

**RUA LIFE SCIENCES PLC**

**UNAUDITED INTERIM RESULTS 2020**

For the six months ended 30 September 2020

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## **CHAIRMAN'S STATEMENT**

I am delighted to set out an overview of the unaudited consolidated interim results of RUA Life Sciences Plc for the six months to 30 September 2020 together with an update on more recent progress. Over the period, RUA Life Sciences continued its transformation into a fully integrated medical device business. We are selling retail packaged medical devices to customers, licensing what is widely accepted as the most biostable of all polyurethane implantable materials, Elast-Eon™, and now commercialising our own range of cardiovascular devices. Firstly, we set out below some key observations on the wider drivers and trends within the cardiovascular device sector.

### **Industry Issues**

Elast-Eon™ was invented during the 1990's because of the failure of polyurethane materials that had been used in pacing leads. At the same time, the biomaterials sector was having to deal with the impact of BSE being a cross species contamination from sheep, through cows to man. This resulted in tight control of the source of bovine material. The wider medical community is now faced with another cross-species contamination threat through COVID-19 having been transmitted into man, then onto mink and back again. Further infection into the bovine source of many medical device components poses a major risk to the supply chains in the industry and highlights the multiple benefits of non-biogenic material. RUA Life Sciences is developing a number of cardiovascular devices that will compete directly with products dependent on animal sourced material at a pivotal time in the market.

The range of vascular grafts and cardiac and vascular patches, which are now beyond the initial research and development stage and remain scheduled for regulatory submission during the second quarter of 2021, have entirely eliminated the need for animal tissue through its replacement with Elast-Eon™ and are designed as direct replacements for currently marketed devices.

The heart valve replacement market faces similar issues to the vascular graft and patches markets. The industry has already experienced a substantial shift in leaflet technology with mechanical valves, which represented the lion's share of the market in the 1990's, now down to less than 15%. There has been a trade off between quality of life improvements of avoiding life-long drug treatment with the risk of re-operation due to durability issues. The flexible leaflet systems of tissue valves have enabled the advent of trans catheter aortic valves and more recently trans catheter mitral devices. The major companies in the heart valve industry have invested billions of dollars in these technologies, much through the acquisition of smaller early development stage businesses. The Board believes that the next macro trend within the heart valve industry will be a further move in flexible leaflet technology away from animal tissue and into bio-stable polymers. The recent "first in man" implantation of polymeric heart valves by one of our competitors is being taken very seriously by both the industry and the regulators and a member of the RUA team is participating in a high-level industry and regulatory group.

The recently announced success in our own polymer valve project is very encouraging as we have not only demonstrated the ability of our novel manufacturing method to be able to create a flexible leaflet system but the prototype valves produced were highly consistent and exceeded our expectations by surpassing the minimum hydro-dynamic testing requirements of ISO 5840. RUA Life Sciences is therefore well placed to play a role in the future direction of the industry.

### **Unaudited interim results for the six months to 30 September 2020**

The results set out below have consolidated the results of RUA Medical Devices Limited ("RUA Medical") which was acquired by the group on 1 April 2020. The period started around the time the global economy went into COVID-19 related lock down. As previously reported, this has had an impact on the results for the six-month period. Total revenues reported amount to £631,000 of which £416,000 was represented by RUA Medical and £215,000 in polymer licensing fees. As previously announced, we estimate the negative impact of COVID-19 on the RUA Medical business during the first half to be at least £300,000. Biomaterials' revenues were below the Board's expectations mainly due to the timing of deliveries of polymer on which licence fees are paid and reduced royalties on device sales during the suspension of elective surgeries.

Other income of £239,000 was recognised during the period (2018: £6,000). A major part of this increase relates to the receipt of grant finance.

Despite the increase in administrative expenses from £451,000 in 2019 to £1,181,000 in the current period, costs were tightly controlled whilst research and development activities continued to accelerate. The majority of the increase can be attributed to the inclusion of the new subsidiary, RUA Medical.

Amortisation and depreciation costs increased during the period due to a combination of depreciation of fixed assets in RUA Medical together with the amortisation of newly acquired intangible assets as part of the RUA Medical acquisition.

Overall, the increased loss before tax for the period of £622,000 (2019: £239,000) can be attributed to research and development expenditure and COVID-19 related reduction in revenue.

The most important balance sheet item remains cash which has been well controlled and at the period end amounted to £1,009,000 compared to £1,976,000 at the last financial year end. One half of this reduction is represented by the cash consideration and fees payable on the acquisition of RUA Medical. At 30 November 2020, cash had increased across the Group to £1,440,000.

