RUA | LIFE SCIENCES

ANNUAL REPORT

FOR THE YEAR TO 31 MARCH 2020

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DIRECTORS

W Brown – *Executive Chairman*
D Richmond – *Group CEO*
J McKenna – *Director of Clinical Marketing*
G Wright – *Non-Executive Director*
G Berg – *Non-Executive Director*
J Ely – *Non-Executive Director*

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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.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Company's Annual Report and Accounts for the year ended 31 March 2020.

I introduced my statement last year by saying that the year had been transformational for the Group. I am delighted that this transformation has continued and the Group which was renamed from AorTech International plc to RUA Life Sciences plc on 16 June 2020 is almost unrecognisable from where it was only two years ago. The change of name followed the strategically important post-year end acquisition of RUA Medical Devices Limited ("RUA Medical") and has now created a fully formed medical device business with the facilities, people and regulatory approvals to develop and manufacture medical devices enabled by the world leading properties of the Elast-Eon™ family of polymers. The exceptional team at RUA Medical is already making great progress on the Group's projects and I welcome them all to the wider RUA Life Sciences business.

TRADING FOR YEAR

The period under review represents the trading of the Group just prior to the completion of the acquisition of RUA Medical. During that period revenues grew by 5.6% over the year from £463,000 to £489,000. As the business focussed on developing its range of medical devices, there was an anticipated increase in costs, and as a result the loss for the year was £816,000 compared to £609,000 for the previous year. All Research and Development ("R&D") costs were expensed to the profit and loss account and the Company benefited from R&D Tax Credit receipts of £81,000 on the Research and Development activities undertaken during the year ended 31 March 2019 and the claim for the current year is expected to be higher.

Despite the increase in R&D expenditure, cash was well managed during the year and the cash burn was limited to £436,000 to include certain costs relating to the RUA Medical acquisition. Net assets as at 31 March 2020 were reduced from £3m to £2.28m due to the loss for the year and movement in other reserves in respect of the share-based payments for share options.

GROUP STRUCTURE

Following completion of the acquisition of RUA Medical in April 2020, RUA Life Sciences plc is the holding company of four distinct business units all of which are focussed on growth through the exploitation of our world class biopolymer, Elast-Eon™. The operations of each are described in more detail in the Group Chief Executive Officer's Report but in summary operate as follows:

RUA Biomaterials is the licensor of RUA's polymer technology, providing exclusive rights to other group companies as well as third party medical device manufacturers.

RUA Medical (acquired post year-end) is a fully certified and regulated full service end to end medical device designer, developer and manufacturer of products for third party customers.

RUA Vascular and RUA Structural Heart are two business units within the Group which are also customers of RUA Medical. RUA Vascular is developing medical devices based on the Group's expertise in implantable textiles combined with the properties of Elast-Eon™. The initial products being developed are large bore vascular grafts and soft tissue patches. RUA Structural Heart is developing a novel polymeric heart valve designed to revolutionise the global heart valve market by increasing durability without the need for drug treatment, whilst being machine made will have a significant cost advantage.

COVID-19 AND RELATED UNCERTAINTIES

In certain respects, there is little uncertainty about Covid-19. Until such time as either a vaccine is developed or herd immunity provides protection, most of us will eventually catch Covid-19 and sadly some of us will die from it. The task for governments and policy makers is to balance the conflicts of limiting the spread of the virus through lockdown measures whilst allowing the economy and society to at least partially function. It is how global policy makers handle these conflicts that creates current uncertainty. RUA Life Sciences operates in the global medical device sector and its products are all used to treat patients undergoing operations in hospitals.

In order to avoid the hospital systems being overwhelmed with Covid-19 patients, in late March 2020, elective surgery (i.e. surgery planned by the surgeon in consultation with the patient, rather than emergency surgery) was substantially cancelled and sales representatives from medical device companies were unable to visit hospitals. As no surgeries were being undertaken, hospitals were not purchasing many medical devices. The main market for RUA Medical's and RUA Biomaterials' customers is the US and as such the major area of risk. The US healthcare system is on the whole "for profit" and if operations are not being carried out neither the hospital nor the surgeon is earning.

As a result, we witnessed an earlier return to elective surgery in the US than we did in the UK with the state funded NHS. At the time of writing, the main customer of RUA Medical has returned to placing orders but since the middle of March 2020 the accumulated shortfall in orders amounted to approximately £300,000. There will be a backlog of patients awaiting surgery, but we remain uncertain how long it will take to catch up, if at all.

Your Board started its contingency planning for Covid-19 around the time of the lock down and suspension of elective surgery. One of the most important steps was the renegotiation

CHAIRMAN'S STATEMENT

of the cash element of the consideration for the acquisition of RUA Medical. The implications being that any shortfall in the trading expectations of RUA Medical results in a further year's deferral of all or part of the remaining cash consideration. The RUA Medical business has taken steps to limit the impact of Covid-19 on its trading activities by furloughing certain members of staff and successfully applied for £150,000 in grant finance from the Scottish Pivotal Enterprise Resilience Fund, which was received on 19 May 2020.

Detailed financial modelling has been undertaken and various scenarios analysed. The desire of RUA Life Sciences is to continue the progress made to date on the R&D activities relating to RUA Vascular and RUA Structural Heart. If revenues at RUA Medical are around 50% of historic levels and RUA Biomaterials suffers a reduction in licence and royalty income of 20%, the planned R&D activities can still be undertaken in the current year within the Group's cash resources without having to consider seeking additional finance. The Group has plans to invest in capital equipment for both manufacturing and testing of its device portfolio. RUA Medical has the benefit of a Regional Selective Assistance grant having been approved providing the opportunity of debt financing the balance of the cost.

BOARD

Following the acquisition of RUA Medical, David Richmond who had been a Non-Executive Director of the Group has now become Group Chief Executive Officer, with the governance benefits of splitting the role of Chairman and Group CEO.

As part of our review of the functioning and skills of the Board, we have identified the need for an additional Non-Executive Director with the necessary background and experience to become Chairman of the Audit Committee, a role that I have temporarily assumed from David Richmond when he was appointed Group CEO. A search process is commencing to identify suitable candidates and we intend to make the appointment by the end of the calendar year.

Gordon Wright, one of the original founders of AorTech and the visionary behind the original plans to develop a durable polymeric heart valve has been on the Board of the Company for a number of years and a Non-Executive Director since 2006. Gordon has remained on the Board for longer than the corporate governance recommendations but it was desirable to see the Company through the current period of transformation. With the acquisition of RUA Medical, the ongoing progress in our R&D activities and the return to having a manufacturing base in Scotland, Gordon has informed the Board of his intention to retire and has agreed to remain as a Non-Executive Director until the end of the calendar year to coincide with the appointment of a new Non-Executive Director.

I would like to thank Gordon on behalf of the Group and its shareholders for his contribution over the years and, in order to maintain a formal relationship with Gordon in the future, the Board is delighted that Gordon has accepted the position of Honourary Life President.

CORPORATE GOVERNANCE

In line with most AIM quoted companies, RUA Life Sciences has adopted the QCA Code. In this annual report and accounts, I have set out my statement on Corporate Governance which I hope provides shareholders with a better understanding of how RUA is run and how important decisions are made. As part of the journey of Corporate Governance, the major change since my last report has been the acquisition of RUA Medical, which, as a related party transaction, was approved by shareholders on 1 April 2020. This has allowed the combined role of Chairman and Chief Executive to be split between myself and David Richmond, thus normalising the position.

