,275
Liabilities			
Current Liabilities			
Trade and other payables	6	**648**	219
Total Current Liabilities		**648**	219
Total liabilities		**648**	219
Total Equity and liabilities		**9,414**	2,494

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 2021 was £1,190,812 (2020: loss of £1,072,524).

The parent company financial statements were approved by the Board on 9 July 2021 and were signed on its behalf by

William Brown

W Brown, Chairman

David Richmond

D Richmond, Group CEO

Company number SC170071
The notes on pages 64 to 69 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	Other reserve GB£000	Retained earnings GB£000	Total shareholders' funds GB£000
At 31 March 2019	**12,574**	**4,550**	**88**	**(13,956)**	**3,256**
Share-based payments	-	-	91	-	91
Issue of equity share capital (net of issue costs)	-	-	-	-	-
Transactions with owners	**-**	**-**	**91**	**-**	**91**
Total comprehensive loss for the year	-	-	-	(1,072)	(1,072)
At 31 March 2020	**12,574**	**4,550**	**179**	**(15,028)**	**2,275**
Share-based payments	-	-	128	-	128
Issue of equity share capital - acquisition (net of fees)	75	1,004			1,079
Issue of equity share capital - exercise of warrants	8	42	-	-	50
Issue of equity share capital (net of issue costs) – fundraise	292	6,133			6,425
Transactions with owners	**375**	**7,179**	**128**	**-**	**7,682**
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,191)**	**(1,191)**
At 31 March 2021	**12,949**	**11,729**	**307**	**(16,219)**	**8,766**

The notes on pages 64 to 69 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 2021.

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
After considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to 31 October 2022 ,the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the adoption of the going concern basis in preparing the Company financial statements is appropriate.

Use of key 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:

Sources of estimation uncertainty
Amortisation rates are based on estimates of the useful lives and residual values of the assets involved.

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 balance sheet date.

Deferred tax
Deferred tax is recognised (on an undiscounted basis) on all timing 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 balance sheet 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 balance sheet date.

Foreign currencies
Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. The Company's functional and presentational currency is Sterling.

Transactions and balances
Transactions in foreign currencies are translated into Sterling using the spot exchange rates ruling at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

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.

Share warrants
Where warrants are awarded in lieu of fees the fair value is recognised in the profit and loss account (or if pertaining to fundraising costs charged to the Share Premium Account) and a corresponding credit recognised within Other Reserves.

Debtors
The amounts owed by Group undertakings are in respect of long term loans and as further detailed in note 5 have been fully provided against.

Property, plant and equipment
Property, plant and equipment is 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 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: Computer equipment – 3 years

Grant Income
Grant income is recognised in profit and loss when there is reasonable assurance that the performance conditions attaching to the grant are met.

Intangible assets

Patents, and trademarks (intellectual property) are included at cost less estimated residual amount and are amortised on a straight line basis over their remaining useful economic lives of 20 years, which corresponds to the lives of the individual patents. Some of these assets were transferred from the Australian subsidiary in 2011 at an independent valuation of £4,777,000 which has been used as deemed cost for these assets in the UK. Development costs incurred in validating the Company's polymers for manufacture on the Company's behalf by Biomerics LLC are being amortised over 5 years.

2. INTANGIBLE ASSETS

	Intellectual property GB£000	Development costs GB£000	Total GB£000
Cost			
At 31 March 2020	4,929	330	5,259
Additions for the year	-	-	-
At 31 March 2021	**4,929**	**330**	**5,259**
Amortisation			
At 31 March 2020	4,835	309	5,144
Charge for the year	8	17	25
At 31 March 2021	**4,843**	**326**	**5,169**
Net book value			
At 31 March 2020	94	21	115
At 31 March 2021	**86**	**4**	**90**

3. TANGIBLE ASSETS

	Computer equipment GB£000
Cost	
At 31 March 2020	6
Additions for the year	1
Disposals in the year	(1)
At 31 March 2021	**6**
Depreciation	
At 31 March 2020	1
Charge for the year	2
On disposals	(1)
At 31 March 2021	**2**
Net book value	
At 31 March 2020	5
At 31 March 2021	**4**