### **Board Resignation**

It has been separately announced today that Gordon Wright, the founder of the predecessor AorTech business, has decided to retire from the Board now that the business has been re-established with an exciting future ahead of it. On behalf of the Board, I wish to record our thanks to Gordon for his support and guidance over the years and we look forward to working with him in his new role as Honorary Life President.

### **Outlook**

Covid-19 has impacted most businesses in the medical device sector, particularly as a result of the suspension of elective surgeries. RUA Medical went around three months without receiving any orders and when they resumed, they trailed behind historic levels. It is very pleasing however that recent orders have resumed at pre-Covid levels and forward orders for delivery into the new calendar year appear to include an element of catch up for missed surgeries. The biomaterials business, which has mainly contracted income, can be difficult to predict on a six-monthly basis, but historically has provided a relatively stable income stream and should have a better second half of the year.

### **Future Developments**

The key focus over the next six months is the further commercialisation of the Vascular business and submission of 510k, pre-market notifications to the FDA for both the vascular grafts and patches scheduled for early into the new financial year. We are actively pursuing opportunities with both OEM customers and distribution channels to ensure that commercial sales can commence soon after regulatory approval for market launch is received. Further announcements will be made in due course.

Bill Brown, Chairman  
10 December 2020

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Six months ended 30 September 2020

		Unaudited Six months to 30 Sept 2020	Unaudited Six months to 30 Sept 2019	Audited Twelve months to 31 March 2020
	Note	GB£000	GB£000	GB£000
<b>Revenue</b>	4	631	299	489
<b>Cost of sales</b>		(134)	-	-
<b>Gross profit</b>		497	299	489
Other income		239	6	14
Administrative expenses		(1,181)	(451)	(1,160)
Other expenses – share-based payments		-	-	(91)
Other expenses – depreciation & amortisation		(175)	(93)	(193)
<b>Operating loss</b>		(620)	(239)	(941)
Finance income/(expense)		(2)	-	44
<b>Loss before taxation</b>		(622)	(239)	(897)
Taxation		13	81	81
<b>Loss attributable to equity holders of the parent company</b>		<b>(609)</b>	<b>(158)</b>	<b>(816)</b>
Loss per share (basic and diluted) – GB Pence		(3.76)	(1.08)	(5.55)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		Unaudited 30 Sept 2020 GB£000	Unaudited 30 Sept 2019 GB£000	Audited 31 March 2020 GB£000
	Note			
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	5	1,013	355	255
Tangible assets	6	1,630	2	5
<b>Total non-currents assets</b>		<b>2,643</b>	<b>357</b>	<b>260</b>
<b>Current assets</b>				
Trade and other receivables		278	234	258
Inventories		114	0	0
Cash and cash equivalents		1,009	2,331	1,976
<b>Total current assets</b>		<b>1,401</b>	<b>2,565</b>	<b>2,234</b>
<b>Total assets</b>		<b>4,044</b>	<b>2,922</b>	<b>2,494</b>
<b>Equity</b>				
Share capital	7	12,650	12,574	12,574
Share premium	7	5,554	4,550	4,550
Other reserve		(1,825)	(1,916)	(1,825)
Profit and loss account		(13,633)	(12,366)	(13,024)
<b>Total equity attributable to equity holders of the parent company</b>		<b>2,746</b>	<b>2,842</b>	<b>2,275</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings and lease liabilities		290	-	-
Deferred grant income		50	-	-
Deferred tax		118	-	-
<b>Total non-current liabilities</b>		<b>458</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables		802	80	219
Lease liabilities		18	-	-
Deferred grant income		20	-	-
<b>Total current liabilities</b>		<b>840</b>	<b>80</b>	<b>219</b>
<b>Total liabilities</b>		<b>1,298</b>	<b>80</b>	<b>219</b>
<b>Total equity and liabilities</b>		<b>4,044</b>	<b>2,922</b>	<b>2,494</b>

