RUA | LIFE SCIENCES

ANNUAL REPORT

FOR THE YEAR TO 31 MARCH 2022

CONTENTS

STRATEGIC REPORT

GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

BOARD OF DIRECTORS AND ADVISORS

DIRECTORS

W Brown – *Executive Chairman*
C Stretton – *Group Managing Director*
I Anthony – *Director of Clinical and Regulatory Affairs*
L Smith – *Chief Financial Officer*
J McKenna – *Director of Marketing*
I Ardill – *Non-Executive Director*
G Berg – *Non-Executive Director*
J Ely – *Non-Executive Director*

COMPANY SECRETARY

K M Full FCCA

REGISTERED OFFICE

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

HEAD OFFICE

2 Drummond Crescent
Irvine
Ayrshire
KA11 5AN

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

LAWYERS

Davidson Chalmers Stewart LLP
163 Bath Street
Glasgow
G2 4SQ

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

INDEPENDENT AUDITOR

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

NOMINATED ADVISER AND STOCKBROKERS

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

REGISTRARS

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

Registered in Scotland, Company No.SC170071

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

STRATEGIC REPORT

Our Group's Mission

Enhancing patients' lives through the development of pioneering innovative medical devices

Our Group's Vision

To disrupt the Cardiovascular market with innovative products that utilise our IP and expertise with Elast-Eon™, the world's leading long-term implantable polyurethane

Our Group's Core Values

Innovation, Agility, Integrity, Quality and Collaboration

Growing Shareholder value by:

International growth from Licensing and Contract Manufacturing businesses – RUA Biomaterials, and RUA Medical Devices;

Product development and launches of RUA Vascular's graft pipeline;

Product Innovation from RUA Structural Heart's polymeric heart valve technology platform

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Company's audited final results for the year ended 31 March 2022.

"A great deal of work has been undertaken within the business to continue the process of building RUA into a full-scale medical device manufacturer. Key appointments have been made in the Regulatory, Finance, Quality and R&D Engineering teams with all departments making good headway. After the FDA indicated that they would like to see additional data and in particular a relatively small clinical study, constructive discussions continue on the precise requirements of the 510(k) process. The Group is currently accelerating the changes required to fully transition to a medical device manufacturer and have a robust manufacturing process in place to meet anticipated demand for product".

TRADING FOR YEAR

Total revenue for the year amounted to £1,625,000 (2021: £1,528,000) representing growth of 6% over the previous period. The contract manufacturing business within RUA Medical saw a strong recovery from COVID related business interruption and delivery of polymer measured by volume to our licensees saw strong growth, although revenues in the biomaterials business were down slightly due to a larger one-off timing benefit in Royalties last year. Gross margins remained strong at over 84%, demonstrating both the attraction of the polymer licensing model as well as the embedded value within medical device contract manufacture.

As anticipated, the total loss for the year has increased from £1,451,000 to £2,067,000 principally as a result of increased expenditure on the key research and development activities undertaken on our grafts and heart valves, along with further investment in growing the manufacturing infrastructure to deliver upon our ambitions.

We continued to invest further in property and equipment with total additions to tangible fixed assets being £907,000 in the period. Despite the investments of both a capital and revenue nature, cash was well managed with total cash resources at the period end of £2,963,000.

OUR BUSINESSES

RUA has two mature, revenue generating, high margin and attractively profitable business units in RUA Biomaterials and the Contract Manufacturing unit of RUA Medical. It is naturally the developing businesses of Vascular Grafts and Heart Valves that attract the most investor attention however it is appropriate to recognise the value of the mature businesses. The Biomaterials business, as well as providing the platform technology for the Group, achieved revenues of £487,000 during the period with minimal costs, the revenues are based on royalties and licence fees and has many characteristics of an annuity. Contract Manufacturing, although part of the wider RUA Medical business that is the hub for Group activities, generated revenue of £1,138,000 during the year and generated a net margin of around 48% and thus contributed around £550,000 to the wider Group. The activities of the other parts of the Group are described in a little more detail below.

VASCULAR GRAFTS

RUA Vascular, our business developing a range of surgical vascular grafts designed to eliminate the need for animal tissue as a sealant has make good progress over the period following the request by the FDA for additional data in order to progress the 510(k) application. A comprehensive suite of testing had been undertaken on the grafts to demonstrate their mechanical integrity and improved sealant properties together with the in vivo healing process particularly at the important blood contacting surface. The package of test data was sent to the FDA in November 2021 as part of a 510(k) submission which sought to demonstrate the substantial equivalence of the RUA grafts to current technology. The in vivo testing did however demonstrate a difference to current technology whereby, the Elast-Eon sealant in the RUA grafts prevented the surrounding tissue from sticking or adhering to the outside of the grafts as demonstrated with the control devices. Additionally, there was some evidence that the RUA grafts were also less susceptible to an inflammatory process. As the "healing" process was different, the FDA determined that in order to approve the grafts under the 510(k) regime that they would like to see additional data and in particular a relatively small clinical study to allow a better understanding of the healing process. Our regulatory team (now established in house) has been actively engaged with the FDA in seeking consensus on the appropriate additional testing and this process is anticipated to conclude during August, at which point we should have agreement on the full scope of the anticipated additional testing required.

CHAIRMAN'S STATEMENT

The delay has been disappointing however it has allowed time for engineering improvements to the graft manufacturing process, which should improve the gross margin potential.

More detailed marketing data and segmental analysis has been undertaken, confirming that the global market for the RUA Vascular range of products (including patches) specifically designed to be used by cardio-thoracic (or "heart") surgeons is around $1 billion. Taking into account the limitations of current technology, the improvements that the RUA range would introduce to the market and external feedback, we are building the infrastructure of the business with the objective of meeting demand for at least a 10% market share although industry insiders have suggested a multiple of that is possible.

HEART VALVES

A patient faced with surgery for a diseased heart valve is also faced with a major decision regarding which type of valve to have. A mechanical valve will be very durable but has the disadvantages of noise (clicking) and the risks of thrombosis or bleeding if warfarin levels are not controlled. A biological valve is silent, avoids drug treatment but has a limited lifespan and as such risks the need for a further operation when older and the procedural risks increase.

RUA's vision with its heart valve development programme is to create a valve that utilises the proven benefits of Elast-Eon's durability, non-thrombogenic and anti-calcification properties to reduce or eliminate the compromises a patient has to make. Over the year and in the current period, the project has succeeded in meeting some important milestones. The design has seen further refinement to reduce stress on the valve, the hydro dynamic performance has been very promising and we have succeeded in developing a hybrid material that could be a replacement for the pericardium material that is used to manufacture biological valves without the durability drawbacks. This new composite material is very thin, flexible, yet demonstrates tear resistance many times greater than a simple polymeric sheet whilst retaining the blood contacting properties of Elast-Eon. We believe this material coupled with our valve design has the potential to eliminate the patient compromise whilst avoiding the potential for sudden failure of a leaflet. The intention during the current year is to further advance the testing of this technology and, if it demonstrates the benefits as anticipated, advance to animal studies.

OUTLOOK

It was clearly a great disappointment to have not achieved 510(k) approval at the first time of asking, but I am convinced that it remains a question of when, and not if, the polymer sealed grafts are approved for marketing. It is a slightly unusual position that the reason for the delay is probably a clinical benefit and the data we would expect to gather from the expanded clinical requirement will be both invaluable from a marketing perspective but also suggests that we could achieve a much greater market share than first anticipated. We are still in the consultation phase with the FDA and as such have a good idea of the additional work that will be required, and anticipate final confirmation of these requirements in August.

WILLIAM BROWN
Chairman

8 July 2022

GROUP MANAGING DIRECTOR'S REPORT

"This period has been one of sales growth and recovery from Covid-19 disruption, addressing the disappointment of the 510(k) delay and making the changes to business processes and management structure to minimise the risk of any further delay to the regulatory process for RUA Vascular's graft range. We have now laid the foundations of a medical device manufacturing business that can deliver on the goal of growing shareholder value through bringing our pipeline products to market."

Caroline Stretton
GROUP MANAGING DIRECTOR

OUR SALES PERFORMANCE HAS IMPROVED

Total revenue reported from contract manufacturing and polymer licensing businesses of £1,625,000 (2021: £1,528,000) represents an increase of 6% over the same period in the previous year. Third party contract manufacturing revenue increased 11% to £1,138,000 (2021: £1,021,000) reflecting a recovery from Covid related disruption. Polymer licence and royalty fees represented the balance of Group revenues of £487,000 (£2021: £507,000), which did not reflect the underlying volume growth and was due to a major licencee hitting its 2021 royalty cap in the last quarter of 2021 coupled with a weakened dollar.

Research and development ("R&D") activities, along with the Group's polymer IP, are the key platforms for future growth. Reflecting our ongoing commitment to this area, R&D expenditure increased by almost two thirds over the period with investment in this area rising from £541,000 to £903,000.

Overall, loss after tax for the period has increased to £2,067,000 (2021: £1,451,000) which resulted from a combination of increased R&D activities and further investment in the infrastructure to support future growth.

PIVOTING TO SUSTAINABLE AND PROFITABLE GROWTH

Significant progress was made on product development activities for RUA Vascular's large bore vascular grafts which enabled a 510(k) submission to the FDA in November 2021. It was disappointing to receive feedback from the FDA that human clinical data would be required to demonstrate substantial equivalence of the grafts to existing products on the market on the basis that they introduced novel technology compared to the predicate devices. Bringing full time regulatory and clinical study expertise in house was already being addressed prior to the 510(k) submission, and as a result resource has been available to further engage with the FDA and review the regulatory strategy. The need to generate clinical data means final FDA approval is now expected in late 2024, and this has enabled a critical review of business processes and afforded the time to progress the following advances in 2022:

1. Transform business processes in order to transition from a narrowly focused contract manufacturer to a fully-fledged medical device manufacturer.
2. Develop a high-throughput manufacturing process to ensure manufacturing at scale from day one of FDA approval. This will allow RUA to maximise initial vascular graft revenue and secure significant early market penetration.
3. Accelerate the development and launch of the extended vascular graft product pipeline. This will include an open surgical hybrid device to repair the aortic arch and descending aorta.
4. Accelerate the development of a second design of a flexible leaflet heart valve system; this new design is effectively a synthetic equivalent to current pericardium material used to manufacture biological valves with the objective of avoiding valve failure through polymer technology.
5. Increase the talent pool within the business with the necessary experience, knowledge and skill sets to help deliver on RUA's ambitious plans.

SIGNIFICANT BOARD/MANAGEMENT CHANGES FOR THE PERIOD

T he Group has restructured its operations and the team expanded with new recruits from the medical device industry. Product development and all graft R&D activities are now being managed by Simon Rosendale (Manufacturing Engineering Manager). Stuart Elias (Medical Textiles Manager) continues to manage day to day textile production and provide his invaluable textiles expertise to Group businesses. Simon and Stuart have over 40 years medical textiles expertise between them, including employment at Terumo Aortic on the production and development of vascular grafts.

GROUP MANAGING DIRECTOR'S REPORT

The further key appointments to the Board of Lachlan Smith, Chief Financial Officer, and Iain Anthony, Director of Clinical and Regulatory Affairs, also ensure the right management expertise is available to support growth of the Group. Iain in particular has extensive cardiovascular medical device experience in clinical, regulatory and R&D areas. I have also moved into a wider Group role from the narrower focus I previously had within the RUA Medical Devices subsidiary.

CAPITAL EXPENDITURE

The balance sheet of the Group retains a cash balance at the period end of £2,963,000 (2021: £6,294,000) having invested a further £907k (2021: £837k) in Property, Plant and Equipment. This mainly comprised heart valve testing equipment, graft scale up equipment and a new facility. This new facility was purchased in November 2021 to accommodate additional office space for the expanding business, and a high output cleanroom facility to support scale up manufacturing of RUA Vascular's graft range and associated support functions. The new facility is planned to be commissioned during 2023.

RUA BIOMATERIALS

RUA Biomaterial's manufacturing and licensing partner, Biomerics, continues to actively promote the uptake of Elast-Eon™ as a world leading material to the medical device industry. Elast-Eon has now been in long term human implants for well over 15 years, is the enabling technology behind over 8 million life-sustaining devices and is proven to have all of the characteristics necessary for a long-term implantable biomaterial. Although 2022 revenues decreased by 4%, this did not reflect the underlying volume growth, and was due to a major licensee hitting its 2021 royalty cap in our last quarter of 2021 coupled with a weakened dollar. Future strategy is centered around increasing royalty income by positioning Elast-Eon as an enabling technology which de-risks the future of all current medical devices incorporating animal derived material. Biomerics has expanded its manufacturing capacity and we will look to enhance our Intellectual Property portfolio to add more value to future licensing deals.

RUA MEDICAL DEVICES

Third party contract manufacturing revenue increased 11% to £1,138,000, reflecting a recovery from Covid related disruption, particularly in the US. Our operations were not significantly affected during the year and we managed to respond to COVID-19 supply chain disruption and ensure continued focus on quality and delivery of customer products.

We have also entered into the final stages of negotiating a new manufacturing and supply contract with a global medical technology company which is intended to be finalised in the very near term.