OUTLOOK

Setting aside the uncertainties related to Covid-19 and the implications for business of policy decisions to contain its spread, your Board remains positive about the prospects for RUA Life Sciences. We are fortunate to be focussed on the medical device industry and are developing devices to improve patients' lives. Covid-19 appears to have originated as a disease that has crossed from one species to another. All of the products we are developing are designed to eliminate the use of animal sourced by-products. Your Board believes that there will be a growing demand for non-animal sourced products and the benefits of Elast-Eon™ places RUA Life Sciences in a strong position to exploit those opportunities.

The Group's product development activities have continued to make good progress since the year end. The graft project has reached a major milestone of achieving its first animal implant and the initial results will be available in the near future. The feedback from the implant was positive with the exception of an alteration required to the selvedge line which has now been addressed by the R&D team. Overall, we are delighted that the graft appears to have an enhanced surgical experience on implant.

The team are hopeful that the further pilot study data will allow design freeze on the graft product allowing us to progress to the necessary ISO testing prior to regulatory applications.

Similarly, we are pleased how the heart valve project is progressing and expect to be undertaking the pilot hydro-dynamic testing to verify the computational modelling which will also allow us to progress to regulatory testing.

Much has been achieved since the restructuring of the old AorTech business two years ago and we look forward to reporting on further developments in the new product portfolio over the coming year.

WILLIAM BROWN
Chairman

10 July 2020

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present my first Report to shareholders of RUA Life Sciences plc. This annual Report and Accounts covers the year to 31 March 2020. I became Group Chief Executive on 1 April 2020 and on that day, RUA Life Sciences acquired RUA Medical Devices Limited from me. I was a Non-Executive Director of RUA Life Sciences prior to the acquisition so the wider business is not new to me and I will explain the Group strategy and how the new group structure fits together.

Firstly, by way of introduction, I thought shareholders might be interested to learn why I was so enthusiastic about the prospects for the business combination that has created the RUA Life Sciences group. It was all driven by strategy and the perfect fit between the two businesses. The AorTech business had been successfully turned around from its historic difficulties into the owner of all of the intellectual property surrounding the Elast-Eon™ family of world class biostable polymers. A strategy had been developed to seek to capture much more of the value chain in medical devices by developing its own products in the cardio-vascular field. A very talented board of directors had been assembled and in order to speed up the development of new products, strategic partnerships were entered into to enable this process.

My own business, RUA Medical Devices Limited was one such partner and we started working with the AorTech team almost two years ago on developing the products that will now become RUA Vascular. RUA Medical is an experienced full service, end to end medical device contract developer, contract manufacturer and implantable fabric specialist. It provides sub-contract design, development, manufacture, assembly, packing, inventory management, logistics and consultancy services to the medical device and biotech industries. The business is unique as we provide an end to end service from taking a client's device idea through design and development to be able to provide a fully retail packaged product to the customer. In order to create a business that is credible to the major medical device industry players, we made substantial investment in premises, clean room capacity, people, regulatory accreditations and the systems and processes required to be a trusted manufacturer of medical devices. The investment into this infrastructure was probably more than the headline price paid for RUA Medical. The limitation for RUA Medical in terms of growth in value was that as a sub-contract supplier, the exit multiples were substantially lower than those of an IP rich medical device "owner". It was the combination of the RUA Medical infrastructure with the AorTech IP and device portfolio that I saw as an opportunity to be part of the development of a much larger and more valuable business.

NEW GROUP STRUCTURE

Since the creation of RUA Life Sciences in April 2020, the Group is best described as RUA Life Sciences, being the holding company of four distinct divisions or subsidiaries. Each division is described below but the structure is deliberate for a number of reasons including transparency in monitoring the performance of each business unit, regulatory and quality system requirements, together with creating corporate structures that could be advantageous from a tax planning and future corporate activity perspective. We treat all parts of the business as an investment portfolio, allocating capital to where it can achieve the greatest risk adjusted return for shareholders. Each of the divisions is described below and their trading relationships explained.

For the reporting period, the first three of the following listed divisions has operated through RUA Life Sciences plc. However, for the current financial year, some are likely to transfer into previously dormant companies held by the Group, which have recently been renamed in preparation.

RUA BIOMATERIALS

RUA Biomaterials is an IP licensing business 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 2020, royalty income and licence fees from this business activity grew 5.6% from £463,000 to £489,000.

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. Each of these group businesses will be granted exclusive licences to utilise Elast-Eon™ in their particular field of use. As each of these products is developed and commercialised, RUA Biomaterials will enjoy a share of that success through the licence model.

RUA VASCULAR

RUA Vascular is developing a range of medical devices based on engineered textile substrates coated or sealed with Elast-Eon™. The initial products in this portfolio are large bore vascular grafts together with soft tissue patches. RUA Vascular has been working closely with RUA Medical Devices in the development of these products. The research and development team has now successfully produced a graft sealed with the polymer yet retaining the handling characteristics and feel preferred by surgeons. The graft has recently entered preliminary animal trials and once the desired outcome has been proven and achieved, design freeze will take place allowing both the longer term animal trials and the mechanical testing

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

required to allow regulatory submissions to be made in order to begin marketing the products.

RUA STRUCTURAL HEART

Over the past year, the Research and Development activities have progressed exceptionally well. The biggest step forward has been the development of a new manufacturing method that eliminates all of the manufacturing problems and constraints of the old method of dip casting valves in polymer solution. Early prototype valves have proven the concept of the manufacturing method which is currently being kept as a trade secret until the patent application process proceeds. In addition to being able to manufacture valves of a consistent quality, the method of manufacture removes all design constraints allowing us to manufacture what has been designed, rather than having to design what can be manufactured. This has allowed a valve to be designed and made that has substantially lower stress levels with the positive implications for durability.

The new valves will now undergo testing to confirm what has been modelled, allowing design freeze and ISO standard testing to be undertaken.

RUA MEDICAL DEVICES

RUA Medical Devices is the recent acquisition by the Group. 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 Devices 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 Devices team, facilities and systems are now fully available to continue the product development for RUA Vascular and RUA Structural Heart.

COVID-19 IMPLICATIONS

Covid-19 has had fewer implications for our medical device business than for most other sectors of UK industry but the Board has taken a number of important steps to ensure the long-term viability of the business.

At a group level, it was decided to continue apace during lockdown with our R&D activities and the core R&D team was retained in the business. I am delighted with the progress that the team has achieved in bringing the Elast-Eon™ sealed vascular graft to implantation in a pilot animal trial and the large steps made in manufacturing a structural heart valve of a fully optimised design rather a design controlled by the manufacturing process. In these difficult circumstances, the team has probably achieved more than would have been done under normal working conditions.

The most important action RUA Medical Devices had to take was ensuring the safety and security of staff during the pandemic. Members of staff who can work at home have been instructed to do so, but the nature of the business is such that much of the work has to be done at our two facilities in Prestwick and Irvine. A detailed risk assessment exercise has been undertaken and procedures put in place to ensure social distancing and enhanced cleaning protocols. This has all been undertaken within the risk procedures as part of our Quality Management System and the business is fully Covid-19 compliant.

On a commercial basis, RUA Medical's main customer that sells long term implantable textile devices suffered from the global shut down of elective surgery. As a result, we had a two to three month period of little or no new order intake. In order to preserve cash resources, unfortunately some members of staff were placed on furlough and in the manufacturing side of the business a skeleton team was retained to progress the back order book to ensure products could be shipped to customers once they were ready to receive orders.

Early last month RUA Medical received a further notification from its largest customer requesting it to prepare for the production of products and that orders would resume in the near future, but reserved the right to implement further suspension of orders in the event of the impact of a second wave of Covid-19. Since receipt of this notification, RUA Medical has now received new orders from its largest customer for delivery in August 2020.

The Biomaterials business is currently performing at normal run rate for material supply, however it will take at least two quarters to fully appreciate any potential impact on royalty rates.