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

Six months ended 30 September 2020

	Unaudited Six months to 30 Sept 2020 GB£000	Unaudited Six months to 30 Sept 2019 GB£000	Audited Twelve months to 31 March 2020 GB£000
<b>Cash flows from operating activities</b>			
Group loss after tax	(609)	(158)	(816)
<i>Adjustments for:</i>			
Fair value gain on acquisition of subsidiary	(21)	-	-
Other / rounding	2	-	-
Depreciation and amortisation	175	93	194
Share-based payments	-	-	91
Interest income	-	-	(7)
Interest expense	2	-	-
Tax income	-	-	(81)
(Decrease) in deferred tax provision	(13)	-	-
(Increase) / decrease in trade and other receivables	(44)	4	(20)
Increase / (Decrease) in trade and other payables	(47)	(19)	120
<b>Cash generated from operations</b>	<b>(555)</b>	<b>(80)</b>	<b>(519)</b>
Tax received	-	-	81
<b>Net cash flow from operating activities</b>	<b>(555)</b>	<b>(80)</b>	<b>(438)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	(310)	(1)	(5)
Acquisition of subsidiary, net of cash acquired	(354)	-	-
Interest received	-	-	7
<b>Net cash flow from investing activities</b>	<b>(664)</b>	<b>(1)</b>	<b>2</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans	260	-	-
Repayment of loans and lease liabilities	(9)	-	-
Proceeds of issue of share capital, net of issue costs	-	-	-
Interest paid	1	-	-
<b>Net cash flow from financing activities</b>	<b>252</b>	<b>-</b>	<b>-</b>
Net increase / (decrease) in cash and cash equivalents	(967)	(81)	(436)
Cash and cash equivalents at beginning of period	1,976	2,412	2,412
<b>Cash and cash equivalents at end of period</b>	<b>1,009</b>	<b>2,331</b>	<b>1,976</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserve</b>	<b>Profit and loss account</b>	<b>Total Equity</b>
	<b>GB£000</b>	<b>GB£000</b>	<b>GB£000</b>	<b>GB£000</b>	<b>GB£000</b>
<b>Balance at 01 April 2019</b>	<b>12,574</b>	<b>4,500</b>	<b>(1,916)</b>	<b>(12,208)</b>	<b>3,000</b>
Transactions with owners	-	-	-	-	-
Loss for the period	-	-	-	(158)	(158)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(158)</b>	<b>(158)</b>
<b>Balance at 30 September 2019</b>	<b>12,574</b>	<b>4,550</b>	<b>(1,916)</b>	<b>(12,366)</b>	<b>2,842</b>
Share-based payments	-	-	91	-	91
<b>Transactions with owners</b>	-	-	<b>91</b>	-	<b>91</b>
Loss for the period	-	-	-	(658)	(658)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(658)</b>	<b>(658)</b>
<b>Balance at 31 March 2020</b>	<b>12,574</b>	<b>4,550</b>	<b>(1,825)</b>	<b>(13,024)</b>	<b>2,275</b>
Rounding	1	-	-	-	1
Transactions with owners	75	1,004	-	-	1,079
Loss for the period	-	-	-	(609)	(609)
<b>Total comprehensive income for the period</b>	<b>76</b>	<b>1,004</b>	-	<b>(609)</b>	<b>471</b>
<b>Balance at 30 September 2020</b>	<b>12,650</b>	<b>5,554</b>	<b>(1,825)</b>	<b>(13,633)</b>	<b>2,746</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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

These condensed consolidated interim financial statements are for the six months ended 30 September 2020 and have been prepared with regard to the requirements of IAS 34 on "Interim Financial Reporting". They do not include all of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2020.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and effective at 31 March 2019. They were approved for issue by the Board of Directors on 10 December 2020.

#### Going concern

The Group will continue to incur further costs as it continues to commercialise its vascular business and continues to pursue its polymeric heart valve through clinical development. After making enquiries, and assuming anticipated cash flows, the directors expect that the Group's current financial resources will be sufficient to support operations for at least the next 12 months from the date of this announcement. The Group therefore continues to adopt the going concern basis in the preparation of these financial statements.

The financial information for the six months ended 30 September 2020 and the comparative figures for the six months ended 30 September 2019 are unaudited and have been prepared on the basis of the accounting policies set out in the consolidated financial statements of the Group for the year ended 31 March 2020.

These extracts do not constitute statutory accounts under section 434 of the Companies Act 2006. The financial statements for the year ended 31 March 2020, prepared under IFRS, received an unqualified audit report, did not contain statements under sections 498(2) and 498(3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

#### Loss per share

Loss per share has been calculated on the basis of the result for the period after tax, divided by the number of ordinary shares in issue in the period of 16,186,608. The comparatives are calculated by reference to the weighted average number of ordinary shares in issue which were 14,686,608 for the year ended 31 March 2020.

## 2. ACQUISITION

On 1 April 2020 RUA Life Sciences plc acquired 100% of the share capital and voting rights of RUA Medical Devices Ltd 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.

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 has been deferred. 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.