4. NON-CURRENT ASSET INVESTMENTS

	2021	2020
	GB£000	GB£000
Investment in subsidiary undertakings		
Cost		
Historical cost	**140**	140
Acquistion of RUA Medical Devices Limited	**2,041**	-
RMD Share based payment adjustment (see note x)	**10**	-
Provision for impairment	**-**	-
Net book value at 31 March	**2,191**	140

Interest in subsidiary undertakings

Name of undertaking	Country of registration or incorporation	Description of shares held	Proportion of nominal value of shares held %
(i) RUA Biomaterials Limited	Scotland	Ordinary £1	100
(ii) AorTech Critical Care Limited	Scotland	Ordinary £1	92
(iii) RUA Structural Heart Limited	Scotland	Ordinary £1	100
(iv) RUA Vascular Limited	Scotland	Ordinary £1	100
(v) RUA Medical Devices Limited	Scotland	Ordinary £1	100

The principal business activities and country of operations of the above undertakings are:

(i) A non-trading company in the UK

(ii) A dormant company in the UK

(iii) A non-trading company in the UK

(iv) A dormant company in the UK

(v) Manufacture of medical and dental instruments and supplies in the UK

5. TRADE AND OTHER RECEIVABLES

	2021	2020
Current	**GB£000**	GB£000
Trade receivables – gross	**54**	106
Allowance for credit losses	**-**	(60)
Trade receivables	**54**	46
Other receivables	**22**	32
Amounts due by Group undertakings	**480**	-
Tax credit due	**87**	-
Prepayments and accrued income	**260**	180
	903	258
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 2021 (31 March 2020: £3,955,000) has been made to fully provide against the remaining amount of the inter-company loan account due as at 31

March 2021 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 balance sheet date.

6. TRADE AND OTHER PAYABLES

	2021	2020
	GB£000	GB£000
Trade payables	83	102
Other payables	441	11
Accruals and deferred income	124	106
	648	219

7. SHARE CAPITAL

See Note 18 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 2021 is £12,949,546 (2020: £12,574,637).

8. DIRECTORS AND EMPLOYEES

The Directors are the only employees of the parent company. Disclosure of their emoluments is given in the audited section of the Report of the Remuneration Committee on page 23.

9. SHARE-BASED PAYMENTS

Director and Employee Share Option Plans

The Company 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 plan is at the discretion of the board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The number 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 (in the case of the options granted under the unapproved plan, a CE Mark or FDA approval) 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%.

The Options granted in June 2018 will lapse on 8 June 2028 and the options granted in December 2019 will lapse on 2 December 2029 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 in 2019 is £0.30 and £0.925 for those granted in 2020.

Summary of number options granted under the plan:

	2021	2020
Options at start of financial year	1,950,603	1,590,603
Granted during the year	330,000	360,000
Exercised or lapsed during the year	-	-
Options at the end of the financial year	2,280,603	1,950,603

Warrants

In June 2018, warrants were awarded to Shore Capital (nominated adviser) in lieu of £50,000 of fees due in connection with the Placing of new shares at that time. The warrant was priced at £1 and entitled the holder to purchase 166,667 ordinary shares at a price of £0.30 per ordinary share. The warrant was exercised in full in November 2020. No further warrants have been awarded.

Fair Value of options and warrants granted

The assessed fair value at the grant date of options granted in FY2019 was £0.33, and those in FY2020 was £0.78 these values have been determined using the Black Scholes Option Pricing Model ('BSOPM'). 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 fair value of the Warrants was calculated using the same model, adjusted for the shorter time period to expiry. The fair value of each warrant share was calculated at 27p per share and the full cost recognised in FY2019.

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.

LETTER TO SHAREHOLDERS

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent professional adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 or an appropriately authorised independent professional adviser if you are in a territory outside the United Kingdom. If you no longer hold shares in RUA Life Sciences plc, please pass this document to the purchaser or transferee or to the agent who dealt with the sale or transfer to be sent on to the new owner of the shares.