Both of the Group's product development businesses, RUA Vascular and RUA Structural Heart, are still in R&D and as such are not being impacted at the revenue level. The principal challenges are sourcing equipment and test facilities. We have experienced some frustration in being unable to participate in trials but have not met with any significant barriers.

Despite the Covid-19 lockdown challenges encountered in my first 3 months as the Group CEO, I am pleased to confirm that RUA Life Sciences is well positioned to move forward in our plans to create significant shareholder value by providing innovative medical devices solutions that will improve the lives of patients worldwide.

DAVID RICHMOND
Group Chief Executive Officer

10 July 2020

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 divisions or 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.

DIRECTORS

The Company is managed by the Board of Directors which, at 31 March 2020, comprised two Executive (William Brown and John McKenna) and four independent Non-Executive Directors. On 1 April 2020, the Company completed the acquisition of RUA Medical Devices Limited and David Richmond, a Non-Executive Director was appointed as Group Chief Executive Officer. All Directors are able to take independent advice in furtherance of their duties if necessary.

John McKenna is a part-time Executive Director contracted to 67.5 days per annum. The Non-Executive Directors, being Gordon Wright, 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 of AorTech 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 Devices Limited 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.

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 AorTech 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.

Gordon Wright (Non-Executive Director). Gordon has an extensive knowledge of the cardiovascular field having been involved in healthcare companies for over 30 years. Gordon is one of the co-founders of AorTech as well as a number of other medical device businesses. He was principal shareholder and managing director of BioMedical Systems Limited from 1979 to 1988 which developed and manufactured the Bioflo tissue valve, and of Ecosse Medical Limited from 1985 to 1988 which manufactured catheters for open heart surgery and PVC tubing for heart and lung machines. Both these successful companies were sold in 1988 to 3M Health Care Limited. Gordon has been on the Board since November 2005, but is considered by the Board to be independent.

Key Areas of Expertise: Sales management, market development, international sales, product launch.

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 2020

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 culture is one of continuous improvement, that fosters innovation, cost reductions and consistent quality and loyalty. We encourage and engage all employees to ensure our five company values (Innovative, Quality, Responsive, Collaborative, Integrity) are a natural response and part of our Company culture. 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 11 to 15.

CUSTOMERS AND SUPPLIERS

Our customers are heading towards the increased trend of outsourcing their manufacturing to sub-contract manufacturers as they focus more on their core competencies. Newer, more complex products and ever-changing regulatory environments present new challenges – and our customers need to get their products to market sooner and more cost effectively. Our customers are therefore placing the ownership of quality, innovation and product delivery on us as their single source manufacturing partner. We provide a simple solution to a very complex problem, and approach innovation for growth by listening and learning to understand our customers' requirements. We see customers as our business partners and build solid and lasting relationships with them. By focusing on truly bespoke and innovative solutions we are currently exceeding their expectations and providing them with a technical and competitive advantage.

We have a robust supply chain in place which was effective in meeting our Brexit contingency plans (which called out for increased stock levels), and enabled us to successfully mitigate any potential impact on the supply chains and operations of our customers due to COVID-19.

EMPLOYEES

Our team is highly skilled and passionate and share the same vision and values, and are trusted to meet our priorities and objectives. We have created an environment where innovation can flourish, and are driving engagement in the workforce through systems training and upskilling, introduction of Personal Development Plans, and positively managing and encouraging the right working environment so that together we make a difference.

An employee satisfaction survey was recently conducted and results 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

We are working towards becoming a Fair Work employer, and have a Fair Work Plan in place.

We are passionate about our Development of the Young Workforce (DYW) programme. Twenty per cent of our workforce are young people, and we are currently working with Skills Development Scotland to deliver a Foundation Apprentice (Life Sciences) course for 6 local school students. We hope to continue to work with schools in the 2020/21 school year and offer a similar number of students an opportunity to participate in the Foundation Apprentice course.

We are also working with local schools via the Engineering Development Trust (Go4Set) on STEM innovation projects, and are the current sponsor of both Ardrossan and Ayr Academy's 3rd year students. We have two graduate apprentices in the business, and both employees are in their first year of Engineering Degrees at Glasgow Caledonian University. We also have an active Summer Internship programme in place for young people at University. Four students benefited in 2018/9, and plans are in place to take on more student interns in the future.

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

During the year to 31 March 2020, the Company was an Intellectual Property (IP) holding company whose principal activity was exploiting the value of its IP and know-how and developing medical devices utilising its polymer IP. After the financial year end the Company acquired RUA Medical Devices Limited, expanding activities to include the manufacture of medical devices.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated Income Statement is set out on page 29 indicating the Group's loss for the financial year of £815,692 (2019: £609,403) 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 2 to 5. 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 has taken a number of steps to protect staff and manage cash resources prudently and is encouraged by the resumption of elective surgery in the US in particular and the largest customer of RUA Medical Devices having started placing orders again in late May after a 10 week gap. The Chairman's Statement and Group Chief Executive Officer's Report on pages 2 to 5 further explains the steps taken to mitigate the Covid-19 risk.

The Directors consider the other principal risks and uncertainties facing the Group at this stage of its development to be as follows: 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 12, 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 2020 and 31 March 2019.

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	$41,575	£33,448

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 and profitably. 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.

OPERATING AND FINANCIAL REVIEW

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2020 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 GB£000	Zero GB£000	Total GB£000
Financial assets			
Cash and cash equivalents	1,976	–	1,976
Trade and other receivables	–	258	258
	1,976	**258**	**2,234**
Financial liabilities			
Liabilities at amortised cost	–	219	219
Fair value through profit or loss	–	–	–
	–	**219**	**219**

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
Chairman

RUA Life Sciences plc
Company number SC170071

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. During the year under review, good progress was made in the research and development activities and in preparation for continued work in this area and contemplated manufacture of devices, the Company agreed to purchase one of its partners, RUA Medical Devices Limited, which completed in April 2020. 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 ensures their views are communicated fully to the Board. This process is further enabled by our Nomad/broker, Shore Capital, which organises 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 2019 AGM held in Glasgow, all resolutions were passed unanimously at the meeting and proxy cards were 98.6% 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 Devices, 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.

CORPORATE GOVERNANCE STATEMENT

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 9 and 10 of this Annual Report and Accounts, the risks to the business are identified and how these are mitigated and 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 Devices 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 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.

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 2020, the Board was led by the Chairman, William Brown, and 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 fulfil 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, the Company agreed to acquire RUA Medical Devices Limited from David Richmond, a Non-Executive Director of the Company. On completion, David Richmond was appointed full time Group Chief Executive Officer thus splitting the roles of Chairman and Group CEO. The risks of combining the Chairman and Group CEO role were mitigated by the close involvement of the other Directors in the R&D projects and, in addition, Board meetings were open and allowed Directors to participate fully. Board meetings have been held at the premises of each of our development partners to allow the Board to meet with everyone involved in developing our products and fully understand development issues.

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 three 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.

CORPORATE GOVERNANCE STATEMENT

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 and 50 per cent. of the Board are relatively recent appointments. 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. As the Company has grown and David Richmond has become an Executive director, the role of Chairman of the Audit Committee relevant financial and related city and public market experience has now been identified as a new need. The Nominations Committee, chaired by the Chairman has started a process of identifying suitable candidates with the objective of making such an appointment by the end of the calender year. Gordon Wright, a long serving Non-Executive Director has notified the Board of his intention to retire from the Board at the time of this new appointment.

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 the two Executive Directors and resolved this weakness through the acquisition of RUA Medical Devices.

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.

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.

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 of the Company, has responsibility for the design and oversight of the regulatory process for the Company's Heart Valve project.

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

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.