Future strategy is focused on growing OEM customer demand and transforming the aspirations for the Group's product portfolio into real results. RUA Medical Devices remains the engine room for Group R&D and production, and, as the inventor of the novel Elast-Eon coating process technology, will build upon its reputation as the Centre of Excellence for Elast-Eon processing.

VASCULAR GRAFTS

We remain excited by the opportunities open to RUA Vascular which is now much more than just another graft manufacturer with an interesting sealing technology. The segments of the global vascular graft market being addressed by the RUA product pipeline are estimated to be worth, in total, around $1 billion and represent, in the main, the products required and used by cardio-thoracic (or heart) surgeons. Polyester vascular grafts have been available on the market for over 50 years with little innovation. There are a number of long-established competitors in the marketplace and many use animal derived sealants for their polyester grafts. There is now a growing acceptance in the surgical community of an inevitable switch away from animal sourced products once a synthetic surgical graft is available, RUA's current range of synthetic large bore grafts under development will be the enabler for the development of more complex products in the vascular graft portfolio. Detailed financial planning by Group management has estimated that the vascular graft product pipeline could achieve a market penetration of 10% within the next ten years.

Significant progress was made on product development activities for RUA Vascular's large bore vascular graft in 2021, and after resolution of cellulose contamination on the graft, a 510(k) submission to the FDA was made in November 2021. After collaborative discussions with the FDA, the 510(k) submission for the large bore vascular graft was converted to a pre-submission, or Q-sub, allowing interactive discussions between the Company and the FDA to determine the regulatory path to approval in the US. During these discussions, many of the additional data requirements for a future 510(k) submission were agreed and a future pre-submission strategy identified. On a positive note, it was confirmed that RUA can still follow the 510(k) route to the US market provided that supplementary clinical data are generated to support the Vascular Graft range. A clinical trial has now been designed to demonstrate the safety and efficacy of Elast-Eon as a graft sealant. The trial design has been submitted to the FDA in a further pre-submission to ensure alignment with the FDA's expectations. These discussions are expected to be completed by August of this year. While this adds some delay to the front end of the process, the data generated in the trial will be utilised to support marketing applications in multiple geographic regions including Europe, and this is expected to drive faster acceptance and uptake of the graft products than previously planned.

The recruitment of the first patient for the clinical trial is anticipated within the current financial year, with regulatory submissions planned to allow entry into US and European

GROUP MANAGING DIRECTOR'S REPORT

markets in 2025. Other markets will also be pursued where market access can be achieved on the back of US/EU regulatory clearance. The business is confident that this clinical trial will demonstrate the benefits of an Elast-Eon sealed vascular graft for patients and surgeons and drive the inevitable switch away from traditional animal-sourced graft sealants such as gelatine and collagen. Therefore, we believe that once we achieve regulatory approval for the grafts there will be ready buyers for the devices. Interest continues to be strong for OEM use of the RUA vascular graft and those opportunities are being advanced in parallel with our plans for sales into hospitals via distribution partners.

Significant work has been completed on manufacturing process refinement and efficiencies of the existing small-scale production line to support the build of clinical trial stock and the future transfer of manufacturing to a new high output cleanroom facility. Production capacity plans have therefore been reviewed and a scale-up line is being developed that is capable of meeting the increased volumes and margins required for a global launch of the vascular graft pipeline.

We were successful in being awarded an Innovate UK grant to help finance an early feasibility study for the use of an Elast-Eon device to treat Critical Limb Ischaemia. Unfortunately, we had to allow the grant to lapse due to COVID-19 restrictions, meaning the team was unable to travel to meet key opinion leaders and potential partners. The project, however, remains in the vascular pipeline.

HEART VALVES

RUA Structural Heart is positioning itself to disrupt the $8bn surgical and TAVI heart valve market. We believe that the key to success will be a leaflet system which combines long-term durability together with the bio-stability of Elast-Eon material. Two heart valve programmes are running in parallel – one with a 100% polymer leaflet and the other a textile polymer composite leaflet . Milestones in 2022 relate to the development and de-risking of both heart valve designs and prioritising the design which ensures the most resilient and appropriate technology. The design with the greatest potential will be ready for in vivo trials during 2023, at which point options for clinical trial will also be considered.

To further broaden our IP portfolio and to further understand and evaluate the use of new synthetic materials as heart valve components, RUA is working with the University of Strathclyde on a Knowledge Transfer Partnership (KTP) to introduce new polymer science and processing knowledge and skills into the heart valve programme. As well as enabling access to academic networks and specialist equipment, this allows postgraduate students to gain experience within industry and the opportunity to apply their skills in a practical environment.

OUTLOOK

RUA's world class products are being designed and developed to meet identified needs in the market. By augmenting our team and focussing on laying the foundations of a medical device manufacturing business, this will allow us to disrupt the cardiovascular market with innovative products that ultimately deliver on the goal of significantly growing shareholder value. The Group looks forward to commencing the vascular graft clinical trial required for FDA submission in the current financial year, while continuing to maximise revenues from the RUA Medical and RUA Biomaterials divisions, alongside further RUA Vascular and RUA Structural Heart division product development.

CAROLINE STRETTON
Group Managing Director

8 July 2022

STRATEGY

The vision of the Group is to disrupt the Cardiovascular market with innovative products that utilise our IP and expertise with Elast-Eon™ , the world's leading long-term implantable polyurethane. This is being undertaken through:

- licensing Elast-Eon™ to third parties through RUA Biomaterials;
- developing and launching a range of Elast-Eon™ sealed vascular grafts 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 OEM customer base.

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

DIRECTORS

The Company is managed by the Board of Directors which, at 31 March 2022, comprised of five Executive (William Brown, Caroline Stretton, Iain Anthony, Lachlan Smith and John McKenna) and three Non-Executive Directors.

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

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

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

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

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

DIRECTORS

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

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

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

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

DIRECTORS

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

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

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

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

DIRECTORS

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 2022

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

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

b) Interests of the company's employees.

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

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

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

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

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

SHAREHOLDERS

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

NON-FINANCIAL INFORMATION STATEMENT

In accordance with the requirements of section 414CB of the Companies Act 2006, the information below is provided to help our stakeholders understand our position in relation to key non-financial matters including, where appropriate, the relevant policies and processes we operate.

CUSTOMERS AND SUPPLIERS

While the Covid-19 pandemic continues to evolve, RUA operations were not significantly affected during the year, and managed and responded effectively to Covid-19 related disruption on its supply chain. This ensured continuing focus on quality and delivery of customer products. The partnership structure between RUA Medical Devices and its major customer continues to deepen and strengthen.

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

HUMAN RIGHTS

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

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains.

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

SOCIAL STRATEGY

We believe that the most successful businesses are ones that embrace the employee experience and protect employee wellbeing. The 5 company Values are a big part of how the entire business works internally and with its customers to develop new, market leading products, and they allow us to deliver service to the highest standards and create

SECTION 172(1) STATEMENT

For the year ended 31 March 2022

an environment where innovation can flourish. The entire organization is involved in creating a positive culture, to ensure everyone feels included in driving toward the company's business goals. The Group is committed to building a successful team and has invested in upskilling of staff to support product development and scale up for future growth of the group. All staff have Personal Development Plans and Training/Upskilling Plans in place to ensure they fulfil their capabilities. We have also introduced a range of initiatives to maintain employee wellbeing and support employees in hybrid working.

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

We are passionate about our Development of the Young Workforce (DYW) programme. Many of our workforce are young people, and we work with Skills Development Scotland to routinely offer modern and graduate apprenticeships to employees. Nearly ten per cent. of our employees are currently benefitting from apprenticeship schemes, and we support day release of the employee as required. RUA Medical is also a STEM Ambassador working in conjunction with the Engineering Development Trust to encourage 3rd year local school students to focus on STEM innovation projects. We were delighted to resurrect our Intern programme in March 22, which had been on hold since 2020 due to Covid-19. This allows a University undergraduate student to gain first-hand workplace experience in the business, and which has been proven to be invaluable experience for their future career path, with a previous 2019 student now a permanent member of the RUA R&D team. The Group supported the UK Government's Kickstart Scheme, which provides funding to employers to create job placements for 16 to 24 year olds on Universal Credit. One employee was recruited into the Production team, and is now a permanent member of staff.

Employee attrition rate is 5%. This low attrition is testament to the business management of Covid-19, our long-term prospects, employee incentivisation plans, and directly investing in the health and wellbeing of our employees to improve their quality of life.

We address gender bias and inequality by creating an inclusive workplace that is guided by our Core values each day, with a 32%:68% female to male employee split, and gender pay gap of 29% (mean) and 6% (median - difference between the midpoints in the ranges of hourly earnings of men and women). RUA has strived to create a balanced, experienced team within every tier of the business, and it is an effort which will continue in subsequent years.

An employee net promoter score of 85% in the annual employee survey 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 belief in the vision and values of the Company, and that these encourage the right working environment and helped us to positively manage the business through the Covid-19 pandemic.

COMMUNITY AND ENVIRONMENT

The Group continues to strive to align its business practices with the United Nation's 2030 Sustainable Development Goals as a blueprint to achieving a more sustainable future.

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

The Group continues to foster an environmentally aware culture in partnership with Zero Waste Scotland, Creative Carbon Scotland and Scottish Engineering. All of our energy supply contracts are from renewable sources, and electric vehicle (EV) chargers have been installed to promote and support employee conversion from diesel/petrol cars to electric vehicles. An EV leasing arrangement via a salary sacrifice scheme is also offered to all employees to support this conversion.

RUA Medical Devices' recent Presidents Award for Excellence from Scottish Engineering, a well-respected industry body, recognises its significant contribution towards investment in people, growth and innovation.

HEALTH & SAFETY INCLUDING COVID-19

The Group promotes a safety-first culture and ensured adequate information, instruction and training was given in respect to health and safety control measures. All sites received a clean bill of health from the Health & Safety Executive during their Covid-19 audits. During the pandemic, we prioritised safe working practices and complied with government measures on social distancing. We set up a designated team to closely monitor and risk assess the impact of Covid-19 on operations, and control measures included:

- Employees working from home where possible;
- Implemented support processes for staff who have tested positive or have otherwise had to isolate;
- Undertaken a full evaluation of the supply chain to ensure any risks are identified and mitigated;
- Adjusted working patterns and put in place controls to minimise physical interactions and ensure social distancing;
- Maintained payment terms to support suppliers;
- Provided contractual order flexibility to customers whose demand has been impacted by the Covid-19 downturn.

SECTION 172(1) STATEMENT

For the year ended 31 March 2022

This enabled all sites to continue to operate throughout the pandemic, and we were able to continue to service the demand of our main business partner and new clients.

QUALITY MANAGEMENT SYSTEM

During the period, RUA Medical Devices maintained ISO13485:2016 certification in support of its Quality Management System (QMS) to provide medical device design and contract manufacturing services. Significant updates have been progressed to facilitate the extension of the QMS scope to include the entire Group and meet the requirements of a Medical Device Manufacturer. Certification of the RUA Life Sciences QMS to ISO13485 is anticipated by Q3 22. The quality team has been further enhanced by the recruitment of a Quality Manager with direct experience in the industry and medical devices product lines in particular.

LEAN MANUFACTURING METHODOLOGIES

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

DIGITAL TRANSFORMATION

People-power, combined with new technology in accounting, HR and quality systems, and inclusive business practices, have also accelerated our Industry 4.0 digital transformation journey.

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

During the year to 31 March 2022, the Company was a manufacturer of medical devices and licensor of its IP and know-how together with developing medical devices utilising its polymer IP.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated Income Statement is set out on page 46 indicating the Group's loss for the financial year of £2,067,000 (2021: £1,451,000) 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 Managing Director's Report on pages 5 to 9. 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.

No dividends have been paid or proposed for the years ended 31 March 2022 and 31 March 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

ROLES AND RESPONSIBILITIES

The Board:

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

The Audit committee:

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

The Senior Leadership Team:

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

The principal risks and uncertainties identified are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition. Two of the major risks and uncertainties facing RUA Life Sciences, as well as almost every other business globally, is the impact of Covid-19 and the conflict in Ukraine.

Covid-19

While the Covid-19 pandemic continues to evolve, RUA Life Sciences operations were not significantly affected during 2021/22. We continue to monitor, manage and respond to Covid-19 related disruption, along with existing geopolitical pressures, on our supply chain. The Group benefited from a rise back to pre-pandemic orders for its contract manufacturing business. The overall situation has improved from a year ago but there are still a significant number of infections in the UK. There is a chance that additional measures could be brought in throughout 2022 and so we have determined there to be no change in the level of risk.

Conflict in Ukraine

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

Political and economic instability

We face risks in relation to the political and economic instability associated with the UK leaving the European Union, as well as potential changes to the legal framework applicable to our business. Currently the majority of sales are to US based customers and little impact has been seen to date, however additional customs checks are resulting in delays on delivery of capital equipment and this risk is mitigated by seeking to place purchase orders in a timely basis.