RUA LIFE SCIENCES plc
(Incorporated in Scotland SC170071)

Registered office
C/o Davidson Chalmers
Stewart LLP
163 Bath Street
Glasgow G2 4SQ

9 July 2021

Dear Shareholder

I am writing to give you the details of the 2021 Annual General Meeting to be held at 11:00 on 31 August 2021 at RUA Medical's premises at 2 Drummond Crescent, Riverside Business Park, Irvine, Ayrshire KA11 5AN. The formal notice of AGM is set out on pages 74 to 76 and an explanation of the business is set out below.

COVID-19 AND THE AGM PROCESS

The Company has been monitoring developments in relation to the Covid-19 pandemic, including the public heath guidance. **Given the continued social distancing, travel restrictions and other safety measures imposed by the Government as a result of Covid-19, we strongly advise that shareholders do NOT attend the AGM in person, but instead appoint the Chairman of the meeting as proxy to vote on their behalf.** Please see the Notice of AGM set out on pages 74 to 80 for further important information regarding Covid-19, attendance at the AGM and appointment of proxies.

Given the constantly evolving nature of the restrictions, should circumstances change before the time of the AGM we may require to take steps to change the arrangements for the AGM. We will notify shareholders of any changes by publishing details on the Company's website (www.rualifesciences.com) and via a Regulatory Information Service as early as is possible before the date of the meeting.

All the resolutions will be voted on by way of a poll and this will ensure that your vote will be counted, even though attendance at the meeting is restricted or if you are unable to attend in person. **The Company encourages Shareholders to appoint the Chairman of the meeting as their proxy with their voting instructions to ensure that their votes are counted. The Company will ensure that a quorum is present at the AGM.**

The Directors strongly recommend you to complete and return the Form of Proxy, with your voting instructions, in accordance with the instructions on the Form. The deadline for the receipt of a Proxy Form by the Registrars is 11.00 on 27 August 2021.

If you hold your ordinary shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so that it is received no later than 11.00 on 27 August 2021.

If you would like to ask questions about the business of the AGM, please contact us at kate.full@rualifesciences.com. A summary of the questions received, together with our answers, will be published on our website shortly after the AGM has concluded.

EXPLANATION OF THE BUSINESS OF THE AGM

Resolution 1 – Receipt of the Annual Report and Accounts

The Companies Act 2006 requires the directors of a public company to lay before the company in general meeting copies of the directors' reports, the independent auditors' report and the audited financial statements of the company in respect of each financial year. In line with best practice, the Directors invite shareholders to receive their reports, the audited accounts and the auditors' report for the financial year ended 31 March 2021 (the **"2021 Annual Report"**).

Resolution 2 – Approval of the Report of the Remuneration Committee

The Company invites shareholders to approve the Report of the Remuneration Committee.

The vote on this Resolution is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

Resolutions 3 to 5 – Re-election of Directors

The Articles of Association of the Company require that any Director: (i) who has been appointed by the Board since the last annual general meeting of the Company; or (ii) for whom it is the third annual general meeting following the annual general meeting at which he or she was last elected or re-elected, should be proposed for election or re-election respectively. Accordingly, the shareholders are invited to elect Ian Ardill and Caroline Stretton, and re-elect David Richmond. Biographical details on the Directors are contained in the 2021 Annual Report.

Resolution 6 – Re-appointment and remuneration of the Auditor

The Company is required to appoint or reappoint auditors at each annual general meeting at which its audited accounts and reports are presented to shareholders. Resolution 6 deals with the re-appointment of Grant Thornton as auditor for the year ending 31 March 2021. As is market practice, the Resolution authorises the Directors to fix the auditor's fees.

Resolution 7 – Authority to allot shares

The Directors currently have a general authority to allot new shares in the Company and to grant rights to subscribe for, or convert any securities into, shares. This authority is due to expire at this AGM and the Board would like to renew it to provide the Directors with flexibility to allot new shares and grant rights up until the Company's next annual general meeting within the limits prescribed by The Investment Association.