CORPORATE GOVERNANCE STATEMENT

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 currently chaired by William Brown until a new appointment is made 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 18. 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	Chair	n/a	Chair
Gordon Wright	Member	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 2020:

	Number of Meetings Attended			
Director	Board	Audit	Remuneration	Nominations
William Brown	6/6	2/2	1/1	0
John McKenna	5/6			0
Gordon Wright	5/6	2/2	1/1	0
David Richmond	6/6	2/2	1/1	0
Geoff Berg	6/6	2/2	1/1	0
John Ely	6/6	2/2	1/1	0

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.

CORPORATE GOVERNANCE STATEMENT

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
Chairman

10 July 2020

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 Chairman and the Non-Executive Directors and is chaired by William Brown.

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 and 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. Specific issues considered by the committee included reviewing the Group's authorities matrix and ideas for improving the quality and content of the following year's Annual Report. 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 31 March 2020, 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 of new regulations and reporting requirements: papers outlining the impact of IFRS 16 were specifically considered and the committee concurred that the standard is not expected to have a material impact on the Group's financial results.
- 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 (including changes required as a result of adopting IFRS 15 and IFRS 9 from the year ended 31 March 2019 and IFRS 16 for the year ended 31 March 2020).
- 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 2020 fees for non-audit services amounted to £14,000. 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 2020.

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.

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.

AUDIT COMMITTEE REPORT

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.

WILLIAM BROWN
Chairman

10 July 2020

DIRECTORS' REMUNERATION REPORT

This report covers the financial year ended 31 March 2020.

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 (appointed on 01 April 2020)	4.5 months	12 months
John McKenna	Director of Clinical Marketing	None	12 months
Gordon Wright	Non-Executive Director	11 months	3 months
Geoff Berg	Non-Executive Director	11 months	3 months
John Ely	Non-Executive Director	11 months	3 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 private healthcare insurance and a death in service insurance scheme. The annual basic salaries of the Executive Directors as at 31 March 2020 are as follows:

William Brown	Full Time	£175,000
John McKenna	Part Time (67.5 days minimum)	£ 50,000

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. These costs are currently being accrued pending a scheme being set up.

SHARE OPTIONS SCHEME

Share options are granted to Directors to encourage them 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. The following vesting conditions apply to the 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 being at least £3.00.

The Options issued to the Directors were as follows:

Options Granted	2020	2019
J McKenna	–	469,531
W Brown	–	1,121,072
G Berg	**120,000**	–
J Ely	**120,000**	–
D Richmond	**120,000**	–

No share options were exercised in the year.

DIRECTORS' REMUNERATION REPORT

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 contri-butions GB£	2020 Total GB£	2019 Total GB£
Executive					
W Brown	**175,000**	**54,260**	**17,500**	**246,760**	180,022
J McKenna	**50,000**	**22,725**	**5,000**	**77,725**	60,380
Non-Executive					
G Berg	**30,000**	**4,543**	**–**	**34,543**	14,500
J Ely	**30,935**	**4,543**	**–**	**35,478**	14,551
D Richmond	**30,000**	**4,543**	**–**	**34,543**	14,500
G Wright	**30,000**	**–**	**–**	**30,000**	18,000
	345,935	90,614	22,500	459,049	301,953

ACQUISITION OF RUA MEDICAL DEVICES LIMITED AND RELATED PARTY TRANSACTION

During the year the Company entered into the Acquisition Agreement to acquire RUA Medical Devices Limited, as subsequently 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.

DIRECTORS' INTERESTS IN SHARES (AUDITED)

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

	31 March 2020	31 March 2019
G Wright	**641,645**	641,645
W Brown	**506,649**	506,649
D Richmond	**33,334**	33,334
J McKenna	**18,785**	18,785
G Berg	**16,667**	16,667
J Ely	**–**	–

On behalf of the Board

G BERG
Chairman of the Remuneration Committee

10 July 2020

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

GOING CONCERN

After considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to 30 September 2021 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.

The Board however recognises that the period of this forecast could be further impacted by policy decisions related to the Covid-19 pandemic which at present are not possible to forecast, particularly surrounding the possibility of a second peak in global infection rates. These events and conditions indicate a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. To mitigate the risk the Group would reassess its plans for product development and investment in capital equipment, would undertake a process of cost cutting and seek additional finance through Government backed Covid-19 support schemes, other debt funding options or an equity fund raise.

POST BALANCE SHEET EVENTS

The future developments of the Group are detailed in the Chairman's Statement on pages 2 and 3.

DIRECTORS AND THEIR INTERESTS

At 31 March 2020 the Executive Chairman of the Company was W Brown, the Executive Director was J McKenna and the Non-Executive Directors were and G Berg, J Ely, D Richmond and G Wright.

At each Annual General Meeting one third of the Directors shall be subject to retirement by rotation. G Berg and J Ely retire from the Board at the next Annual General Meeting and, being eligible, offer themselves for re-election. G Wright, has indicated that he will retire from the Board to coincide with the appointment of another Non-Executive Director towards the end of the calender year.

The interests of the Directors at 31 March 2020 and 31 March 2019 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2020 Number of shares	31 March 2019 Number of shares
G Wright	**641,645**	641,645
W Brown	**506,649**	506,649
D Richmond	**33,334**	33,334
J McKenna	**18,785**	18,785
G Berg	**16,667**	16,667

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 2020 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Walker Crips Stockbrokers	**3,153,452**	19.48%
Mr David Richmond	**1,533,334**	9.47%
Mr Clive Titcomb	**875,000**	5.41%
A J Bell Securities	**782,838**	4.84%
Mr J D Abell	**665,308**	4.11%
Mr Gordon Wright	**641,645**	3.96%
Hargreaves Lansdown Asset Mgt	**630,367**	3.89%
Charles Stanley	**580,672**	3.59%
Share Centre Investment Management	**540,404**	3.34%
Mr Bill Brown	**506,649**	3.13%
Halifax Share Dealing	**499,882**	3.09%

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 9 and 10 as these are deemed to have strategic importance to the Group.

REPORT OF THE DIRECTORS

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, 11 August 2020 at RUA Medical, 2 Drummond Crescent, Riverside Business Park, Irvine Ayrshire KA11 5AN is set out on pages 56 to 59. An explanation of certain business to be considered and voted on at the AGM is set out on pages 54 to 55.

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 54.

WILLIAM BROWN
Chairman

RUA Life Sciences plc
Company number SC170071

10 July 2020

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
Chairman

10 July 2020

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 2020, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, 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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with a course of action such as Brexit.

INDEPENDENT AUDITOR'S REPORT

to the members of RUA Life Sciences plc

Material uncertainty related to going concern

We draw your attention to the going concern accounting policy in note 1 of the respective group and parent company financial statements which note the uncertainty created by Covid-19 on the group's and parent company forecast cash flows. As stated in each note 1, these events and conditions indicate a material uncertainty exists that may cast significant doubt of the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that there is a material uncertainty we performed the following procedures:

- Obtained management's base case forecasts covering the period to September 2021. We assessed how these forecasts were compiled and assessed the appropriateness of management's forecasts by applying appropriate sensitivities to the underlying assumptions which were also challenged;
- Assessed the accuracy of management's forecasting by comparing the reliability of past forecasts to the base case forecast;
- Obtained management's more extreme case scenario prepared to assess the potential impact of Covid-19. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed work undertaken;
- Assessed the impact and uncertainties of the mitigating factors available to management in respect of the ability to restrict cash impact;
- Considered the forecasts prepared in respect of the most likely impact of Covid-19 and whether these still give rise to a material uncertainty; and
- Assessed the adequacy of related disclosures within the Annual Report and Financial Statements.

Grant Thornton

Overview of our audit approach

- Overall materiality: £38,000, which represents approximately 1.5% of the group's total assets
- Key audit matters were identified as going concern and impairment of intangible assets; and
- We performed full scope audit procedures on the financial statements of the parent company, RUA Life Sciences plc, this being the only trading component within the group during the year.