PRINCIPAL RISKS AND UNCERTAINTIES

KEY RISKS AND UNCERTAINTIES

Risk	Potential Impact	Mitigation
Lack of growth	Income shortfall Reduced profitability Failure to maintain competitive advantage	Business continuity plans for manufacturing and production facilities, inventory management and our key supply chain to maintain capability to respond rapidly and appropriately to any event. Processes to monitor, manage and provide assurance to raw material supply-based risk.
Business Strategy & Transformation	Revenue underperformance Loss of competitive advantage Impact on market capitalisation	Development and launch of new products to secure new customers and drive future growth. Detailed planning has been undertaken with external regulatory consultants, staff and Board to identify key actions, resource requirements, links between company-wide activities.
Innovation & IP	Revenue underperformance Loss of competitive advantage Impact on market capitalisation Reputation loss	Strong pipeline of new products to provide growth and differentiation. Strong business planning. Effective alignment of corporate and operational strategy. Appropriate patent protection is in place to secure our portfolio.
People & HR	Loss of key staff Loss of technical skills Disruption to business performance	Remuneration and benefits, including long-term incentives, are regularly reviewed and designed to be competitive and attract, motivate and incentivise key personnel. Investment in training and development to attract talented people.
Health & Safety	Accident in the work place Reputation loss Disruption to business operations	Well established and robust processes to identify and minimise the risk of death or injury including training, detailed risk assessments and accident reporting procedures. Adjusted working environments by incorporating an appropriate level of hygiene factors to keep staff safe.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Potential Impact	Mitigation
Regulatory, Quality & Clinical	Inability to supply our products Delay in product launches	Allocation of sufficiently experienced internal resource to support the regulatory approval of products, including any extensions to other markets. Commitment to open and transparent engagement with Regulators to ensure global compliance; training programmes to ensure compliance with regulatory requirements. Utilisation of presub process with FDA to ensure early engagement on product development plans and acceptance of regulatory data.
IT, Data & Digital Transformation	Reputation loss Financial loss Data loss or destruction	The IT transformation programmes are underpinning our strategic plan and enhance our data security and move towards cloud solutions. Increased awareness across the Group of this risk and focus on ensuring policies, systems and processes are in place to ensure any risk is minimised. Provision of training and alerts to staff to ensure that they are aware of known risks.
Finance & Internal Controls	Financial Loss Liquidity loss Disruption to business operations	Maintenance of an infrastructure of systems, policies and reports to ensure discipline and oversight on liquidity matters, including specific treasury and debt-related issues and control of expenditure to maximise cash runway. The funding strategy is approved annually by the Board and includes maintaining appropriate levels of working capital.
Currency Risk	Financial loss	Group policy to match currency income to currency expenditure as far as possible.

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

Dollar cash balance at the year end

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

Asset	US$ Balance	GB£ Value
US Dollar Bank Account	$214,158	£163,001

PRINCIPAL RISKS AND UNCERTAINTIES

Interest Rate Risk

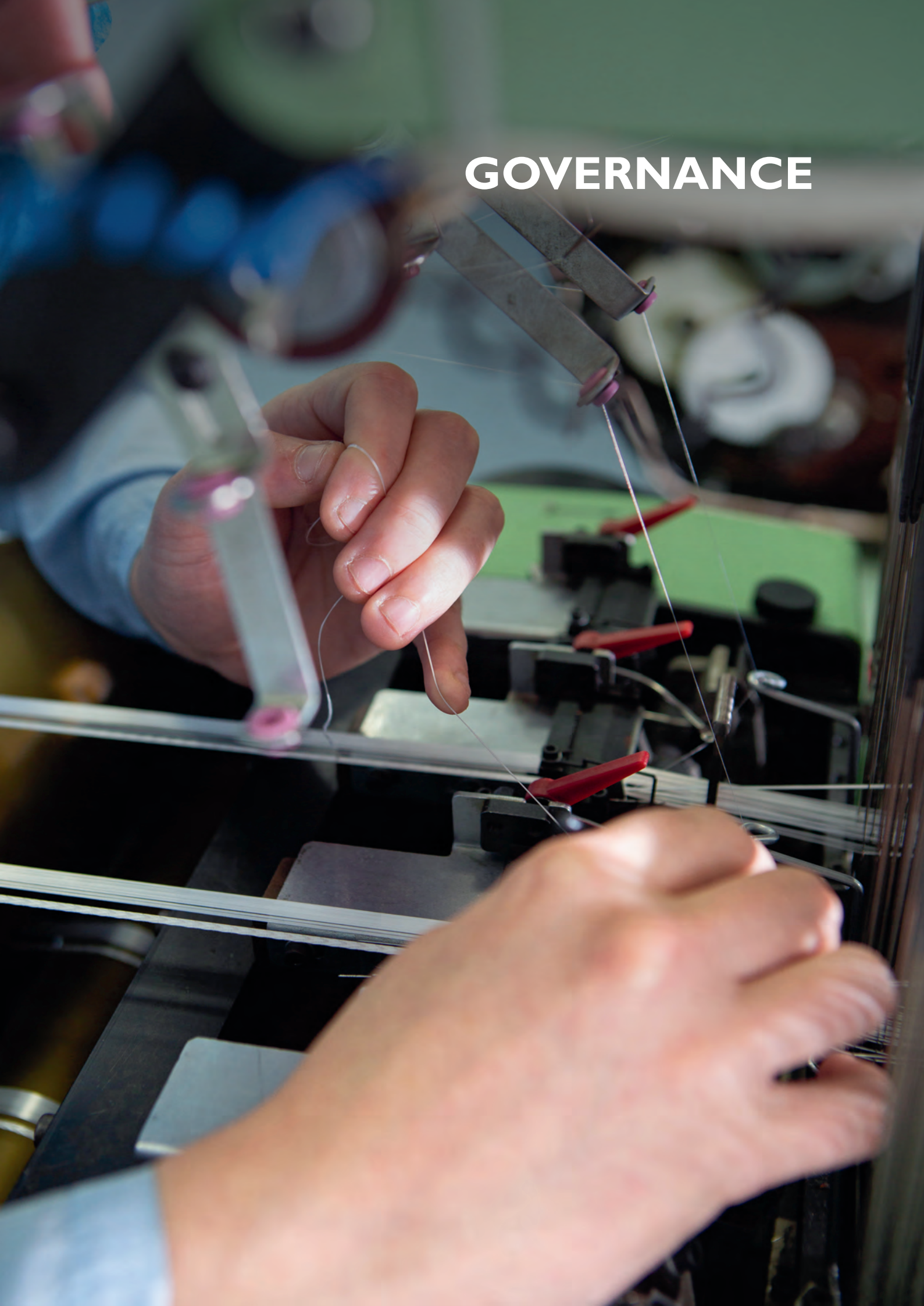
The Group finances its operations through retained cash reserves, and seeks to strike a balance between liquidity and maximising the return on funds. Cash holdings are regularly reviewed by the Board.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2022 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	2,963	–	2,963
Trade and other receivables	–	1,120	1,120
	2,963	**1,120**	**4,083**
Financial liabilities			
Liabilities at amortised cost	–	1,122	1,122
Fair value through profit or loss	–	–	–
	–	**1,122**	**1,122**

WILLIAM BROWN
Chairman

RUA Life sciences plc
Company number SC170071



GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

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

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

QCA PRINCIPLES

Deliver Growth

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

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

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 Managing Director talk to and meet with the Group's major shareholders and ensure their views are communicated fully to the Board. This process is further enabled by our Nomad/broker, Cenkos, which organises presentations to existing and potential investors and updates the Board on feedback and any changes to shareholders views and expectations. The Nomad/broker is regularly briefed on developments to enable research notes to reflect the current status of the 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 2021 AGM, held as a poll due to Covid restrictions, all resolutions were passed unanimously at the meeting and proxy votes were in excess of 99% in favour of all resolutions.

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

On pages 19 to 22 of this Annual Report and Accounts, the risks to the business are identified and how these are mitigated, in addition to the change in the identified risk over the last reporting period.

The Board is responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading issues, discuss performance and any new risks associated with ongoing product development. An ISO accredited Quality Management system (ISO 13485) is in place for RUA Medical which is subject to external audit. A similar QMS has been developed for all other divisions and ISO 13485 accreditation will be sought as developments require.

The Board has formalised the review and reporting of the main internal controls within the business. During the year, the Directors updated the risk review exercise during 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.

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 2022, the Board was led by the Chairman, William Brown, and the Group Managing Director, Caroline Stretton who had executive responsibility for running the Group's business and implementing strategy.

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

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

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

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

During the year, the Chairman led a review of the required skills and capabilities of the Board and the requirements for the future. As part of this process, full time financial control and regulatory and clinical experience was identified, and a successful recruitment exercise undertaken culminating in the appointment of two new executive directors.

The Board recognises that it is healthy for membership of the Board to be periodically refreshed. Half of the Board has been appointed during the last two years; Caroline Stretton and Ian Ardill were appointed in January 2021, Lachlan Smith, and Iain Anthony in March 2022. Two Non-Executive directors have served for four years and one for one year. The Nominations Committee is chaired by the Company's Chairman. Meetings are arranged as necessary. The Committee is responsible for nominating candidates (both Executive and Non-Executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board. RUA Life Sciences believes that a well-managed business must continuously look to improve the quality and skill sets of the team. The principal activity of the Nominations Committee during the year was the search for and appointment of two Executive directors with responsibility for Finance & Planning and Clinical & Regulatory Affairs respectively.

CORPORATE GOVERNANCE STATEMENT

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

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

RUA Life Sciences operates in the medical device field where human life is dependent upon its products. As such, sound ethical values and behaviours are not only an asset to the 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 small company, so the actions of its Executives are highly visible and reflect directly upon the Company. The Company operates through a number of partnerships, and it seeks to work with other businesses that portray similar business ethics and values and have the capabilities of operating under strict regulatory environments. The S172 report on pages 15 to 17 further details some of the work undertaken in relation to culture, ethics and stakeholder engagement.

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

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

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

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

Ian Anthony, has overall responsibility for Group clinical, quality and regulatory affairs functions of the group as well as responsibility for product development of patches and grafts.

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

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

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

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

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

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

Audit Committee

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

The Audit Committee is chaired by Ian Ardill and consists of the three Non-Executive Directors. The Executive Directors

CORPORATE GOVERNANCE STATEMENT

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 pages 31 and 32. The aim of the Remuneration Committee is to ensure that shareholder and management interests are aligned. The Remuneration Committee consists of the three Non-Executive Directors. It is chaired by Geoff Berg and meets as required during the year. The Committee determines the remuneration and benefits of the Executive Directors.

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

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

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

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

Nominations Committee

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

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

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

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

Membership of the committees is as follows:

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

The following table sets out the member attendance at Board and Committee meetings during the year ended 31 March 2022:

	Number of Meetings Attended			
Director	Board	Audit	Remuneration	Nominations
William Brown	7/7	3/3	–	1/1
John McKenna	7/7	–	–	–
David Richmond	4/4	–	–	–
Geoff Berg	7/7	3/3	1/1	1/1
John Ely	7/7	3/3	1/1	1/1
Ian Ardill	7/7	3/3	1/1	–
Caroline Stretton	6/7	–	–	–

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

8 July 2022

AUDIT COMMITTEE REPORT

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

MEMBERSHIP

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

MAIN ACTIVITIES

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

MEETINGS

The committee meets at least twice and met formally on three occasions during the 2021/22 financial year:

- To consider: the final 2020/21 report and accounts and to recommend its approval to the Board; the audit findings of the external auditors, and; the bringing in-house of the group's accounting function.
- To consider the 2021/22 interim report and to recommend its approval to the Board.
- To consider: the external auditors' audit plan for the 2021/22 report and accounts, the non-audit services provided by the external auditors and their independence, and; agree the audit fee. The Committee also considered and agreed the risk framework proposal from Management as the basis for a detailed review of the risks facing the Group and mitigating actions. This risk review was presented to the Board after the year end.

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

FINANCIAL REPORTING

The committee has recently concluded that the Annual Report and Financial Statements for the year ended 31st March 2022, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's business model, strategy and performance. The committee reviewed the process for preparing the Annual Report. This process included the following key elements:

- Monitoring of the integrity of the financial statements and other information provided to shareholders to ensure they represented a clear and accurate assessment of the Group's financial performance and position.
- Review of matters of accounting judgement and the underlying rationale in each case including specifically: impairment review of assets acquired in the April 2020 business combination, capitalisation of product development expenditure, deferred tax related to brought forward historical losses and whether or not any expenses should be analysed as exceptional. Where appropriate the committee reviewed papers prepared by management and agreed with the accounting treatment.
- Review of significant accounting policies.
- Review of a paper outlining the business plan and cash forecast as the basis of the going concern assessment.
- The committee reviewed the full-year (and the half-year results announcement at the relevant time), Annual Report and financial statements and considered reports from the external auditors identifying the accounting or judgmental issues requiring its attention.

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

EXTERNAL AUDIT

In the year ended 31 March 2022 fees for non-audit services amounted to £20k. The committee was satisfied with the quality of the audit, the degree of challenge and review of the report and accounts.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has refreshed the review and reporting of the main internal controls within the business. During the year, the Directors commissioned an updated risk review exercise and the Committee considered and approved Management's risk framework proposal as the basis for a detailed review of the risks facing the Group and the available mitigating actions. The full risk review and register was presented to the Board after the year end; in which risks were identified, categorised, graded, allocated ownership and mitigating actions recorded. These categories included: Branding, Reputation, Trust, Marketing, Sales and Distribution; Business Strategy & Transformation; Corporate; Finance & Internal Controls; Health & Safety; Infrastructure & Facilities; Innovation & IP; IT, Data Management & Digital Transformation; Operations; People & HR, and; Quality, Regulatory & Clinical. The Committee and the Board will continue to review the system of internal controls within the Group. Following the acquisition of RUA Medical Devices Ltd, the Board approved an authorisation system for capital expenditure and is developing enhanced stock control measures.