The Investment Association's guidelines on Directors' allotment authority state that the Association's members will regard as routine any proposal at a general meeting to seek a general authority to allot an amount up to two-thirds of the existing share capital, provided that any amount in excess of one-third of the existing share capital is applied to fully pre-emptive rights issues only.

This resolution would authorise the Directors to allot (or grant rights over) new shares in the Company: (i) under an open offer or in any situation other than a rights issue up to an aggregate nominal amount of £396,746 (representing approximately 33 per cent. of the Company's current issued ordinary share capital) and (ii) under a rights issue up to an aggregate nominal amount of £793,492 (representing approximately 66 per cent. of the Company's current issued ordinary share capital).

For the avoidance of doubt, the maximum aggregate nominal amount of shares which may be allotted (or rights that may be granted) under this Resolution is £793,492 (representing approximately 66 per cent. of the Company's current issued ordinary share capital).

Resolutions 8 and 9 – Powers to disapply pre-emption rights

These Resolutions would give the Directors powers to allot ordinary shares for cash without first offering those shares to existing shareholders in proportion to their existing holdings.

The Resolutions seek powers which reflect the Statement of Principles published by the Pre-Emption Group in March 2015 (and endorsed by the Investment Association) which provide that a company may seek power to issue on a non-pre-emptive basis for cash shares in any one year representing: (i) no more than 5 per cent. of the company's issued ordinary share capital; and (ii) no more than an additional five per cent. of the company's issued ordinary share capital provided that such additional power is only used in connection with an acquisition or specified capital investment.

Accordingly, and in line with best practice, the Board is seeking two separate powers to disapply pre-emption rights.

Resolution 8 would permit the Board to allot ordinary shares for cash on a non-pre-emptive basis both in connection with a rights issue or similar pre-emptive issue and, otherwise than in connection with any such issue, up to a maximum nominal amount of £55,462. This amount represents approximately 5 per cent. of the Company's current issued ordinary share capital. This Resolution will permit the Board to allot ordinary shares for cash, up to the specified level, in any circumstances (whether or not in connection with an acquisition or specified capital investment).

Resolution 9 would give the Board an additional power to allot ordinary shares for cash on a non-pre-emptive basis up to a further maximum nominal amount of £55,462 (again representing approximately 5 per cent. of the Company's current issued ordinary share capital). In compliance with the Pre-Emption Group's Statement of Principles, the Directors confirm that they will not allot shares for cash on a non-pre-emptive basis pursuant to the power conferred by Resolution 9 other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

RECOMMENDATION

The Directors believe that the proposals to be voted on at the AGM are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend shareholders to vote in favour of the Resolutions, as they intend to do in respect of their beneficial holdings of shares (save in respect of those matters in which they are interested).

Yours faithfully

WILLIAM BROWN
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-third Annual General Meeting of RUA Life Sciences plc will be held at RUA Medical's premises at 2 Drummond Crescent, Riverside Business Park, Irvine, Ayrshire KA11 5AN on 31 August 2021 at 11.00 for the purpose of considering and if thought fit passing the following resolutions of which numbers 1 to 7 will be proposed as Ordinary Resolutions and numbers 8 and 9 as Special Resolutions:

AS ORDINARY BUSINESS

1 To receive and adopt the financial statements of the Company for the year ended 31 March 2021 together with the Strategic Report and the Reports of the Directors and Auditor thereon.