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 addition to the matter described in the 'material uncertainty related to going concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

to the members of RUA Life Sciences plc

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
Impairment of intangible assets There is a risk that the carrying value of intangible assets (specifically intellectual property) may be impaired. The carrying amount of the intellectual property in the group and parent company financial statements as at 31 March 2020 was £255,000 and there is a risk that this exceeds the recoverable amount due to the group and parent company incurring losses. Management's assessment of the net present value (NPV) of the intellectual property incorporates significant judgements in relation to the key assumptions, such as the timing, extent and probability of future revenues and cash flows as well as the discount rate. We therefore identified impairment of intangible assets (specifically intellectual property) as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the group's and parent company's accounting policy to check it is in accordance with the financial reporting framework; • Consideration of the appropriateness of the methodology applied by management in their impairment model by comparing it to the group's and parent company's accounting policies and our understanding of the business; • Considering revenue assumptions in the context of existing contracts with clients or other supporting evidence; • Comparing forecast expenditure against current year expenditure levels and other supporting evidence; • Confirming the mathematical accuracy of the NPV model used by management; • Determining the appropriateness of the discount rate assumption applied to future cash flows by benchmarking against industry trends as well as comparing with the prior year rate used for consistency; • Assessing the appropriateness of the probabilities applied to occurrence of future cash flows with reference to existing contracts with customers; • Performing sensitivity analysis on key assumptions made in the model and challenging these through consideration of the impact of alternative assumptions and comparison against results of prior years. The sensitivity analysis was performed on the assumptions over size, timing and probability of future cash flows and the discount rate. The group's accounting policy on intangible assets (including the related impairment) is shown in note 2 and note 1 to the group and parent company financial statements, respectively, and related disclosures are included in note 11 and note 2 to the group and parent company financial statements. *Key observations* Based on our audit work, our testing did not identify any evidence for impairment of intangible assets to be recognised within the financial statements and we found no errors in the calculations provided by management.

INDEPENDENT AUDITOR'S REPORT

to the members of RUA Life Sciences plc

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£38,000, which is approximately 1.5% of the group's total assets. This benchmark is considered the most appropriate because the principal activity of the business is the deployment of its assets to exploit the intellectual property and knowhow to generate current and future revenue generating opportunities for the group. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2019 as a result of a decrease in the group's total assets since the prior year.	£37,000, which is approximately 1.5% of the parent company's total assets, reduced so that component materiality is less than group materiality. This is considered the most appropriate benchmark because the principal activity of the business is the deployment of its assets to exploit the intellectual property and knowhow to generate current and future revenue generating opportunities for the parent company. Parent company and group total assets are the same at the balance sheet date. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2019 as a result of a decrease in the company's total assets.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£1,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£1,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business and is risk based. We took into account the size and risk profile of the group and each component, any changes in the business and other factors when determining the level of work to be performed at each component, which included the following considerations:

- RUA Life Sciences plc was the only trading component during the year with the rest of the components being dormant. We tailored our audit response accordingly with the group audit team performing full scope audit procedures on the parent company. We tested the group consolidation workings and adjustments for appropriateness. In assessing the risk of material misstatement to the group and parent company financial statements, we considered the transactions undertaken by the group and therefore where the focus of our audit work was required;
- We undertook substantive testing of significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of risks, knowledge of the business and overall assessment of the control environment. Our audit approach is consistent with that for the prior year; and
- Revenues and total assets for the group and parent company were tested to 100% through full-scope audit procedures.

INDEPENDENT AUDITOR'S REPORT

to the members of RUA Life Sciences plc

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, 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.

MATTERS 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 set out on page 22, 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.

INDEPENDENT AUDITOR'S REPORT

to the members of RUA Life Sciences plc

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.

PAUL C BROWN
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

10 July 2020

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March 2020 Pre-exceptional items GB£000	Exceptional items GB£000	Total GB£000	Year ended 31 March 2019 Pre-exceptional items GB£000	Exceptional items GB£000	Total GB£000
Revenue	3	**489**	–	**489**	463	–	463
Other income		**14**	–	**14**	–	–	–
Administrative expenses	6	**(1,123)**	–	**(1,123)**	(816)	(6)	(822)
Other expenses: share-based payments	5	**(91)**	–	**(91)**	(42)	–	(42)
Other expenses: bad debt expense		**(37)**	–	**(37)**	(19)	–	(19)
Other expenses: amortisation of intangible assets	11	**(193)**	–	**(193)**	(218)	–	(218)
Total administrative expenses		**(1,444)**	–	**(1,444)**	(1,095)	(6)	(1,101)
Operating loss	3	**(941)**	–	**(941)**	(632)	(6)	(638)
Finance (expense)/income		**44**	–	**44**	29	–	29
Loss before taxation		**(897)**	–	**(897)**	(603)	(6)	(609)
Corporation tax	9	**81**	–	**81**	–	–	–
Loss from continuing operations attributable to owners of the parent company	6	**(816)**	–	**(816)**	(603)	(6)	(609)
Loss attributable to owners of the parent company		**(816)**	–	**(816)**	(603)	(6)	(609)
Loss per share Basic & Diluted (GB Pence per share)	10			**(5.55)**			(4.72)

The notes on pages 33 to 45 form part of these financial statements

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2020 GB£000	31 March 2019 GB£000
Assets			
Non current assets			
Intangible assets	11	255	448
Property, plant and equipment	12	5	1
Total non current assets		260	449
Current assets			
Trade and other receivables	14	258	238
Cash and cash equivalents	15	1,976	2,412
Total current assets		2,234	2,650
Total assets		2,494	3,099
Liabilities			
Current liabilities			
Trade and other payables	16	(219)	(99)
Total current liabilities		(219)	(99)
Total liabilities		(219)	(99)
Net assets		2,275	3,000
Equity			
Issued capital	18	12,574	12,574
Share premium	18	4,550	4,550
Other reserve		(1,825)	(1,916)
Profit and loss account		(13,024)	(12,208)
Total equity attributable to equity holders of the parent		2,275	3,000

The consolidated financial statements were approved by the Board on 10 July and were signed on its behalf by

W BROWN, CHAIRMAN D RICHMOND, GROUP CEO

Company number SC170071

The notes on pages 33 to 45 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March 2020 GB£000	Year ended 31 March 2019 GB£000
Cash flows from operating activities		
Group loss after tax	**(816)**	(609)
Adjustments for:		
Amortisation of intangible assets	**193**	218
Depreciation of property, plant and equipment	**1**	–
Share–based payments	**91**	42
Interest income	**(7)**	(7)
Tax income	**(81)**	–
Effect of exchange rate during the year	**–**	–
(Increase)/decrease in trade and other receivables	**(20)**	(104)
Increase/(decrease) in trade and other payables	**120**	31
Cash generated from operations	**(519)**	(429)
Tax received	**81**	–
Net cash flow from operating activities	**(438)**	(429)
Cash flows from investing activities		
Purchase of equipment	**(5)**	(1)
Purchase of intangible assets	**–**	–
Acquisition of subsidiary	**–**	(139)
Interest received	**7**	7
Net cash flow from investing activities	**2**	(133)
Cash flows from financing activities		
Proceeds of issue of share capital, net of issue costs	**–**	2,552
Net cash flow from financing activities	**–**	2,552
Net (decrease)/increase in cash and cash equivalents	**(436)**	1,990
Cash and cash equivalents at beginning of year	**2,412**	422
Cash and cash equivalents at end of year	**1,976**	2,412

The notes on pages 33 to 45 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 2018	**12,118**	**2,500**	**(2,003)**	**(11,599)**	**1,016**
Share-based payments	–	–	42	–	42
Share warrants	–	(45)	45	–	–
Issue of equity share capital (net of issue costs)	456	2,095	–	–	2,551
Transactions with owners	**456**	**2,050**	**87**	**–**	**2,593**
Total comprehensive income for the year	–	–	–	(609)	(609)
Balance at 31 March 2019	**12,574**	**4,550**	**(1,916)**	**(12,208)**	**3,000**
Share-based payments	–	–	91	–	91
Share warrants	–	–	–	–	–
Issue of equity share capital	–	–	–	–	–
Transactions with owners	**–**	**–**	**91**	**–**	**91**
Total comprehensive income for the year	–	–		(816)	(816)
Balance at 31 March 2020	**12,574**	**4,550**	**(1,825)**	**(13,024)**	**2,275**

The notes on pages 33 to 45 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 2020. They have been prepared in compliance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 March 2020.