The Board of Directors is responsible for the Group's system of financial controls. However, it should be recognised that

AUDIT COMMITTEE REPORT

such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The principal elements of the system include:

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

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

OVERVIEW

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

IAN ARDILL
Chairman of Audit Committee

8 July 2022

DIRECTORS' REMUNERATION REPORT

This report covers the financial year ended 31 March 2022.

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
John McKenna	Director of Marketing	None	12 months
Ian Ardill	Non-Executive Director	1 year 6 months (first three year term)	1 month
Geoff Berg	Non-Executive Director	1 year 11 months (second three year term)	3 months
John Ely	Non-Executive Director	1 year 11 months (second three year term)	3 months
Caroline Stretton	Group Managing Director	None	12 months
Iain Anthony	Director of Clinical and Regulatory Affairs	None	6 months
Lachlan Smith	Group Chief Financial Officer	None	6 months

EXECUTIVE REMUNERATION POLICY

The Committee endeavours to offer competitive remuneration packages 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 designed to incentivise them but not detract from corporate governance goals.

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

BASIC SALARY/FEES AND BENEFITS

The basic annual salary is subject to an annual review, which takes into account the performance of the Group and the individual as well as market factors. Benefits comprise the provision of a death in service insurance scheme. The annual basic salaries of the Executive Directors as at 31 March 2022 are as follows:

William Brown	Full Time	£230,000
John McKenna	Part Time (86 days minimum)	£70,000
Caroline Stretton	Full Time	£150,000
Iain Anthony	Full Time	£120,000
Lachlan Smith	Full Time	£120,000

ANNUAL PERFORMANCE RELATED BONUS

Historically there has been no formal bonus scheme for the Executive Directors. The Committee is working on implementing a scheme for the 2022/23 financial year.

PENSIONS

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

SHARE OPTIONS SCHEME

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

DIRECTORS' REMUNERATION REPORT

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

No Options were issued to Directors in the year, Options issued in the prior year were as follows:

Options granted	2022	2021
C Stretton	–	135,000

Options lapsed in the year were as follows:

Options lapsed	2022	2021
D Richmond (retired 31 August 2021)	**120,000**	–

No share options were exercised in the year.

DIRECTORS' EMOLUMENTS (AUDITED)

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

	Salary & fees GB£	Share-based payments GB£	Pension contri-butions GB£	2022 Total GB£	2021 Total GB£
Executive					
W Brown	**230,000**	**48,345**	**23,000**	**301,345**	237,135
D Richmond (retired 31 August 2021)	**79,167**	–	**7,917**	**87,084**	196,603
C Stretton	**149,436**	**27,631**	**14,167**	**191,234**	112,765
J McKenna	**70,000**	**20,248**	–	**90,248**	74,975
Non-Executive					
G Berg	**36,000**	**13,728**	–	**49,728**	42,228
J Ely	**35,845**	**13,728**	–	**49,573**	42,066
I Ardill	**36,000**	–	–	**36,000**	6,154
	636,448	**123,680**	**45,084**	**805,211**	711,926

DIRECTORS' INTERESTS IN SHARES (AUDITED)

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

	31 March 2022	31 March 2021
W Brown	**569,149**	569,149
J McKenna	**35,452**	35,452
G Berg	**25,018**	25,018
J Ely	**4,167**	4,167

On behalf of the Board

G BERG
Chairman of the Remuneration Committee

8 July 2022

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

GOING CONCERN

After considering the year-end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to October 2023, which incorporate planned investment in new product development and assumptions related to the return towards regular 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 will have 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.

As part of the going concern assessment, the Board and management have prepared and considered:

- Detailed financial forecasts, and cash flow requirements showing that future financing will be required
- The level and timing of the additional financing needed to support the business plan and cash burn rate
- Detailed business plan and management actions which may be necessary depending on the Group's performance
- Appropriate sensitivities were applied to the business plan and forecasts to stress test the model
- Appropriate assumptions surrounding order growth and profitability
- The economic outlook over the following twelve months and beyond
- Current and future regulatory requirements concerning product release milestones
- Current and future capital requirements
- New product launches
- The Group's liquidity and its ability to manage stress scenarios
- The Group's operational resiliency

The Board, however, recognises that the Group, Parent and Subsidiary is loss-making and cash consumptive, and its revenue streams have been impacted by the Covid-19 pandemic and the resulting macro-economic uncertainty, the setback of a regulatory delay for the Vascular Graft Range. These events and conditions may result in lower than forecasted revenues and increased costs associated with the regulatory delay with our Vascular Graft Range. This increases the risk that the Group will not be able to execute its business plan, which could adversely impact its ability to generate profit or raise sufficient capital to meet capital and liquidity requirements.

These obstacles, together with the requirement for financing, represent a material uncertainty that may cast doubt on the Group's and parent company's ability to continue as a going concern.

The Board remains confident in RUA Life Sciences' ability to execute its business plan and raise further capital. To mitigate the risk, the Board has taken into account:

- The strength of the product pipeline and potential international demand for our products.
- Management's dedication and commitment to achieving our business plan and, where necessary taking difficult management actions.
- If economic stresses continue to impact our business, the Group will reassess its plans for product development and investment in capital to reduce costs and control our balance sheet.
- Consultation with its financial advisers.
- The Group's access to additional equity through its listing on the London Stock Exchange's AIM market. A previous equity fundraise in December 2020 introduced new institutional investors to the Group's share register and demonstrates there is investor support for the Group's business plan. The Board is confident that raising additional capital will be achievable.

If the board concludes financing is unlikely there are options to extend the runway, including the licensing or sale of assets, products and programmes and the delay and reduction of expenditure.

Based on this assessment and the Board's belief that sufficient financing can be raised, the Board have a reasonable expectation that the Group will be able to continue in operation and will have sufficient financial resources to meet its liabilities and obligations as they fall due over the forecast period. Accordingly, it is satisfied that the adoption of the going concern basis of preparation is appropriate. The financial statements do not contain adjustments resulting from the going concern basis of preparation being inappropriate.

POST BALANCE SHEET EVENTS

The future developments of the Group are detailed in the Chairman's Statement on pages 5 and 6.

DIRECTORS AND THEIR INTERESTS

At 31 March 2022 the Executive Chairman of the Group was W Brown, the Executive Directors were C Stretton, J McKenna,

REPORT OF THE DIRECTORS

I Anthony and L Smith. The Non-Executive Directors were G Berg, J Ely and I Ardill.

At each Annual General Meeting any Director who has been appointed by the Board since the last annual general meeting, or any Director for whom it is their third annual general meeting since being elected or re-elected, should be proposed for election or re-election. As such Iain Anthony and Lachlan Smith offer themselves for election and William Donald Brown and John McKenna are due for re-election

The interests of the Directors at 31 March 2022 and 31 March 2021 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2022 Number of shares	31 March 2021 Number of shares
D Richmond (retired 31 August 2021)	**1,533,334**	1,533,334
G Wright (retired 10 December 2020)	**641,645**	641,645
W Brown	**569,149**	569,149
J McKenna	**35,452**	35,452
G Berg	**25,018**	25,018
J Ely	**4,167**	4,167

SUBSTANTIAL SHAREHOLDERS

With the exception of the following shareholdings, the Directors have not been advised of any individual interest or group of interests held by persons acting together which at 1 April 2022 exceeded 3% of the Company's issued share capital:

	Number of shares	%
A J Bell, Stockbrokers (EO)	**1,597,974**	7.20%
Walker Crips Investment Management	**1,564,475**	7.05%
Mr David Richmond	**1,533,334**	6.91%
Hargreaves Lansdown, Stockbrokers	**1,447,721**	6.53%
Interactive Investors	**1,441,235**	6.50%
Dowgate Capital	**1,229,448**	5.54%
Amati Global Investors	**1,073,586**	4.84%
Mr Clive Titcomb	**1,020,000**	4.60%
Charles Stanley	**907,070**	4.09%
HSDL, Stockbrokers	**777,190**	3.50%

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 20 and 21 as these are deemed to have strategic importance to the Group.

DIRECTORS' INDEMNITY

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

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting for 11.00am on Tuesday, 16 August 2022 at Riverside Lodge Hotel, 46 Annick Rd, Irvine KA11 4LD is set out on pages 81 to 84. An explanation of certain business to be considered and voted on at the AGM is set out on pages 78 to 80.

WILLIAM BROWN
Chairman

RUA Life Sciences plc
Company number SC170071

8 July 2022

DIRECTORS' RESPONSIBILITY 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 UK-adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

8 July 2022

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 2022, which comprise the Consolidated income statement, the Consolidated statement of financial position, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the Parent company statement of financial position, the Parent company statement 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 UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;

the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the going concern accounting policy in note 1 of the financial statements, which states that the RUA Life Sciences Group is loss-making and cash-consumptive, and its revenue streams have been impacted by the COVID-19 pandemic and the resulting macro-economic uncertainty and the setback of a regulatory delay for the Vascular Graft Range. These events and conditions may result in lower than forecasted revenues and increased costs associated with the regulatory delay. This increases the risk that the group will not be able to execute its business plan, which could adversely impact its ability to generate profit or raise sufficient capital to meet capital and liquidity requirements. As stated in note 1, these events or conditions, together with the requirement for financing indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

OUR EVALUATION OF MANAGEMENT'S ASSESSMENT OF THE ENTITY'S ABILITY TO CONTINUE AS A GOING CONCERN

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

- Obtained and evaluated management's assessment of going concern assumptions and supporting information, including budgets and cash flow forecasts, for the period to 31 October 2023 and associated sensitivity analysis
- Challenged the key assumptions in the forecasts and sensitivity analysis and the scope of scenario planning undertaken given the current macro-economic uncertainties

INDEPENDENT AUDITOR'S REPORT

- Assessed the historical accuracy of the forecasts by comparing the prior year forecasts to actuals and understanding the reasons for any significant variances
- Obtained an understanding of financing arrangements in place, planned fund raising, management's assessment of their adequacy and plans to manage these
- Tested and challenged management's assessment of what reasonably possible assumptions would cause the business to run out of funding and tested and evaluated management's mitigation to be applied if the assumptions occurred
- Evaluated the group's and parent company's disclosure on going concern compliance with the requirements of IAS 1 'Presentation of financial statements' (IAS 1)

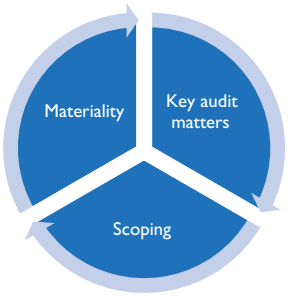
OUR RESPONSIBILITIES

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

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

OUR APPROACH TO THE AUDIT

Grant Thornton



Overview of our audit approach

Overall materiality:

Group: £153,000, which represents approximately 2% of the group's total assets.

Parent company: £118,000, which represents approximately 2% of the parent company's total assets, capped at an amount less than group materiality.

Key audit matters were identified as:

- Impairment of goodwill, intangible assets, property, plant and equipment and investments (new)

Our auditor's report for the year ended 31 March 2021 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to the business combination which occurred in that year. There were no acquisitions in the current year.

We performed audits of the financial information of RUA Life Sciences Plc and of the financial information of all components using component materiality (full scope audit procedures).

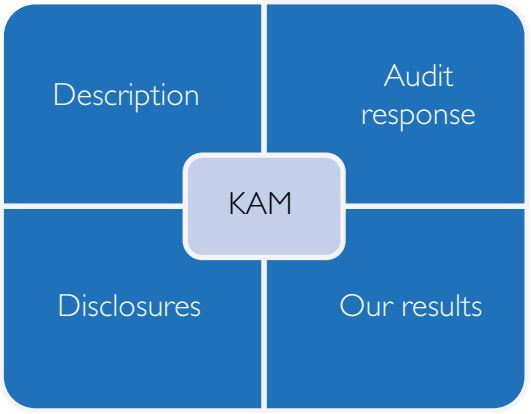
There were no changes in scope from the prior year.

In total, our audit procedures covered 100% of the Group's net assets, 100% of the Group's revenue and 100% of the Group's loss before taxation.