The exercise to determine the fair value of the assets acquired is complex and is still being finalised. At the reporting date, the draft findings of the valuation exercise reveals the following fair values:

<b>Fair value of consideration</b>	<b>£m</b> <b>2.04</b>
<b>Fair value of assets acquired:</b>	
Tangible non-current assets	1.39
Intangible assets identified	0.83
Cash, Inventory, receivables, and other current assets	0.39
Liabilities and provisions	(0.35)
Deferred tax on acquisition	(0.20)
<b>Fair Value of Assets acquired</b>	<b>2.06</b>
Profit on Bargain purchase	0.02

The valuation exercise will be complete by the end of the financial year and any adjustments required to either the fair value of the consideration or the assets acquired will be made in the Annual Report.

## 3. RELATED PARTY TRANSACTION

As outlined in note 2 above, RUA Medical Devices Limited was acquired from David Richmond, a non-executive director of the Group at the time of the acquisition and currently Group CEO. At the reporting date the Group had a liability to David Richmond in respect of deferred consideration to the sum of £425,000. There is no interest payable on the outstanding balance.

#### 4. SEGMENTAL REPORTING

The Company is an Intellectual Property (IP) holding company whose principal activity is exploiting the value of its IP and know-how.

All revenue and operating result originated in the United Kingdom.

##### Analysis of revenue by income stream

	Unaudited Six months to 30 Sept 2020 GB£000	Unaudited Six months to 30 Sept 2019 GB£000	Audited Twelve months to 31 March 2020 GB£000
Medical devices	416	-	-
License fees – services	-	40	40
Royalty revenue	215	259	449
<b>Total</b>	<b>631</b>	<b>299</b>	<b>489</b>

##### Analysis of revenue by geographical location

	Unaudited Six months to 30 Sept 2020 GB£000	Unaudited Six months to 30 Sept 2019 GB£000	Audited Twelve months to 31 March 2020 GB£000
Europe	79	103	181
USA	533	174	266
RoW	19	22	42
<b>Total</b>	<b>631</b>	<b>299</b>	<b>489</b>

#### 5. INTANGIBLE ASSETS

	Acquired Intellectual property GBP000	Intellectual property GB£000	Development costs GB£000	Total GB£000
<b>At 01 April 2019</b>	-	393	55	448
Additions	-	-	-	-
Amortisation	-	(80)	(13)	(93)
<b>At 30 September 2019</b>	-	313	42	355
Additions	-	-	-	-
Amortisation	-	(79)	(21)	(100)
<b>At 01 April 2020</b>	-	234	21	255
Acquisition through business combination	834	-	-	834
Amortisation	(62)	-	(14)	(76)
<b>At 30 September 2020</b>	<b>772</b>	<b>234</b>	<b>7</b>	<b>1,013</b>

## 6. TANGIBLE ASSETS

	<b>Land &amp; Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Computer Equipment</b>	<b>Fixtures &amp; Fittings</b>	<b>Total</b>
	<b>GB£000</b>	<b>GB£000</b>	<b>GB£000</b>	<b>GB£000</b>	<b>GB£000</b>
<b>Gross carrying amount 01 April 2020</b>	-	-	5	-	5
Acquisition through business combination at fair value	590	753	25	19	1,387
Additions	211	92	-	-	303
IFRS 16 adjustment	-	26	-	-	26
Depreciation	(28)	(55)	(6)	(2)	(91)
<b>Gross carrying amount 30 September 2020</b>	<b>773</b>	<b>816</b>	<b>24</b>	<b>17</b>	<b>1,630</b>

## 7. ISSUED SHARE CAPITAL

During the 6 month period to 30 September 2020, the Company acquired RUA Medical Devices Limited as detailed in note 2 above. The acquisition was partly settled by the issue of 1,500,000 5 pence ordinary shares, thereby increasing Issued Share Capital by £75,003 and Share Premium by £1,078,928, net of costs.

## 8. INTERIM ANNOUNCEMENT

The interim results announcement was released on 11 December 2020. A copy of this Interim Report is also available on the Company's website [www.rualifesciences.com](http://www.rualifesciences.com).

## **Board of Directors and Advisors**

### **Directors**

**W Brown** Executive Chairman

**D Richmond** Group CEO

**J McKenna** Director of Clinical Marketing

**G Wright** Non-executive Director (resigned 10 December 2020)

**G Berg** Non-executive Director

**J Ely** Non-executive Director

### **Company Secretary**

**K M Full** FCCA

### **Registered Office**

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### **Nominated Adviser**

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Registered in Scotland, Company No.SC170071

*Financial statements will be available to Shareholders from the Company Website, along with copies of the announcement. Dealings permitted on Alternative Investment Market (AIM) of the London Stock Exchange.*