The Consolidated financial statements have been prepared under the historical cost convention.

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 30 September 2021 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.

The Board however recognises that the period of this forecast could be further impacted by policy decisions related to the Covid-19 pandemic which at present are not possible to forecast, particularly surrounding the possibility of a second peak in global infection rates. These events and conditions indicate a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. To mitigate the risk, the Group would reassess its plans for product development and investment in capital equipment, would undertake a process of cost cutting and seek additional finance through Government backed Covid-19 support schemes, other debt funding options or an equity fund raise.

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.

New accounting standards issued in year:

IFRS 16 'Leases' (change to IASB effective 1 January 2019) – the new standard requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. As at 31 March 2020 the Group does not have any lease arrangements so this change in standard is not relevant to these financial statements. However, the Group will continue to monitor for any future lease arrangements.

Presentational currency

The Group's revenues, profits and cash flows have historically been generated in US$ and reported as such. Whilst the majority of the Group's income continues to be derived in US$, the majority of costs are derived in the UK and as such with effect from 1 April 2018 the Group reverted to reporting its annual report in Sterling. This change recognises the evolving business model and development of devices in the UK.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

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.

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

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 during the year are being amortised over their useful economic lives of five years.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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: Computer equipment – 3 years.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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. 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.16 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.

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).

3. SEGMENTAL REPORTING

The principal activity of the RUA Life Sciences Group in the current and prior financial year was exploiting the value of its IP and know-how. None of the other business units generated any revenue in the periods, so this is currently the only reportable segment within the Group.

The Group's revenue is segmented as follows:

Analysis of revenue by income stream	2020 GB£000	2019 GB£000
Licence fees	**40**	76
Royalty revenue	**449**	387
Total	**489**	463
Analysis of revenue by geographical location		
Europe	**181**	178
USA	**266**	251
RoW	**42**	34
Total	**489**	463

The operating loss of £940,673 (2019: £631,629), and loss on continuing operations before taxation of £896,821 (2019: £609,403) 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 37% and 46% of the Group's total revenues (2019: 37% and 38%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Key management personnel	2020 GB£000	2019 GB£000
Emoluments – short-term employee benefits	**465**	299
Pension costs – post-employment benefits	**22**	16
	487	315

The key management personnel whose remuneration is included in the table above for the current year comprise two executive and four Non-Executive Directors. The key management personnel whose remuneration is included in the table above for the prior year comprise three Directors who served for 9 months of that year.

Please see the Report of the Remuneration Committee on page 18 for full details of Directors' emoluments which have been audited. Included in the aggregate emoluments for the year ended 31 March 2020 were £nil (2019: £76,354) made by the Company to third parties. The highest paid Director's total emoluments were £246,760 (2019: £180,022). Pension contributions have been accrued from June 2018. No Directors pension contributions were paid for the year ended 31 March 2020.

5. 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 (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:

	2020	2019
Options at start of financial year	1,590,603	–
Granted during the year	360,000	1,590,603
Exercised or lapsed during the year	–	–
Options at the end of the financial year	1,950,603	1,590,603

Warrants

In the prior year, warrants were awarded to Shore Capital (nominated adviser) in lieu of £50,000 of fees due in connection with the Placing of new shares in June 2018. The warrant was priced at £1 and entitles the holder to purchase 166,667 ordinary shares at a price of £0.30 per ordinary share. The warrant can be exercised at any time prior to the expiry date, which is 5 years post the date of grant. No warrants were awarded or exercised during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 has been 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.

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:	2020 GB£000	2019 GB£000
Foreign exchange differences	(36)	(22)
Amortisation of intangible assets	193	218
Employee benefits expense:		
Employee costs (Note 8)	511	323
Audit and non-audit services:		
Audit of the Accounts of the Company	40	28
Audit related assurance services	–	2
Taxation compliance services	4	4
All other taxation advisory services	10	–

7. ADMINISTRATIVE EXPENSES – EXCEPTIONAL ITEMS

Administrative expenses – exceptional items in the prior year relates to legal fees in relation to litigation regarding the departure of a former employee.

8. EMPLOYEES

	2020 GB££000	2019 GB£000
Employee costs (including Directors):		
Wages and salaries	459	286
Social security costs	28	21
Pension Contributions	24	16
	511	323

The average number of employees (including Directors) during the year was made up as follows:	2020 Numbers	2019 Numbers
Administration	7	6
	7	6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

No current tax or deferred tax expense arises on the loss for the year other than the R&D tax credit received for the prior year of £81,000 (2019: nil).

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 GB£000	2019 GB£000
Loss for the year before tax	**(897)**	(609)
Loss for year multiplied by the respective standard rate of corporation tax applicable (19%)	**(170)**	(116)
Effects of:		
Expenses not deductible for tax purposes and other tax differences	**54**	17
Trading losses (deferred tax not recognised)	**116**	99
Prior year Tax credit paid in financial year	**(81)**	–
Tax on loss for the year	**(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 they do not meet the conditions required in accordance with IAS 12. Losses carried forward in the UK total £5,892,000 – tax effect is £1,119,000 (2019: £5,172,000 – tax effect £879,000). An unprovided deferred tax asset in respect of share options totals £45,000 (2019: £5,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. LOSS PER SHARE

	2020 GB£000	2019 GB£000
Loss for the year attributable to equity shareholders	**(816)**	(609)
Basic & diluted loss per share		
From continuing operations attributable to ordinary equity holders of the company (GB pence per share)	**(5.55)**	(4.72)
Weighted average number of shares		
Issued ordinary shares at start of the year	**14,686,608**	5,557,695
Issued ordinary shares at end of the year	**14,686,608**	14,686,608
Weighted average number of shares in issue for the year (used for calculating basic loss per share)	**14,686,608**	12,910,847

11. INTANGIBLE ASSETS

	Development costs GB£000	Intellectual property GB£000	Total GB£000
Gross carrying amount			
At 1 April 2018	337	3,186	3,523
Additions	–	139	139
At 31 March 2019	337	3,325	3,662
Additions	–	–	–
At 31 March 2020	**337**	**3,325**	**3,662**
Amortisation and impairment			
At 1 April 2018	223	2,773	2,996
Charge for the year	59	159	218
At 31 March 2019	282	2,932	3,214
Charge for the year	34	159	193
At 31 March 2020	**316**	**3,091**	**3,407**
Net book value			
At 31 March 2019	55	393	448
At 31 March 2020	**21**	**234**	**255**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer equipment £000
At 31 March 2019	1
Additions for the year	5
At 31 March 2020	**6**
Depreciation	
At 31 March 2019	–
Charge for the year	1
At 31 March 2020	**1**
Net book value	
At 31 March 2019	1
At 31 March 2020	**5**

13. FINANCIAL INSTRUMENTS

Risk management

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

The 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

	2020 GB£000	2019 GB£000
Financial assets at amortised cost – loans and receivables		
Cash and cash equivalents	**1,976**	2,412
Trade and other receivables	**194**	184
	2,170	2,596
Financial liabilities		
Liabilities at amortised cost	**(208)**	(93)
Fair value through profit or loss	**–**	–
	(208)	(93)

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:

	2020 GB£000	2019 GB£000
Sterling	**1,943**	1,805
US dollars	**33**	607
	1,976	2,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 £2,491 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:

	2020 GB£000	2019 GB£000
Cash and cash equivalents	**1,976**	2,412
	1,976	2,412

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.