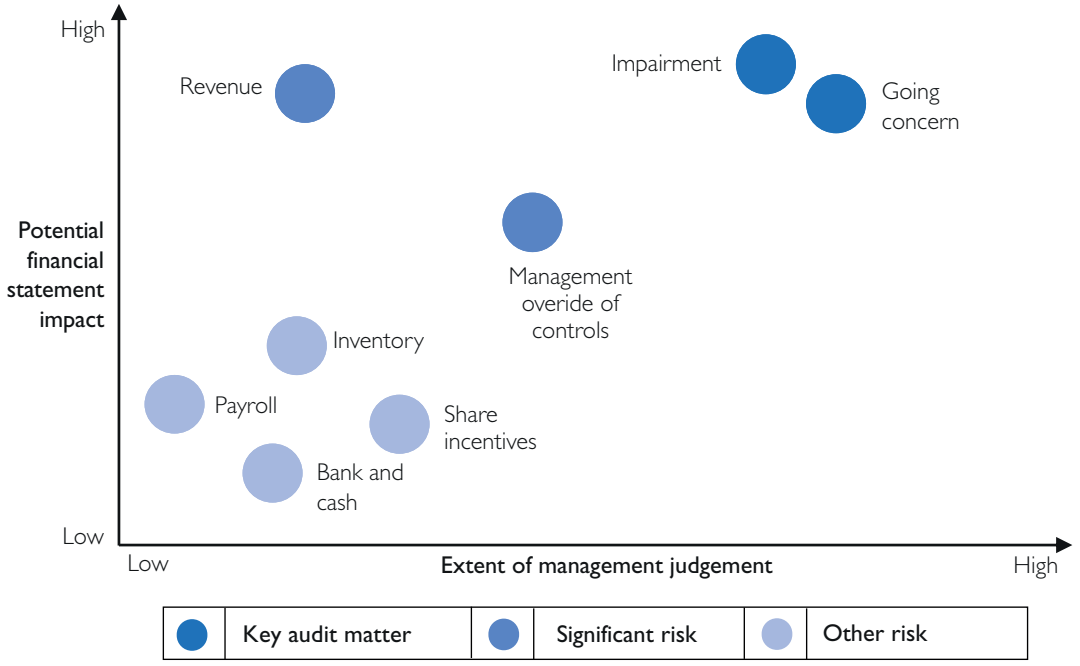
INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matter – Group and parent company	How our scope addressed the matter – Group and parent company
Impairment (valuation) of goodwill, intangible assets, property, plant and equipment and investments We identified impairment (valuation) of these assets as one of the most significant assessed risks of material misstatement due to error. **Group** The goodwill in respect of the RUA Medical Sciences Limited (RMD) acquisition (a significant acquisition) in the prior year is subject to an annual impairment review under International Accounting Standard ('IAS') 36 'Intangible Assets'. Given the delay in the vascular graft range revenues (a significant future revenue stream for the business) and some uncertainty in this area including lower than forecast revenues and increased costs associated with the regulatory delay, this results in the carrying value of the intangible assets arising as result of the RMD acquisition together with the plant, property and equipment in RMD to require assessment. There is a risk that the carrying value of these assets may be impaired. In accordance with IAS 36, assets should be considered for indicators of impairment, and if indicators exist, the valuation should be assessed by reference to the value in use of the relevant cash-generating units. Management's assessment of the potential impairment incorporates significant judgements in assumptions, such as the timing and extent of future profits and cash flows and relevant income-generating units and an estimate of their values in use whilst applying an appropriate discount rate that is subject to management bias. **Parent company** The carrying value of the investment in RMD in the parent company accounts also requires assessment given the delays in the vascular graft range revenues and some uncertainty in this area, including lower than forecast revenues and increased costs associated costs with the regulatory delay and has been assessed as part of the impairment review. *Relevant disclosures in the Annual Report and Accounts 2022* • **Financial statements:** Note 2.18, Use of accounting estimates and judgements; Note 11, Goodwill	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's assessment and conclusion on the impairment review. • Obtained management's assessment and conclusion on cash generating units identified. • Examined the impairment review performed by management and, by using the work of our valuation experts, tested and challenged the underlying assumptions and sensitivities within the model. • Evaluated the sensitivity analysis performed to determine whether a reasonably possible change in assumptions would trigger an impairment. • Assessed the historical accuracy of the forecasts by comparing the prior year forecasts to actuals and understanding the reasons for any significant variances. • Assessed the accounting policy and disclosure to ensure it is in accordance with the financial reporting framework, including IAS 36. *Our results* Based on our audit work, we did not identify a material misstatement.

INDEPENDENT AUDITOR'S REPORT

OUR APPLICATION OF MATERIALITY

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

Materiality was determined as follows:

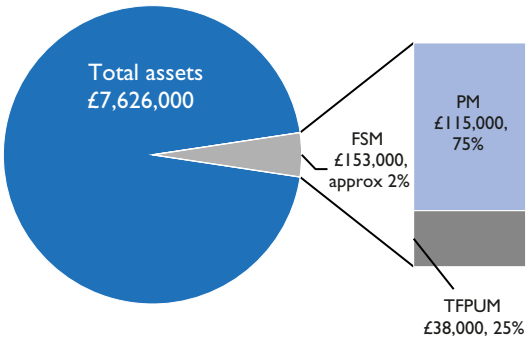
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£153,000, which is approximately 2% of group total assets.	£118,000, which is approximately 2% of parent company total assets, capped at an amount less than group materiality.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • We consider the total assets benchmark to be the most appropriate as the group's use of its intangible assets, investment in RMD and cash assets is especially important to fund further research and development • We determined 2% as an appropriate benchmark percentage due to the size of the groups total assets and its scale and complexity of operations and reported transactions. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect the net movement in the benchmark used as the basis for our determination.	In determining materiality, we made the following significant judgements: • We consider the total assets benchmark to be the most appropriate as the parent company's use of its intangible assets, investment in RMD and cash and other assets is especially important to fund further research and development. • We determined 2% as an appropriate benchmark percentage due to the size and complexity of the parent company's total assets. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2021 to reflect the net movement in the benchmark used as the basis for our determination.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£115,000, which is 75% of financial statement materiality.	£88,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • the strength of the control environment and our experience auditing the financial statements of the Group, including the effect of misstatements identified in previous audits.	In determining performance materiality, we made the following significant judgements: • the strength of the control environment and our experience auditing the financial statements of the parent company including the effect of misstatements identified in previous audits.

INDEPENDENT AUDITOR'S REPORT

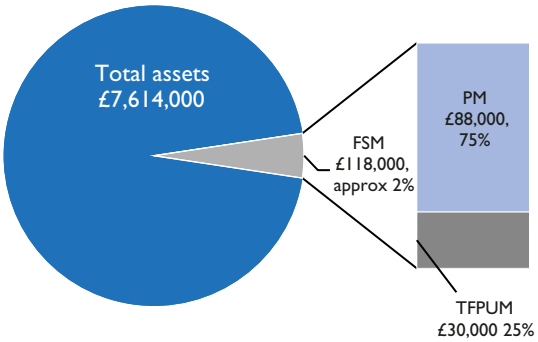
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration • Related party transactions • Auditors remuneration disclosure	We determined a lower level of specific materiality for the following areas: • Directors' remuneration • Related party transactions • Auditors remuneration disclosure
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£7,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements. Parent company materiality represents approximately 2% of the parent company total assets, capped at an amount less than group materiality.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

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

- The Group's accounting process is structured around the centralised Group finance function based at the Group's head office in Glasgow, UK. Much of the period-end management and financial reporting is outsourced to a third party provider, who provide accounting and financial support for the Group's operations; and
- The Group has two trading entities, RUA Life Sciences plc (parent and trading company) and RUA Medical Devices Ltd. There are also four dormant subsidiaries. All entities in the group are registered in the UK.

INDEPENDENT AUDITOR'S REPORT

- We have tailored our audit response accordingly with all audit work undertaken by the group engagement team. In assessing the risk of material misstatement of the group financial statements we considered the transactions undertaken by each entity and therefore where the focus of our work was required.

Identifying significant components

We identified and evaluated the components to assess their significance and to determine the planned audit response based on both quantitative and qualitative factors. We determined significance as a percentage of the total assets, revenue and loss before taxation..

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

Based on our assessment of the Group as above, we focused our Group audit scope on the two trading entities, which was the significant component, and the parent company.

We performed full scope audit procedures on the financial statements of RUA Life Sciences plc and RUA Medical Devices Limited, the only trading subsidiary.

At the Group level we also tested the consolidation process and carried out analytical procedures on the financial information of the remaining four dormant subsidiaries to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of those remaining components.

We identified the going concern assumption and impairment as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report.

Performance of our audit

- As documented above, the Group has a centralised function based at the Group's head office in Glasgow, UK. All procedures were performed by the Group engagement team, there are no component auditors; and
- The audit was performed wholly remotely.

Changes in approach from previous period

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

Audit approach	No. of components	% coverage Total assets	% coverage Revenue	% coverage Loss before taxation
Full-scope audit	2	100	100	100

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

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

INDEPENDENT AUDITOR'S REPORT

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

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

.AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and the industry in which they operate. We determined that the following laws and regulations were most significant: UK-adopted International accounting standards, the Companies Act 2006, the AIM Rules, the Quoted Companies Alliance Corporate governance code and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, including laws and regulations relating to employment matters, data security and protection and the use of substances in the development of products.
- We obtained an understanding of how the parent company and the Group is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board meeting minutes.
- We enquired of management and the audit committee whether they had knowledge of actual, suspected or alleged fraud. We corroborated this through our testing concerning the risk of management override of controls and significant estimates and judgements.
- We enquired of management and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations. We corroborated this through our review of professional fees incurred during the year.
- We assessed the susceptibility of the parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in making its significant accounting estimates;
  - identifying and testing journal entries, in particular any large or unusual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and

INDEPENDENT AUDITOR'S REPORT

  - assessing the extent of compliance with certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

It is the audit partner's assessment that the audit team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The Group's management and Audit Committee have not noted any matters of non-compliance with laws and regulations or fraud that were communicated with the audit team.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable financial reporting requirements.

USE OF OUR REPORT

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

PAUL C BROWN
Senior Statutory Auditor

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

8 July 2022

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March 2022 GB£000	Year ended 31 March 2021 GB£000
Revenue	**3**	**1,625**	1,528
Cost of sales		**(267)**	(276)
Gross profit		**1,358**	1,252
Other income		**66**	279
Administrative expenses			
Share-based payments	**6**	**(145)**	(128)
Bad debt expense		**(3)**	8
Amortisation & depreciation	**11/12**	**(313)**	(272)
Other administrative expenses		**(3,315)**	(2,690)
Total administrative expenses		**(3,776)**	(3,082)
Operating loss	**3**	**(2,352)**	(1,551)
Finance (expense)/income		**(8)**	(43)
Loss before taxation	**7**	**(2,360)**	(1,594)
Taxation	**8**	**293**	143
Loss from continuing operations attributable to owners of the parent company		**(2,067)**	(1,451)
Loss attributable to owners of the parent company		**(2,067)**	(1,451)
Loss per share Basic & Diluted (GB Pence per share)	**9**	**(9.32)**	(8.20)

The notes on pages 50 to 68 form part of these financial statements.

There was no other comprehensive income for 2022 (2021: £Nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Year ended 31 March 2022 GB£000	Year ended 31 March 2021 GB£000
Assets			
Non current assets			
Goodwill	10	**301**	301
Other intangible assets	11	**521**	574
Property, plant and equipment	12	**2,597**	1,952
Total non current assets		**3,419**	2,827
Current assets			
Inventories	14	**124**	85
Trade and other receivables	15	**1,120**	949
Cash and cash equivalents	16	**2,963**	6,294
Total current assets		**4,207**	7,328
Total assets		**7,626**	10,155
Equity & liabilities			
Equity			
Issued capital	17	**1,109**	12,949
Share premium	17	**11,729**	11,729
Other reserve	17	**(1,552)**	(1,697)
Capital redemption reserve	17	**11,840**	–
Profit and loss account		**(16,542)**	(14,475)
Total equity attributable to equity holders of the parent		**6,584**	8,506
Liabilities			
Non-current liabilities			
Borrowings	18	**199**	223
Lease liabilities	19	**83**	124
Deferred tax	20	**75**	163
Other liabilities	21	**174**	40
Total non-current liabilities		**531**	550
Current liabilities			
Borrowings	18	**23**	23
Lease liabilities	19	**39**	40
Trade and other payables	21	**410**	1,016
Other liabilities		**39**	20
Total current liabilities		**511**	1,099
Total liabilities		**1,042**	1,649
Total equity and liabilities		**7,626**	10,155

The consolidated financial statements were approved by the Board on 8 July and were signed on its behalf by

W BROWN, CHAIRMAN C STRETTON, GROUP MD

Company number SC170071

The notes on pages 50 to 68 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March 2022 GB£000	Year ended 31 March 2021 GB£000
Cash flows from operating activities		
Group loss after tax	**(2,067)**	(1,451)
Adjustments for:		
Amortisation of intangible assets	**53**	68
Depreciation of property, plant and equipment	**259**	204
Share-based payments	**145**	128
Interest expense/(income)	**8**	9
Tax credit in year	**(293)**	(143)
(Increase)/decrease in trade and other receivables	**(53)**	(589)
(Increase)/decrease in inventories	**(39)**	7
Taxation received	**87**	122
Increase/(decrease) in trade and other payables	**(453)**	231
Net cash flow from operating activities	**(2,353)**	(1,414)
Cash flows from investing activities		
Purchase of property plant and equipment	**(904)**	(620)
Proceeds from disposal of property plant and equipment	**–**	18
Acquisition of subsidiary net of cash acquired	**–**	(341)
Interest received/(paid)	**(8)**	(9)
Net cash flow from investing activities	**(912)**	(952)
Cash flows from financing activities		
Proceeds of issue of share capital, net of issue costs	**–**	6,462
Proceeds from borrowing	**–**	260
Repayment of borrowings and leasing liabilities	**(66)**	(38)
Net cash flow from financing activities	**(66)**	6,684
Net (decrease)/increase in cash and cash equivalents	**(3,331)**	4,318
Cash and cash equivalents at beginning of year	**6,294**	1,976
Cash and cash equivalents at end of year	**2,963**	6,294

The notes on pages 50 to 68 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital GB£000	Share premium GB£000	Other reserve GB£000	Capital redemption reserve GB£000	Profit and loss account GB£000	Total equity GB£000
Balance at 31 March 2020	**12,574**	**4,550**	**(1,825)**	**–**	**(13,024)**	**2,275**
Share-based payments	–	–	128	–	–	128
Issue of equity share capital – acquisition (net of fees)	75	1,004	–	–	–	1,079
Issue of equity share capital – exercise of warrants	8	42	–	–	–	50
Issue of equity share capital – fundraise (net of issue costs)	292	6,133	–	–	–	6,425
Transactions with owners	**375**	**7,179**	**128**	**–**	**–**	**7,682**
Total comprehensive loss for the year	–	–	–	–	(1,451)	(1,451)
Balance at 31 March 2021	**12,949**	**11,729**	**(1,697)**	**–**	**(14,475)**	**8,506**
Share-based payments	–	–	145	–	–	145
Buyback of deferred shares (Note 17)	(11,840)	–	–	11,840	–	–
Transactions with owners	**(11,840)**	**–**	**145**	**11,840**	**–**	**145**
Total comprehensive loss for the year	–	–	–	–	(2,067)	(2,146)
Balance at 31 March 2022	**1,109**	**11,729**	**(1,552)**	**11,840**	**(16,542)**	**6,584**

The notes on pages 50 to 68 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

General information

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

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

Basis of preparation

The Consolidated financial statements are for the year ended 31 March 2022. They have been prepared in compliance with UK-adopted International Accounting Standards.