2 To approve the Report of the Remuneration Committee for the year ended 31 March 2021.

3 To elect as a Director, Ian Leslie Ardill, who was appointed as a Director since the previous Annual General Meeting.

4 To elect as a Director, Caroline Stretton, who was appointed as a Director since the previous Annual General Meeting.

5 To re-elect as a Director, David Richmond, who is retiring by rotation.

6 To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider, and if thought fit, pass the following resolution as an Ordinary Resolution:

7 That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's annual general meeting held on 11 August 2020 but without prejudice to any allotment of shares or grant of rights to subscribe for or convert any security into shares in the Company, in accordance with section 551 of the Companies Act 2006 (the **"Act"**) the Directors be generally and unconditionally authorised to exercise all powers of the company to allot shares in the Company:

7.1 up to an aggregate nominal amount of £396,746 (such amount to reduced by the aggregate nominal amount of any equity securities that may be allotted pursuant to paragraph 7.2 of this resolution in excess of £396,746); and

7.2 comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £793,492 (such amount to be reduced by the aggregate nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph 7.1 of this resolution) in connection with an offer by way of a rights issue to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter; provided that, unless previously revoked, varied or extended, this authority will expire at whichever is the earlier of the conclusion of the annual general meeting of the company to be held in 2022 or the date falling 15 months from the date of passing this resolution, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.

To consider and, if thought fit, pass the following resolution as a Special Resolution:

8 That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's annual general meeting held on 11 August 2020 but without prejudice to any allotment of shares made or agreed to be made pursuant to such authorities and other powers, subject to and conditional upon the passing of Resolution 7 set out in this Notice, in accordance with section 571(1) of the Companies Act 2006 (the **"Act"**), the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 (1) of the Act) for cash pursuant to the authority conferred by Resolution 7 set out in this Notice, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

8.1 the allotment of equity securities pursuant to the terms of any share scheme for directors and/or employees of the Company and/or its subsidiaries approved by the Directors or by the shareholders of the Company in general meeting;

8.2 the allotment of equity securities in connection with or pursuant to an offer by way of rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders and in favour of holders of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interest of such persons on a fixed record date are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with to treasury shares, fractional entitlements, record dates, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter; and

8.3 the allotment (otherwise than pursuant to paragraphs 8.1 and 8.2 of this resolution) of equity securities having a nominal amount or giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £55,462,

and such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 7 set out in this Notice but may be previously revoked, varied or extended by special resolution, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.

To consider and, if thought fit, pass the following resolution as a Special Resolution:

9 That, subject to and conditional upon the passing of Resolution 7 set out in this Notice, without prejudice to any allotment of shares made or agreed to be made pursuant to the authorities and other powers granted to the Directors at the Company's annual general meeting held on 11 August 2020, in accordance with section 571(1) of the Companies Act 2006 (the **"Act"**), the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 (1) of the Act) for cash pursuant to the authority conferred by Resolution 7 set out in this Notice, as if section 561(1) of the Act did not apply to any such allotment, provided that this power:

9.1 shall be limited to the allotment of equity securities up to an aggregate nominal amount of £55,462; and

9.2 shall be used only for the purpose of financing (or refinancing, if the power is to be exercised within 6 months after the date of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice of Meeting,

and such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 7 set out in this Notice but may be previously revoked, varied or extended by special resolution, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.

By order of the Board

K M FULL FCCA
Company Secretary

9 July 2021

Notes

IMPORTANT NOTICE REGARDING COVID-19, ATTENDANCE AT THE GENERAL MEETING AND APPOINTMENT OF PROXIES

The Company is closely monitoring developments relating to the ongoing outbreak of Covid-19, including the related public health guidance and legislation in force. In order to ensure the safety of all attendees and compliance with guidelines on social distancing, a very limited number of people will be permitted to attend the Annual General Meeting. No guests will be permitted and there will be no refreshments served at the Annual General Meeting.

Given the continued social distancing, travel restrictions and other safety measures imposed by the Government as a result of Covid-19, we strongly advise that shareholders do NOT attend the Annual General Meeting in person, but instead appoint the Chairman of the meeting as proxy to vote on their behalf. Due to capacity restrictions at the venue, shareholders may be refused entry to the Annual General Meeting.

Although this is strongly discouraged for the safety and security of shareholders and others required to attend the Annual General Meeting, should any shareholder decide to attend and vote in person, they should bring appropriate proof of identity which will enable us to authenticate their right to attend, speak and vote at the Annual General Meeting.