14. TRADE AND OTHER RECEIVABLES

	2020 GB£000	2019 GB£000
Current		
Trade receivables – gross	**106**	413
Allowance for credit losses	**(60)**	(341)
Trade receivables	**46**	72
Other receivables	**32**	23
Prepayments and accrued income	**180**	143
	258	238
Non-current		
Trade receivables	**–**	–

Included in the above is £147,919 (2019: £112,327) of accrued income.

£45,814 (2019: £41,922) of net trade and other receivables were past due for payment but not impaired at 31 March 2020, of which £32,616 (2019: £41,922) was over 30 days and £nil (2019: £nil) was over 90 days. The impairment provisions apply the IFRS 9 expected loss model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. CASH AND CASH EQUIVALENTS

	2020 GB£000	2019 GB£000
Cash at bank and in hand	**1,014**	2,412
Client account	**963**	–
	1,976	2,412

The client account relates to payment held for the consideration of RUA Medical Devices Limited after the year end as further detailed in note 21.

16. TRADE AND OTHER PAYABLES

	2020 GB£000	2019 GB£000
Current liabilities		
Trade payables	**102**	28
Other payables	**11**	6
Accruals and deferred income	**106**	65
	219	99

17. FINANCIAL COMMITMENTS

The Group had no unprovided financial commitments at 31 March 2020 or 31 March 2019.

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 2019	14,686,608	734	2,256	2,990
Share issue	–	–	–	–
Less: transaction costs on share issue	–	–	–	–
In issue at 31 March 2020	**14,686,608**	**734**	**2,256**	**2,990**

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 2019	4,832,778	11,840	2,294	14,134
In issue at 31 March 2020	**4,832,778**	**11,840**	**2,294**	**14,134**
Total at 31 March 2020	**19,519,386**	**12,574**	**4,550**	**17,124**

At the AGM of Members held on 24 September 2015, the Members approved the reorganisation of the Company's share capital by sub-dividing the existing 250 pence ordinary shares into 5 pence ordinary shares and 245 pence deferred shares. The share premium attached to the existing shares has followed the new shares. The deferred shares have limited rights including no voting rights. The deferred shares are not admitted or listed on any stock exchange.

Capital management objectives are set out in the Strategic Report on page 10.

19. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2020 or at 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

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

21. POST BALANCE SHEET EVENT – ACQUISITION OF RUA MEDICAL DEVICES LIMITED

On 1 April 2020, the company acquired RUA Medical Devices Limited, an Ayrshire-based innovative and experienced implantable fabric specialist and full service contract medical device developer and manufacturer for a consideration of £2.45 million which was to be satisfied as to £0.95 million in cash and the balance by the allotment and issue of 1,500,000 new Ordinary Shares at £1 each.

However, in light of the coronavirus pandemic, RUA Life Sciences plc and the vendor shareholder of RUA Medical Devices Limited have agreed to defer 45% of the cash component for up to two years from completion. A payment in April 2021 is contingent on the financial performance of RUA Medical, and while both companies are operating during the coronavirus pandemic, the contingent payment has been deferred until FY2022. The cash component of the acquisition was financed from existing cash resources.

A fair value exercise for RUA Medical Devices Limited was in progress but not complete at the time of signing and therefore the information required under IFRS 3 concerning the acquired net identifiable assets and liabilities and residual goodwill to be recognised is not yet available.

PARENT COMPANY BALANCE SHEET

	Notes	31 March 2020 GB£000	As restated 31 March 2019 GB£000
Assets			
Non current assets			
Intangible assets	2	115	564
Tangible assets	3	5	1
Investment in subsidiary undertakings	4	140	140
Total non current assets		**260**	705
Current assets			
Trade and other receivables	5	258	238
Cash and cash equivalents		1,976	2,412
Total current assets		**2,234**	2,650
Total assets		**2,494**	3,355
Liabilities			
Current Liabilities			
Trade and other payables	6	(219)	(99)
Total Current Liabilities		**(219)**	(99)
Total liabilities		**(219)**	(99)
Net assets		**2,275**	3,256
Equity			
Issued capital	7	12,574	12,574
Share premium		4,550	4,550
Other Reserve		179	88
Profit and loss account		(15,028)	(13,956)
Total equity attributable to equity holders of the parent		**2,275**	3,256

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 2020 was £1,072,524 (2019 restated: loss of £876,108).

The parent company financial statements were approved by the Board on 10 July 2020 and were signed on its behalf by

W BROWN, CHAIRMAN

D RICHMOND, GROUP CEO

Company number SC170071

The notes on pages 48 to 53 form part of these 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 01 April 2018 (as previously stated)	**12,118**	**2,500**	**–**	**(13,435)**	**1,183**
Prior year adjustment	–	–	–	**355**	**355**
At 01 April 2018 (as restated)	**12,118**	**2,500**	**–**	**(13,080)**	**1,538**
Share-based payments	–	–	43	–	43
Share Warrants	–	(45)	45	–	–
Issue of equity share capital (net of issue costs)	456	2,095	–	–	2,551
Transactions with owners	**456**	**2,050**	**88**	**–**	**2,594**
Total comprehensive income for the year (as restated)	–	–	–	(876)	(876)
At 31 March 2019 (as restated – retained earnings previously (£14,430,000))	**12,574**	**4,550**	**88**	**(13,956)**	**3,256**
Share-based payments	–	–	91	–	91
Share Warrants	–	–	–	–	–
Issue of equity share capital (net of issue costs)	–	–	–	–	–
Transactions with owners	**–**	**–**	**91**	**–**	**91**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,072)**	**(1,072)**
At 31 March 2020	**12,574**	**4,550**	**179**	**(15,028)**	**2,275**

The notes on pages 48 to 53 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 2020.

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 30 September 2021 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.

The Board however recognises that the period of this forecast could be further impacted by policy decisions related to the Covid-19 pandemic which at present are not possible to forecast, particularly surrounding the possibility of a second peak in global infection rates. These events and conditions indicate a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. To mitigate the risk the Group would reassess its plans for product development and investment in capital equipment, would undertake a process of cost cutting and seek additional finance through Government backed Covid-19 support schemes, other debt funding options or an equity fund raise.

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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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.

The grant of any share-based payment is measured at its fair value using the Black Scholes Option Pricing Model. 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

2. INTANGIBLE ASSETS

	Intellectual property GB£000	Development costs GB£000	Total GB£000
Cost			
At 31 March 2019	4,929	330	5,259
Additions for the year	–	–	–
At 31 March 2020	**4,929**	**330**	**5,259**
Amortisation			
At 31 March 2019	4,885	282	5,167
Prior year adjustment	(474)	–	(474)
At 31 March 2019 (as restated)	4,411	282	4,693
Charge for the year	424	27	451
At 31 March 2020	**4,835**	**309**	**5,144**
Net book value			
At 31 March 2019 (as restated, previously £90,000)	518	47	565
At 31 March 2020	**94**	**21**	**115**

3. TANGIBLE ASSETS

Cost	Computer equipment GB£000
At 31 March 2019	1
Additions for the year	5
At 31 March 2020	**6**
Depreciation	
At 31 March 2019	–
Charge for the year	1
At 31 March 2020	**1**
Net book value	
At 31 March 2019	1
At 31 March 2020	**5**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4. NON-CURRENT ASSET INVESTMENTS

	2020 GB£000	2019 GB£000
Investment in subsidiary undertakings		
Cost		
Historical cost	**140**	1
Additions	**–**	139
Provision for impairment	**–**	–
Net book value at 31 March	**140**	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

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

5. TRADE AND OTHER RECEIVABLES

Current	2020 GB£000	2019 GB£000
Trade receivables – gross	**106**	413
Allowance for credit losses	**(60)**	(341)
Trade receivables	**46**	72
Other receivables	**32**	23
Prepayments and accrued income	**180**	143
	258	238
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 2020 (31 March 2019: £3,955,000) has been made to fully provide against the remaining amount of the inter-company loan account due as at 31 March 2020 to RUA Life Sciences plc by its American subsidiary, AorTech Polymers & Medical Devices, Inc who were in liquidation as of 2014.