The Consolidated financial statements have been prepared under the historical cost convention, with the exception of fair value adjustments made in connection with the acquisition of RUA Medical, as detailed in note 3.

The accounting policies remain unchanged from the previous year.

Going concern

After considering the year-end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to October 2023, which incorporate planned investment in new product development and assumptions related to the return towards regular 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 will have 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.

As part of the going concern assessment, the Board and management have prepared and considered:

- Detailed financial forecasts, and cash flow requirements showing that future financing will be required
- The level and timing of the additional financing needed to support the business plan and cash burn rate
- Detailed business plan and management actions which may be necessary depending on the Group's performance
- Appropriate sensitivities were applied to the business plan and forecasts to stress test the model
- Appropriate assumptions surrounding order growth and profitability
- The economic outlook over the following twelve months and beyond
- Current and future regulatory requirements concerning product release milestones
- Current and future capital requirements
- New product launches
- The Group's liquidity and its ability to manage stress scenarios
- The Group's operational resiliency

The Board, however, recognises that the Group is loss-making and cash consumptive, and its revenue streams have been impacted by the COVID-19 pandemic and the resulting macro-economic uncertainty and the setback of a regulatory delay for the Vascular Graft Range. These events and conditions may result in lower than forecasted revenues and increased costs associated with the regulatory delay with our Vascular Graft Range. This increases the risk that the Group will not be able to execute its business plan, which could adversely impact its ability to generate profit or raise sufficient capital to meet capital and liquidity requirements.

These obstacles, together with the requirement for financing, represent a material uncertainty that may cast doubt on the Group's and parent company's ability to continue as a going concern.

The Board remains confident in RUA Life Sciences' ability to execute its business plan and raise further capital. To mitigate the risk, the Board has taken into account:

- The strength of the product pipeline and potential international demand for our products
- Management's dedication and commitment to achieving our business plan and, where necessary, taking difficult management actions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION continued

- If economic stresses continue to impact our business, the Group will reassess its plans for product development and investment in capital to reduce costs and control our balance sheet.
- Consultation with its financial advisers.
- The Group's access to additional equity through its listing on the London Stock Exchange's AIM market. A previous equity fundraise in December 2020 introduced new institutional investors to the Group's share register and demonstrates there is investor support for the Group's business plan. The Board is confident that raising additional capital will be achievable.

If the board concludes financing is unlikely there are options to extend the runway, including the licensing or sale of assets, products and programmes and the delay and reduction of expenditure.

Based on this assessment and the Board's belief that sufficient financing can be raised, the Board have a reasonable expectation that the Group will be able to continue in operation and will have sufficient financial resources to meet its liabilities and obligations as they fall due over the forecast period. Accordingly, it is satisfied that the adoption of the going concern basis of preparation is appropriate. The financial statements do not contain adjustments resulting from the going concern basis of preparation being inappropriate.

Changes in accounting policies

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of consolidation

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

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

2.2 Revenue

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

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

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

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

2.3 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES continued

2.4 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.

2.5 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.

2.6 Intangible assets

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

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

Know-how is included in intellectual property at cost and will be amortised over 5 years from the commencement of revenue derived from the sale of devices following the exploitation of the know-how.

(b) Research and development

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

- the technical feasibility of the intangible asset so that it will be available for use or sale. In practice this will be when the Group is satisfied that the appropriate regulatory hurdles have been or will be achieved.
- its intention to complete and its ability to use or sell the asset.
- how the asset will generate future economic benefits.
- the availability of economic resources to complete the asset.
- the ability to measure the expenditure during development.

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

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

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

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

(c) Customer Related

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

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

Customer related intangible assets are amortised over 8.5 years.

(d) Technology based

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

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

Technology based intangible assets are amortised over 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES continued

(e) Goodwill

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

The residual goodwill figure can be explained by the following factors:

- The customer related intangible asset valuation excludes potential future contracts and relationships. The expectation of new contracts and relationships is included in goodwill.
- The technology based intangible valuation captures existing technology in place but excludes potential future technology. The Company's ability to develop new technology resides in goodwill.
- Identified intangible assets have limited useful economic lives, any value beyond the attributed useful life is considered in goodwill
- The assembled workforce cannot be separately recognised from goodwill.

2.7 Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss. The gain or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense" in the income statement.

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

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

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

An impairment loss is recognised for the amount by which the 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.

2.9 Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation.

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

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

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

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

2.10 Financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES continued

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

2.11 Financial liabilities

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

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

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

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

2.12 Taxation

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

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

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

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

2.13 R&D Tax Credits

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

2.14 Equity

Equity comprises the following:

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

  Also included in other reserve is the fair value of share-based payments.
- "Profit and loss account" represents retained profits and losses.
- "Capital redemption reserve" represents the difference arising between the nominal value of the shares and the proceeds of the fresh issue of shares on the company buyback of shares during the year (see note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES continued

2.15 Share-based Payments

a) Share options

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

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

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

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

b) 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.

2.16 Grant Income

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

2.17 Leases

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

2.18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES continued

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

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

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

f) Fair value assessment of a business combination: Following an acquisition the Group makes an assessment of all assets and liabilities, inclusive of making judgements on the identification of specific intangible assets which are recognised separately from goodwill. These include items such as brand names and customer lists, to which value is first attributed at the time of acquisition. The valuation process for the intangible assets requires a number of judgements to be made regarding future performance of an acquisition, together with other asset-specific factors. In order to estimate the fair value of separately identifiable assets in business combinations certain judgements must be made about future trading performance, royalty rates and customer attrition rates. Where acquisitions are significant, appropriate advice is sought from professional advisers before making such allocations. RUA Medical Devices Limited was acquired in the prior year. There are no acquisitions in the current year.

Sources of estimation uncertainty:

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

b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset (see note 2.12).

c) Amortisation rates are based on estimates of the useful lives and residual values of the assets involved (see note 2.6).

d) Estimates as to recoverability of receivables, including future expected cash flows (see note 2.10).

e) Estimates as to fair value of share-based payments (see note 2.15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTAL REPORTING

As a separate revenue generating business unit, RUA Medical Devices which includes the R&D and capital expenditure for the future vascular business is shown below as a separate reporting segment.

Segment Analysis 2022	RUA Life Sciences GB£000	RUA Medical Devices GB£000	Total GB£000
Consolidated group revenues from external customers	487	1,138	**1,625**
Contributions to group operating loss	(1,117)	(1,235)	**(2,352)**
Depreciation	10	249	**259**
Amortisation of intangible assets	11	43	**54**
Segment assets	3,597	4,028	**7,625**
Segment liabilities	264	858	**1,122**
Intangible assets – goodwill	–	301	**301**
Other intangible assets	219	301	**520**
Additions to non-current assets	171	734	**905**

Segment Analysis 2021	RUA Life Sciences GB£000	RUA Medical Devices GB£000	Total GB£000
Consolidated group revenues from external customers	507	1,021	**1,528**
Contributions to group operating loss	(904)	(647)	**(1,551)**
Depreciation	2	202	**204**
Amortisation of intangible assets	25	43	**68**
Segment assets	6,742	3,412	**10,154**
Segment liabilities	648	1,001	**1,649**
Intangible assets – goodwill	–	301	**301**
Other intangible assets	230	345	**575**
Additions to non-current assets	1	836	**837**

The Group's revenue is segmented as follows:

	2022		
Analysis of revenue by income stream	RUA Life Sciences GB£000	RUA Medical Devices GB£000	Total GB£000
Contract Design & Development	–	44	**44**
Medical Devices Manufacture & Sales	–	1,094	**1,094**
Royalty revenue	487	–	**487**
Total	**487**	**1,138**	**1,625**
Analysis of revenue by geographical location			
Europe	148	44	**192**
USA	285	1,094	**1,379**
RoW	54	–	**54**
Total	**487**	**1,138**	**1,625**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTAL REPORTING continued

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

The operating loss of £2,352,000 (2021: £1,551,000), and loss on continuing operations before taxation of £2,359,000 (2021: £1,594,000) is all derived from the United Kingdom.

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

The Group receives more than 10% of its revenue from a single customer. Revenues from one customer of the Group's royalty revenue segment represents 18% of the Group's total revenues (2021: two customers, 15% and 16%). Revenues from one customer of the Group's Medical Device revenue segment represents 67% of the Group's total revenues (2021: 65%).

4. EMPLOYEES

	2022 GB£000	2021 GB£000
Employee costs (including Directors):		
Wages and salaries	**1,708**	1,258
Social security costs	**185**	123
Pension Contributions	**86**	78
	1,979	1,459

The average number of employees (including Directors) during the year was made up as follows:

	2022 Numbers	2021 Numbers
Administration/Management	**16**	8
Production & Medical Textiles	**10**	14
Research & Development	**7**	7
Quality	**5**	4
	38	33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Key management personnel	2022 GB£000	2021 GB£000
Emoluments – short-term employee benefits	**835**	744
Pension costs – post-employment benefits	**45**	46
	880	790

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

Please see the Report of the Remuneration Committee on page 31 for full details of Directors' emoluments which have been audited. The highest paid Director's total emoluments were £301,345 (2021: £237,135). The Company made contributions of £45,084 into Directors pensions in the year ended 31 March 2022.

6. SHARE-BASED PAYMENTS

Director and Employee Share Option Plans

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

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

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

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

A number of EMI options were granted in February 2021 to employees of RUA Medical Devices Limited, with the same vesting terms as those stated above. The fair value of the options granted is reflected as share based payment in the profit and loss account of the group, and credited to other reserves.

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

The exercise price for each option share granted in 2019 is £0.30, £0.925 for those granted in 2020 and £1.55 for those granted in February 2021.

Summary of number options granted under the plan:

	2022	2021
Options at start of financial year	**2,280,603**	1,950,603
Granted during the year	**–**	330,000
Exercised or lapsed during the year	**(120,000)**	–
Options at the end of the financial year	**2,160,603**	2,280,603

The 120,000 Options lapsed in the year relate to Options granted in FY20 to D Richmond who retired in August 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SHARE-BASED PAYMENTS continued

Fair Value of options granted

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

Year of Grant	Deemed Value
FY2020	£0.78
FY2021	£1.40

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

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:	2022 GB£000	2021 GB£000
Foreign exchange differences	**(11)**	34
Depreciation of property, plant and equipment	**259**	68
Amortisation of intangible assets	**54**	67
Employee benefits expense:		
Employee costs (Note 18)	**1,979**	1,459
Audit and non-audit services:		
Audit of the Accounts of the Company	**68**	65
Audit related assurance services	**–**	–
Taxation compliance services	**5**	3
All other taxation advisory services	**15**	23
All other assurance services	**–**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

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

	2022 GB£000	2021 GB£000
Loss for the year before tax	**(2,360)**	(1,594)
Loss for year multiplied by the respective standard rate of corporation tax applicable (19%)	**(448)**	(303)
Fixed asset differences	**(34)**	–
Expenses not deductible for tax purposes	**16**	42
Income not taxable for tax purposes	**(1)**	–
Adjustment to tax charge in respect of previous periods	**(207)**	(87)
Remeasurement of deferred tax for changes in tax rates	**(452)**	–
Movement in deferred tax not recognised	**833**	205
Actual tax credit	**(293)**	(143)
Current tax:		
Adjustment in respect of prior periods	**(205)**	(114)
Deferred tax:		
Origination and reversal of temporary differences	**(116)**	(29)
Adjustment in respect of prior periods	**(2)**	–
Effect of tax rate change on opening balance	**30**	–
Tax credit per Consolidated Income Statement	**(293)**	(143)

Unrelieved tax losses remain available to offset against future taxable profits. These losses have not been recognised as deferred tax assets within the financial statements as there is a lack of certainty regarding the timing and scale of future profits to allow the losses to be utilised. Losses carried forward in the UK total £8,558,000 – the tax effect after taking account of losses offset against unrecognised fixed asset temporary differences as per note 20 is £1,851,000 (2021 – restated: £5,628,000 – tax effect £1,070,000). An unprovided deferred tax asset in respect of share options totals £104,000 (2021 – restated: £52,000). The losses carried forward and deferred tax asset in relation to the prior year have been restated due to the 2021 tax computation being finalised after the Annual Report was issued. The increase to the rate of corporation tax from 19% to 25% was announced in the March 2021 budget and substantively enacted on 24 May 2021, and therefore 25% was the prevailing rate at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS PER SHARE

	2022 GB£000	2021 GB£000
Loss for the year attributable to equity shareholders	**(2,067)**	(1,451)
Basic loss per share		
From continuing operations attributable to ordinary equity holders of the company (GB pence per share)	**(9.32)**	(8.20)
Weighted average number of shares		
Issued ordinary shares at start of the year	**22,184,797**	14,686,608
Issued ordinary shares at end of the year	**22,184,798**	22,184,797
Weighted average number of shares in issue for the year (used for calculating basic loss per share)	**22,184,798**	17,697,120

Diluted earnings per share have not been calculated as the group is loss making.