The Company will require to keep details of everyone attending the Annual General Meeting for the purposes of track and trace under the Covid-19 guidelines. Shareholders will be asked to comply with all Covid-19 legal requirements and venue guidelines, including use of a face covering whilst inside the venue, use of hand sanitiser and observing social distancing. The Directors will also be wearing face coverings unless they are addressing attendees during the Annual General Meeting. We ask that shareholders do not arrive any earlier than 15 minutes prior to the start of the Annual General Meeting, observe social distancing measures whilst attending and bring their own water bottle if required.

The situation is constantly changing and further guidance or legislation may be implemented. We will keep shareholders updated should the plans for the Annual General Meeting change in light of future developments. Any changes will be announced via the Company's website and a Regulatory Information Service.

1 Members will only be entitled to attend and vote at the meeting if they are registered on the Company's Register of Members at 6:30pm on 27 August 2021. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned, the time by which a person must be entered on the Register of Members of the Company in order to have the right to attend and vote at the adjourned meeting is 6:00pm two business days prior to the date fixed for the adjourned meeting. Changes to the Register of Members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2 Any member of the Company who is entitled (subject to the applicable Covid-19 restrictions in place at the time of the Annual General Meeting) to attend and vote at the Annual General Meeting may appoint another person or persons (whether a member or not) as their proxy or proxies to attend, speak and vote on their behalf. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Under the restrictions in force at the date of the notice of this meeting, proxies other than the Chairman of the meeting will not be permitted to attend the AGM in person. If a member is appointing a proxy, they should appoint the Chairman of the meeting as their proxy. Similarly any appointment of a corporate representative should be an appointment of the Chairman of the meeting. Any proxy or corporate representative who is not the Chairman of the meeting will not be permitted to attend the meeting in person.

3 To be valid, Forms of Proxy must be lodged with the Company's Registrars, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6ZL not later than 1100 on 27 August 2021 or not later than 48 hours (excluding any non-business day) before time appointed for the holding of any adjourned meeting together with any documentation required. In the case of a corporation, the Form of Proxy should be executed under its common seal or signed by a duly authorised officer or attorney of the corporation. Details of how to complete the proxy form are set out in the notes to the proxy form. A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against a resolution. If no voting indication is given your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter put before the meeting.

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at https://www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a **"CREST Proxy Instruction"**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Equiniti Limited (CREST Participant ID RA19), no later than 1100 on 27 August 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning particular limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's

Registrars, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6ZL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Equiniti no later than 1100 on 30 August 2021. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. To change your proxy instructions simply submit a new proxy appointment. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you require a new Form of Proxy please contact to the Company's Registrars, Equiniti Limited on 0371 384 2482 between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the United Kingdom, please call +44 121 415 7047. Calls outside the United Kingdom will be charged at the applicable international rate.

6 As at noon on 8 July 2021 the Company's issued share capital comprised 22,184,798 ordinary shares of £0.05 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at noon on 8 July is 22,184,798. Voting at this meeting will be on a poll rather than a show of hands. Each ordinary shareholder present at the meeting will be entitled to one vote for every ordinary share registered in his or her name and each proxy or corporate representative will be entitled to one vote for each share which he or she represents.

7 Subject to the restrictions in force at the date of the notice of this meeting, the following documents will be available at the registered office of the Company during normal business hours from the date of this notice until the date of the Annual General Meeting and at the AGM venue from at least 15 minutes prior to and until the end of the AGM:

7.1 a copy of the service agreement for the Executive Directors,

7.2 a copy of the letters of appointment for the Non-Executive Directors,

7.3 the Memorandum and Articles of Association of the Company.

8 Subject to the restrictions in force at the date of the notice of this meeting, any member attending the meeting has the right to ask questions.

The Company has made alternative arrangements for questions to be submitted by members by email. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9 If you have any general queries about the meeting please contact the Company Secretary at kate.full@rualifesciences.com or by calling on 01382 562944. You may not use any electronic

address provided either in this notice of meeting or any related documents (including the Form of Proxy) to communicate for any purposes other than those expressly stated.