Included in the above is £147,919 (2019: £112,327) of accrued income.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

6. TRADE AND OTHER PAYABLES

	2020 GB£000	2019 GB£000
Trade payables	**102**	28
Other payables	**11**	6
Accruals and deferred income	**106**	65
	219	99

Included in the above is £nil deferred income (2019: £nil).

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 2020 is £12,574,637 (2019: £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 18.

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 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 (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:

	2020	2019
Options at start of financial year	**1,590,603**	–
Granted during the year	**360,000**	1,590,603
Exercised or lapsed during the year	**–**	–
Options at the end of the financial year	**1,950,603**	1,590,603

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Warrants

In the prior year, warrants were awarded to Shore Capital (nominated adviser) in lieu of £50,000 of fees due in connection with the Placing of new shares in June 2018. The warrant was priced at £1 and entitles the holder to purchase 166,667 ordinary shares at a price of £0.30 per ordinary share. The warrant can be exercised at any time prior to the expiry date, which is 5 years post the date of grant. No warrants were awarded or exercised during the financial year.

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 has been 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.

11. PRIOR YEAR ADJUSTMENT

As noted in the intangible asset accounting policy, in 2011 intangible assets were transferred from the Australian Subsidiary to the UK parent at a valuation of £4,777,000 which was used as the deemed cost for these assets in the parent company. On a group basis these assets remained at their historical cost. In 2015 these assets were impaired by £600,000 in the parent company (no impairment was necessary in the group accounts). For the subsequent years the annual amortisation charge was not adjusted to take account of the reduction in the remaining net book value arising from the impairment and therefore the annual charge in the parent company was overstated by £119,000 in each subsequent year. The Australian Subsidiary intangible assets were fully amortised at 31 March 2020.

A prior year adjustment has been made to correct for this. There is no prior year adjustment required on a group basis.

Reconciliation of equity at 1 April 2018

Retained earnings at 1 April 2018 as previously stated	(13,435)
Accumulated amortisation of intangible adjusted	355
Retained earnings at 1 April 2018 as restated	**(13,080)**

Reconciliation of equity at 31 March 2019

Retained earnings at 1 April 2019 as previously stated	(14,430)
Accumulated amortisation of intangible adjusted	474
Retained earnings at 1 April 2019 as restated	**(13,956)**

Reconciliation of profit and loss account for year ended 31 March 2019

Loss for the year as previously stated	(995)
Reduction in amortisation of intangible	119
Loss for the year restated	**(876)**

12. POST BALANCE SHEET EVENT

On 1 April 2020, the company acquired RUA Medical Devices Limited. See the group post balance sheet event note for full detail.

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

10 July 2020

Dear Shareholder

I am writing to give you the details of the 2020 Annual General Meeting to be held at 11.00am on 11 August 2020 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 56 to 59 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. The health of our shareholders and our employees is of paramount importance to us. The Board have decided on special arrangements to apply for the holding of this year's AGM, as set out in this letter and the notes to the Notice of Meeting. If there are any changes to these arrangements they will be communicated to shareholders via the Company's website at www.rualifesciences.com.

At the date of this letter, the UK and Scottish Government have restricted public gatherings and non-essential travel. Accordingly, this AGM will be run as a "closed meeting". Shareholders must not attend the AGM in person and anyone seeking to attend will be refused entry. Similarly, only the Chairman of the meeting should be appointed as a proxy or corporate representative of a shareholder.

The Company will make arrangements for a quorum to be present to transact the business of the meeting as set out in the notice. All the resolutions will be voted on by way of a poll vote, so that all proxies submitted by shareholders will be included in the voting.

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 11.00am on 7 August 2020.

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 2020 (the "2020 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 and 4 – Re-election of Directors

The Articles of Association of the Company require that at each AGM one-third of the Directors should be proposed for re-election. The shareholders are invited to re-elect John Ely and Geoffrey Berg. Biographical details on the Directors are contained in the 2020 Annual Report.

Resolution 5 – 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 5 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 6 – 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 £269.776.80 (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 £539,553.60 (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 £539,553.60 (representing approximately 66 per cent. of the Company's current issued ordinary share capital).

Resolutions 7 and 8 – 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 7 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 £40,466.50. 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 8 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 £40,466.50 (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 8 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 THE 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 11 August 2020 at 11.00am for the purpose of considering and if thought fit passing the following resolutions of which numbers 1 to 6 will be proposed as Ordinary Resolutions and numbers 7 and 8 as Special Resolutions:

AS ORDINARY BUSINESS

1. To receive and adopt the financial statements of the Company for the year ended 31 March 2020 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 2020.
3. To re-elect as a Director, John Ely, who is retiring by rotation.
4. To re-elect as a Director, Geoffrey Berg, who is retiring by rotation.
5. 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:

6. That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's annual general meeting held on 19 August 2019 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:

   a. up to an aggregate nominal amount of £269,776.80 (such amount to reduced by the aggregate nominal amount of any equity securities that may be allotted pursuant to paragraph b of this resolution in excess of £269,776.80); and

   b. comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £539,553.60 (such amount to be reduced by the aggregate nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph a 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 2021 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:

7. That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's annual general meeting held on 19 August 2019 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 6 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 6 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:

   a. 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;

   b. 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

c. the allotment (otherwise than pursuant to paragraphs a and b 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 £40,466.50

and such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 6 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 -

8. 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 19 August 2019, 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 6 set out in this Notice, as if section 561(1) of the Act did not apply to any such allotment, provided that this power:-

   a. shall be limited to the allotment of equity securities up to an aggregate nominal amount of £40,466.50; and

   b. 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 6 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

10 July 2020

NOTICE OF THE ANNUAL GENERAL MEETING

NOTES

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 6:00pm on 7 August 2020. 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. **Due to the restrictions in force at the date of the notice of this meeting, this Annual General Meeting will be held as a "closed meeting". Shareholders must not attend the meeting in person nor appoint a proxy or corporate representative other than the Chairman of the meeting. Anyone seeking to attend in person will not be permitted to enter the venue. The Company will make arrangements for a quorum to be present to transact the formal business of the meeting.**

3. Any member of the Company who is entitled (subject to the restrictions referred to in Note 2) 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.

4. 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 11:00am on 7 August 2020 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.

5. 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 11:00am on 7 August 2020. 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.

6. In order 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 11:00 am on 10 August 2020. 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.
7. As at noon on 9 July 2020 the Company's issued share capital comprised 16,186,608 ordinary shares of £0.05 each and 4,832,778 deferred shares of £2.45 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 9 July 2020 is 16,186,608. 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.
8. 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:

   (a) a copy of the service agreement for the Executive Directors,

   (b) a copy of the letters of appointment for the Non-Executive Directors,

   (c) the Memorandum and Articles of Association of the Company.
9. 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.
10. 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.

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