10. GOODWILL

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

	2022 GB£000
Gross carrying amount	
Balance at 31 March 2021	**301**
Impairment	–
Balance at 31 March 2022	**301**

Impairment

For the purpose of annual impairment testing, goodwill is allocated to RUA Medical Devices Limited as a cash generating unit including the future vascular business and is compared to its recoverable value which has been determined on value in use basis. This is calculated on the basis of projected cashflows for five years, which are derived from detailed budgets for the coming year, extrapolated for subsequent years and taking account of expected cash flows from new products which were in development at acquisition. Revenue growth rates average 61% over the five year forecast, reflecting revenue from new vascular products as outlined in the Chairman's statement. A long-term growth rate of 2% has been used for the terminal value calculation and the cashflows are discounted using a pre-tax discount rate of 19.5% per annum (post tax discount rate of 16.2%). The discount rate was calculated by reference to the discount rate used for the independent valuation of the intangibles at acquisition. For the current year, the delay in the approval process for the vascular products as detailed in the Chairman's statement has resulted in an indicator requiring an impairment review for the intangibles and plant, property and equipment within the RUA Medical Devices cash generating unit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER INTANGIBLE ASSETS

	Development costs GB£000	Intellectual property GB£000	Customer related GB£000	Technology based GB£000	Total GB£000
Gross carrying amount					
At 1 April 2020	337	3,325	–	–	3,662
Additions on acquisition	–	–	247	141	388
At 31 March 2021	337	3,325	247	141	4,050
Additions	–	–	–	–	–
At 31 March 2022	**337**	**3,325**	**247**	**141**	**4,050**
Amortisation and impairment					
At 1 April 2020	316	3,091	–	–	3,407
Charge for the year	18	8	29	14	69
At 31 March 2021	334	3,099	29	14	3,476
Charge for the year	3	7	29	14	53
At 31 March 2022	**337**	**3,106**	**58**	**28**	**3,529**
Net book value					
At 31 March 2021	4	226	218	127	574
At 31 March 2022	**–**	**219**	**189**	**113**	**521**

See impairment section of Goodwill note for impairment considerations for other intangible assets.

12. PROPERTY, PLANT AND EQUIPMENT

	Land & Bulldings GB£000	Plant & Machinery GB£000	Office Equipment GB£000	Motor Vehicles GB£000	Total GB£000
Cost					
At 31 March 2020	–	–	6	–	6
Acquisition through business combination at fair value	579	765	44	–	1,388
Additions for the year	365	430	14	28	837
Disposals	–	(81)	(1)	–	(82)
At 31 March 2021	**944**	**1,114**	**63**	**28**	**2,149**
Additions for the year	391	500	16	–	907
Disposals	–	–	–	(3)	(3)
At 31 March 2022	**1,335**	**1,614**	**79**	**25**	**3,053**
Depreciation					
At 31 March 2020	–	–	1	–	1
Charge for the year	58	120	18	9	205
Eliminated on disposal	–	(8)	(1)	–	(9)
At 31 March 2021	**58**	**112**	**18**	**9**	**197**
Charge for the year	62	175	15	7	259
At 31 March 2022	**120**	**287**	**33**	**16**	**456**
Net book value					
At 31 March 2021	886	1,002	45	19	1,952
At 31 March 2022	**1,215**	**1,327**	**46**	**9**	**2,597**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT continued

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

	2022 GB£000	2021 GB£000
Plant & Machinery	**139**	155
Motor vehicles	**9**	19
Total right-of-use assets	**148**	174

See impairment section of Goodwill note for impairment considerations for property, plant and equipment.

13. FINANCIAL INSTRUMENTS

Risk management

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

The 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

	2022 GB£000	2021 GB£000
Financial assets at amortised cost – loans and receivables		
Cash and cash equivalents	**2,963**	6,294
Trade and other receivables	**1,120**	949
	4,083	7,243
Financial liabilities		
Liabilities at amortised cost	**1,122**	1,649
	1,122	1,649

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:

	2022 GB£000	2021 GB£000
Sterling	**2,799**	6,040
Euros	**1**	1
US dollars	**163**	253
	2,963	6,294

The Group holds the majority of its cash balances in a mixture of Sterling' and US dollars. As the Group reports in Sterling, there is translation risk in respect of US dollar balances. Based on year-end balances held in USD, a 10% adverse movement in the $/£ exchange rate would have had a £14,818, adverse impact on net assets and expenses (2021: £23,014).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS continued

Interest rate risk

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

	2022 GB£000	2021 GB£000
Cash and cash equivalents	**2,963**	6,294
	2,963	6,294

Sensitivity analysis

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

Credit risk

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

Liquidity risk

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

14. INVENTORIES

Inventories consist of the following:

	2022 GB£000	2021 GB£000
Raw materials	**40**	50
Work in progress	**84**	35
	124	85

Amounts provided against inventory £nil (2021: £nil).

15. TRADE AND OTHER RECEIVABLES

	2022 GB£000	2021 GB£000
Current		
Trade receivables – gross	**221**	70
Allowance for credit losses	**(5)**	(2)
Trade receivables	**216**	68
Other receivables	**83**	122
Tax credit due	**205**	87
Prepayments and accrued income	**616**	672
	1,120	949

Included in the above is £273,670 (2021: £204,427) of accrued income.

£88,850 (2021: £22,897) of net trade and other receivables were past due for payment but not impaired at 31 March 2022, of which £55,463 (2021: £13,075) was over 30 days and £33,388 (2021: £nil) was over 90 days. The impairment provisions apply the IFRS 9 expected loss model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CASH AND CASH EQUIVALENTS

	2022 GB£000	2021 GB£000
Cash at bank and in hand	**2,963**	6,294
	2,963	6,294

17. SHARE CAPITAL

	Shares Number	Nominal Value GB£000	Premium net of costs GB£000	Total GB£000
In issue at 1 April 2021	22,184,797	1,109	9,435	10,544
Buy back of Deferred Shares	1	–	–	–
Share Premium on cancellation of Deferred Shares	–	–	2,294	2,294
In issue at 31 March 2022	**22,184,798**	**1,109**	**11,729**	**12,838**

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 2021	4,832,778	11,840	2,294	14,134
Cancellation of Deferred Shares	(4,832,778)	(11,840)	(2,294)	(14,134)
In issue at 31 March 2022	–	–	–	–
Total at 31 March 2022	**22,184,798**	**1,109**	**11,729**	**12,838**

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

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

The deferred shares had no rights to receive dividends or to vote and only a right to receive as a class an aggregate value of £1 on winding up. As the company has no distributable reserves the buy back was financed from the proceeds of a fresh issue of one new ordinary share for £1 as permitted under the Companies Act. The difference between the proceeds and the nominal value of the shares bought back has been recognised in a capital redemption reserve.

18. BORROWINGS

	2022 GB£000	2021 GB£000
Current		
Bank loans	**23**	23
Lease liabilities	**39**	40
	62	63
Non–current		
Bank loans	**198**	223
Lease liabilities	**83**	124
	281	347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS continued

	Bank loans GB£000	Lease liabilities GB£000	Total GB£000
Repayable in less than 6 months	11	19	31
Repayable in 7 to 12 months	12	20	32
Repayable in 1 to 5 years	86	83	169
Repayable after 5 years	112	–	112
Total	**221**	**122**	**343**

£177,216 of bank loans is secured on the property at Drummond Crescent, Irvine, Ayrshire.

£44,483 of bank loans is an unsecured government support loan.

The lease liabilities are secured by the related underlying assets.

All borrowing is provided at fixed rates of interest.

19. LEASES

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

	2022 GB£000	2021 GB£000
Current	**39**	40
Non–current	**83**	124
	122	164

The Group has a lease for one motor vehicle and two items of machinery. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 13). The interest charge for the year for right-of-use assets was £7,287 (2021: £4,456).

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

20. DEFERRED TAX

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

	Fixed asset temporary differences GB£	Short term temporary differences GB£	Losses and other deductions GB£	Total GB£
Deferred lax liability at 1 April 2021	249	(11)	(75)	163
Origination and reversal of temporary timing differences	41	15	(192)	(136)
Effect of tax rate changes on opening balance	75	(1)	(23)	51
Adjustments in respect of prior periods	–	(3)	–	(3)
Deferred tax liability at 31 March 2022	**365**	**–**	**(290)**	**75**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE AND OTHER PAYABLES

	2022 GB£000	2021 GB£000
Current liabilities		
Trade payables	**185**	262
Other payables	**74**	471
Accruals and deferred income	**151**	283
	410	1,016

Other liabilities in the balance sheet of £39,000 (2021: £20,000) due < 1 year and £174,000 due > 1 year (2021: £40,000) relate to deferred grant income.

22. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2022 or at 31 March 2021.

23. RELATED PARTY TRANSACTIONS

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

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2022 GB£000	31 March 2021 GB£000
Assets			
Non current assets			
Intangible assets	2	**79**	90
Tangible assets	3	**166**	4
Investment in subsidiary undertakings	4	**2,244**	2,191
Total non current assets		**2,489**	2,285
Current assets			
Trade and other receivables	5	**2,370**	903
Cash and cash equivalents		**2,755**	6,226
Total current assets		**5,125**	7,129
Total assets		**7,614**	9,414
Equity & Liabilities			
Equity			
Issued capital	7	**1,109**	12,949
Share premium		**11,729**	11,729
Other Reserve		**452**	307
Capital redemption reserve		**11,840**	–
Profit and loss account		**(17,779)**	(16,219)
Total equity attributable to equity holders of the parent		**7,351**	8,766
Liabilities			
Current liabilities			
Trade and other payables	6	**263**	648
Total current liabilities		**263**	648
Total liabilities		**263**	648
Total Equity and liabilities		**7,614**	9,414

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 2022 was £1,560,000 (2021: loss of £1,190,000).

The parent company financial statements were approved by the Board on 8 July 2022 and were signed on its behalf by

W BROWN, CHAIRMAN C STRETTON, GROUP MD

Company number SC170071

The notes on pages 72 to 77 form part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital GB£000	Share premium GB£000	Capital redemption reserve GB£000	Other reserve GB£000	Retained earnings GB£000	Total shareholders' funds GB£000
At 31 March 2020	**12,574**	**4,550**	**–**	**179**	**(15,028)**	**2,275**
Share-based payments	–	–	–	128	–	128
Issue of equity share capital – acquisition (net of fees)	75	1,004	–	–	–	1,079
Issue of equity share capital – exercise of warrants	8	42	–	–	–	50
Issue of equity share capital – fundraise (net of issue costs)	292	6,133	–	–	–	6,425
Transactions with owners	**375**	**7,179**	**–**	**128**	**–**	**7,682**
Total comprehensive loss for the year	–	–	–	–	(1,191)	(1,191)
At 31 March 2021	**12,949**	**11,729**	**–**	**307**	**(16,219)**	**8,766**
Share-based payments	–	–	–	145	–	145
Buyback of deferred shares	(11,840)	–	11,840	–	–	–
Transactions with owners	**(11,840)**	**–**	**11,840**	**145**	**–**	**145**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(1,560)**	**(1,560)**
At 31 March 2022	**1,109**	**11,729**	**11,840**	**452**	**(17,779)**	**7,351**

The notes on pages 72 to 77 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 2022.

Basis of preparation

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

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

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

Going concern

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

After considering the year-end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to October 2023, which incorporate planned investment in new product development and assumptions related to the return towards regular 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.

As part of the going concern assessment, the Board and management have prepared and considered:

- Detailed financial forecasts and considered cash flow requirements
- The level and timing of the additional financing needed to support the business plan and cash burn rate
- Detailed business plan and management actions which may be necessary depending on the Group's performance
- Appropriate sensitivities were applied to the business plan and forecasts to stress test the model
- Appropriate assumptions surrounding order growth and profitability
- The economic outlook over the following twelve months and beyond
- Current and future regulatory requirements concerning product release milestones
- Current and future capital requirements
- New product launches
- The Group's liquidity and its ability to manage stress scenarios
- The Group's operational resiliency

The Board, however, recognises that the Group, Parent and Subsidiary is loss-making and cash consumptive, and our revenue streams have been impacted by the COVID-19 pandemic, the resulting macro-economic uncertainty and the setback of a regulatory delay for our Vascular Graft Range. These events and conditions may result in lower than forecasted revenues and increased costs associated with the regulatory delay with our Vascular Graft Range. This increases the risk that the Group will not be able to execute its business plan, which could adversely impact its ability to generate profit or raise sufficient capital to meet capital and liquidity requirements.

These obstacles, together with the requirement for financing, represent a material uncertainty that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. The financial statements do not contain adjustments that would result if the company was unable to continue as a going concern.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

The Board remains confident in RUA Life Sciences' ability to execute its business plan and raise further capital. To mitigate the risk, the Board has taken into consideration:

- The strength of the product pipeline and potential international demand for our products.
- Managements dedication and commitment to achieving our business plan and, where necessary taking difficult management actions.
- If economic stresses continue to impact our business, the Group will reassess its plans for product development and investment in capital to reduce costs and control our balance sheet.
- Consultation with its financial advisers.
- Group's access to additional equity through its listing on the London Stock Exchange's AIM market. A previous equity fundraise in December 2020 introduced new institutional investors to the Group's share register and demonstrates there is investor support for Group's business plan. The Board is confident that raising additional capital will be achievable.

If the board concludes raising the required level of financing is unlikely there are options to extend the runway e.g. licence/sell assets/products/programmes and the delay of expenditure etc.

Based on this assessment and the Board's belief that sufficient financing can be raised, the Board have a reasonable expectation that the Group will be able to continue in operation and will have sufficient financial resources to meet its liabilities and obligations as they fall due over the forecast period. Accordingly, they are satisfied that the adoption of the going concern basis of preparation is appropriate. The financial statements do not contain adjustments resulting from the going concern basis of preparation being inappropriate.

Use of key accounting estimates and judgements

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

Sources of estimation uncertainty

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

Investments

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

Deferred tax

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

Foreign currencies

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

Transactions and balances

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

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

Share-based payments

Share options

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

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

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

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

Debtors

The amounts owed by Group undertakings are in respect of 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 2021	4,929	330	5,259
Additions for the year	–	–	–
At 31 March 2022	**4,929**	**330**	**5,259**
Amortisation			
At 31 March 2021	4,843	326	5,169
Charge for the year	7	4	11
At 31 March 2022	**4,850**	**330**	**5,180**
Net book value			
At 31 March 2021	86	4	90
At 31 March 2022	**79**	**–**	**79**

3. TANGIBLE ASSETS

	Plant & Machinery GB£000	Computer equipment GB£000	Total GB£000
Cost			
At 31 March 2021	–	6	6
Additions for the year	171	–	171
Disposals in the year	–	–	–
At 31 March 2022	**171**	**6**	**177**
Depreciation			
At 31 March 2021	–	2	2
Charge for the year	7	2	9
On disposals	–	–	–
At 31 March 2022	**7**	**4**	**11**
Net book value			
At 31 March 2021	–	4	4
At 31 March 2022	**164**	**2**	**166**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4. NON-CURRENT ASSET INVESTMENTS

	2022 GB£000	2021 GB£000
Investment in subsidiary undertakings		
Cost		
Historical cost	**2,191**	140
Acquistion of RUA Medical Devices Limited	**–**	2,041
RMD Share based payment adjustment (see note 9)	**54**	10
Provision for impairment	**–**	–
Net book value at 31 March	**2,244**	2,191

Interest in subsidiary undertakings

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

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

(i) A non-trading company in the UK

(ii) A dormant company in the UK

(iii) A non-trading company in the UK

(iv) A dormant company in the UK

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

5. TRADE AND OTHER RECEIVABLES

	2022 GB£000	2021 GB£000
Current		
Trade receivables – gross	**49**	54
Allowance for credit losses	**–**	–
Trade receivables	**49**	54
Other receivables	**25**	22
Amounts owed by Group undertakings	**1,772**	480
Tax credit due	**205**	87
Prepayments and accrued income	**319**	260
	2,370	903
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 2022 (31 March 2021: £3,955,000) has been made to fully provide against the remaining amount of the inter-company loan account due as at 31 March 2021 to RUA Life Sciences plc by its American subsidiary, AorTech Polymers & Medical Devices, Inc who were in liquidation as of 2014 and remains so at the balance sheet date.

6. TRADE AND OTHER PAYABLES

	2022 GB£000	2021 GB£000
Trade payables	**113**	83
Other payables	**37**	441
Accruals and deferred income	**113**	124
	263	648

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 2022 is £1,109,240 (2021: £12,949,546).

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 32.

9. SHARE-BASED PAYMENTS

Director and Employee Share Option Plans

See note (7) in group accounts for detail on share-based payments.

10. RELATED PARTY TRANSACTIONS

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

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

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

8 July 2022

Dear Shareholder

I am writing to give you the details of the 2022 Annual General Meeting to be held at 11.00am on 16 August 2022 at Riverside Lodge Hotel, 46 Annick Road, Irvine, Ayrshire KA11 4LD. The formal notice of AGM is set out on pages 81 to 84 and an explanation of the business is set out below.

COVID-19 AND THE AGM PROCESS

FORMAT OF THE AGM

At the time of publication of this notice, and having considered the ongoing coronavirus (COVID-19) pandemic and the latest Scottish Government measures on physical public gatherings, the Board is satisfied that the AGM can take place in person this year. However, given potential uncertainty, the Board encourages all shareholders to vote by proxy. Please see the Notice of AGM set out on pages 81 to 84 for further important information regarding attendance at the AGM and appointment of proxies.

Given the constantly evolving nature of the COVID-19 pandemic, should circumstances change before the time of the AGM we may require to take steps to change the arrangements for the AGM. This may mean that shareholders (and anyone other than the Chairman who is appointed as a proxy) may not be permitted to attend the meeting in person. We will notify shareholders of any changes by publishing details on the Company's website (www.RUAlifesciences.com) and via a Regulatory Information Service as early as is possible before the date of the meeting.

All the resolutions will be voted on by way of a poll and this will ensure that your vote will be counted, even though attendance at the meeting is restricted or if you are unable to attend in person. We would ask that you do not attend in person if you have symptoms of COVID-19 or have tested positive within the seven days prior to the day of the meeting.

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 12 August 2022.

If you hold your ordinary shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so that it is received no later than 11.00am on 12 August 2022 .

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00am on 12 August 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

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.

LETTER TO SHAREHOLDERS

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 2022 (the "**2022 Annual Report**").

Resolution 2 – Approval of the Report of the Remuneration Committee

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

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

Resolutions 3 to 6 – Re-election of Directors

The Articles of Association of the Company require that any Director: (i) who has been appointed by the Board since the last annual general meeting of the Company; or (ii) for whom it is the third annual general meeting following the annual general meeting at which he or she was last elected or re-elected, should be proposed for election or re-election respectively. Accordingly, the shareholders are invited to elect Iain Crawford Anthony and Lachlan Arthur Smith and re-elect William Donald Brown and John McKenna. Biographical details on the Directors are contained in the 2022 Annual Report.

Resolution 7 – 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 7 deals with the re-appointment of Grant Thornton as auditor for the year ending 31 March 2023. As is market practice, the Resolution authorises the Directors to fix the auditor's fees.

Resolution 8 – 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 £369,746 (representing approximately one third. of the Company's current issued ordinary share capital) and (ii) under a rights issue up to an aggregate nominal amount of £739,492 (representing approximately two thirds 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 £739,492 (representing approximately two thirds of the Company's current issued ordinary share capital).

Resolutions 9 and 10 – 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 9 would permit the Board to allot ordinary shares for cash on a non-pre-emptive basis both in connection with a rights issue or similar pre-emptive issue and, otherwise than in connection with any such issue, up to a maximum nominal amount of £55,462. This amount represents approximately 5 per cent. of the Company's current issued ordinary share capital. This Resolution will permit the Board to allot ordinary shares for cash, up to the specified level, in any circumstances (whether or not in connection with an acquisition or specified capital investment).

Resolution 10 would give the Board an additional power to allot ordinary shares for cash on a non-pre-emptive basis up to a further maximum nominal amount of £55,462 (again representing approximately 5 per cent. of the Company's current issued ordinary share capital). In compliance with the Pre-Emption Group's Statement of Principles, the Directors confirm that they will not allot shares for cash on a non-pre-emptive basis

LETTER TO SHAREHOLDERS

pursuant to the power conferred by Resolution 10 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.

Resolution 10 would give the Board an additional power to allot ordinary shares for cash on a non-pre-emptive basis up to a further maximum nominal amount of £55,462 (again representing approximately 5 per cent. of the Company's current issued ordinary share capital). In compliance with the Pre-Emption Group's Statement of Principles, the Directors confirm that they will not allot shares for cash on a non-pre-emptive basis pursuant to the power conferred by Resolution 10 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-fifth Annual General Meeting of RUA Life Sciences plc will take place at Riverside Lodge Hotel, 46 Annick Road, Irvine, Ayrshire, KA11 4LD on 16 August 2022 at 11.00am for the purpose of considering and if thought fit passing the following resolutions of which numbers 1 to 8 will be proposed as Ordinary Resolutions and numbers 9 to 10 as Special Resolutions:

AS ORDINARY BUSINESS

1 To receive and adopt the financial statements of the Company for the year ended 31 March 2022 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 2022.

3 To elect as a Director, Iain Crawford Anthony, who was appointed as a Director since the previous Annual General Meeting.

4 To elect as a Director, Lachlan Arthur Smith, who was appointed as a Director since the previous Annual General Meeting.

5 To re-elect as a Director, William Donald Brown, who is retiring by rotation.

6 To re-elect as a Director, John McKenna, who is retiring by rotation.

7 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:

8 That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's annual general meeting held on 31 August 2021 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:

8.1 up to an aggregate nominal amount of £369,746 (such amount to reduced by the aggregate nominal amount of any equity securities that may be allotted pursuant to paragraph 8.2 of this resolution in excess of £369,746); and

8.2 comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £739,492 (such amount to be reduced by the aggregate nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph 8.1 of this resolution) in connection with an offer by way of a rights issue to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter; provided that, unless previously revoked, varied or extended, this authority will expire at whichever is the earlier of the conclusion of the annual general meeting of the company to be held in 2023 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:

9 That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's annual general meeting held on 31 August 2021 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 8 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 8 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:

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

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

9.3 the allotment (otherwise than pursuant to paragraphs 9.1 and 9.2 of this resolution) of equity securities having a nominal amount or giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £55,462,

and such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 8 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:

10 10 That, subject to and conditional upon the passing of Resolution 8 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 31 August 2021, 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 8 set out in this Notice, as if section 561(1) of the Act did not apply to any such allotment, provided that this power:

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

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

and such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 8 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 FULL FCCA
Company Secretary

8 July 2022

NOTICE OF THE ANNUAL GENERAL MEETING

NOTES

IMPORTANT NOTICE REGARDING ATTENDANCE AT THE GENERAL MEETING AND APPOINTMENT OF PROXIES

1 Members will only be entitled to attend and vote at the meeting if they are registered on the Company's Register of Members at 6:30pm on 12 August 2022 . 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 6:30pm two business days prior to the date fixed for the adjourned meeting. Changes to the Register of Members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

3 To be valid, Forms of Proxy must be lodged with the Company's Registrars, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6DA not later than 11.00am on 12 August 2022 or not later than 48 hours (excluding any non-business day) before time appointed for the holding of any adjourned meeting together with any documentation required. In the case of a corporation, the Form of Proxy should be executed under its common seal or signed by a duly authorised officer or attorney of the corporation. Details of how to complete the proxy form are set out in the notes to the proxy form. A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against a resolution. If no voting indication is given your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter put before the meeting.

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at https://www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International 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 12 August 2022. 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 & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning particular limitations of the CREST system and timings.

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

5 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6DA 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 11.00am on 15 August 2022. 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 8.30am and 5.30pm, 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.

NOTICE OF THE ANNUAL GENERAL MEETING

6 As at noon on 7 July 2022 the Company's issued share capital comprised 22,184,798 ordinary shares of £0.05 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at noon on 7 July 2022 is 22,184,798. Voting at this meeting will be on a poll rather than a show of hands. Each ordinary shareholder present at the meeting will be entitled to one vote for every ordinary share registered in his or her name and each proxy or corporate representative will be entitled to one vote for each share which he or she represents.

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

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

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

7.3 the Memorandum and Articles of Association of the Company.

8 Any member attending the meeting has the right to ask questions.

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

9 If you have any general queries about the meeting please contact the Company Secretary at Kate.full@RUAlifesciences.com or by calling on 01382 562944. You may not use any electronic address provided either in this notice of meeting or any related documents (including the Form of Proxy) to communicate for any purposes other than those expressly stated.

Printed by Park Communications 47600

RUA Life Sciences plc

2 Drummond Crescent
Irvine, Ayrshire
Scotland
UK
KA11 5AN

info@rualifesciences.com