aortech international plc
annual report & accounts
2008-09

_ For the year to 31 March 2009

AorTech

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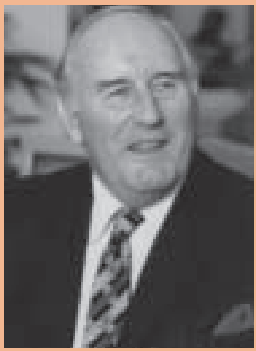
// Chairman's Statement

I am pleased to report to you on another year of progress for the Group

Financial Review

Group revenue for the year ended 31 March 2009 was £1.3m, a decrease of £0.2m in the figure achieved in the prior twelve month financial reporting period. Operating expenses were however reduced by £93,000 from £3,125,000 in the corresponding period last year to £3,032,000. After allowing for grants received, the loss before taxation was £1.2m, the same as for the year ended 31 March 2008. Licensing fees, bulk material and components are reflected in this year's reported revenues. Interest received on our cash deposits increased, notwithstanding the general global lowering of interest rates, and the Group benefited from the strengthening of the Australian currency due to the location of the majority of the Group's assets there.

The slight decreased level of income generated during the period compared to last year should not divert attention from the very considerable progress achieved during the year, namely the qualification of our materials and manufacturing capability for a rapidly increasing range of applications. We have also been successful in expanding and initiating customer relationships that should deliver strong income and profit growth in the future. New licence agreements for applications in vascular connectors, vascular stents and circulatory support pumps have been entered into and existing licences in lead insulation and arterial/venous cannula have been expanded during the period.



New licence agreements for applications in vascular connectors, vascular stents and circulatory support pumps have been entered into and existing licences in lead insulation and arterial/venous cannula have been expanded during the period.

Our revenue was generated from 21 different accounts, but the greater part of our income continues to arise from the licence fees and milestone payments.

There will therefore continue to be significant fluctuations in our revenue during the current year as a result of these major lump sum payments.

The effect of the global economic crisis has had a minor but measurable effect on our industry.This impact is limited to a reduction in new programmes at existing companies and the ability of early stage companies to obtain cash to fund their own development programmes. We are happy to report that the Group continues to have adequate cash reserves for the immediate future and beyond. The net cash balances at 31 March 2009 were £4.2m, which we expect will provide adequate financial resources to support the Group's ongoing operations and development plans. The number of shares in issue remained at 4,832,778 during the course of the financial year ended 31 March 2009.

Strategy and Current Trading

Implant numbers and commensurate polymer volume continued to grow at an accelerating pace during the period. Actual implant numbers are now in excess of one million which equates to several million patient years of reliable Elast-Eon™ device performance. In each of our licences we require our customers to report to us any adverse clinical results and with almost three years of implant history there have been no such reports involving any Elast-Eon™ components from anywhere in the world.

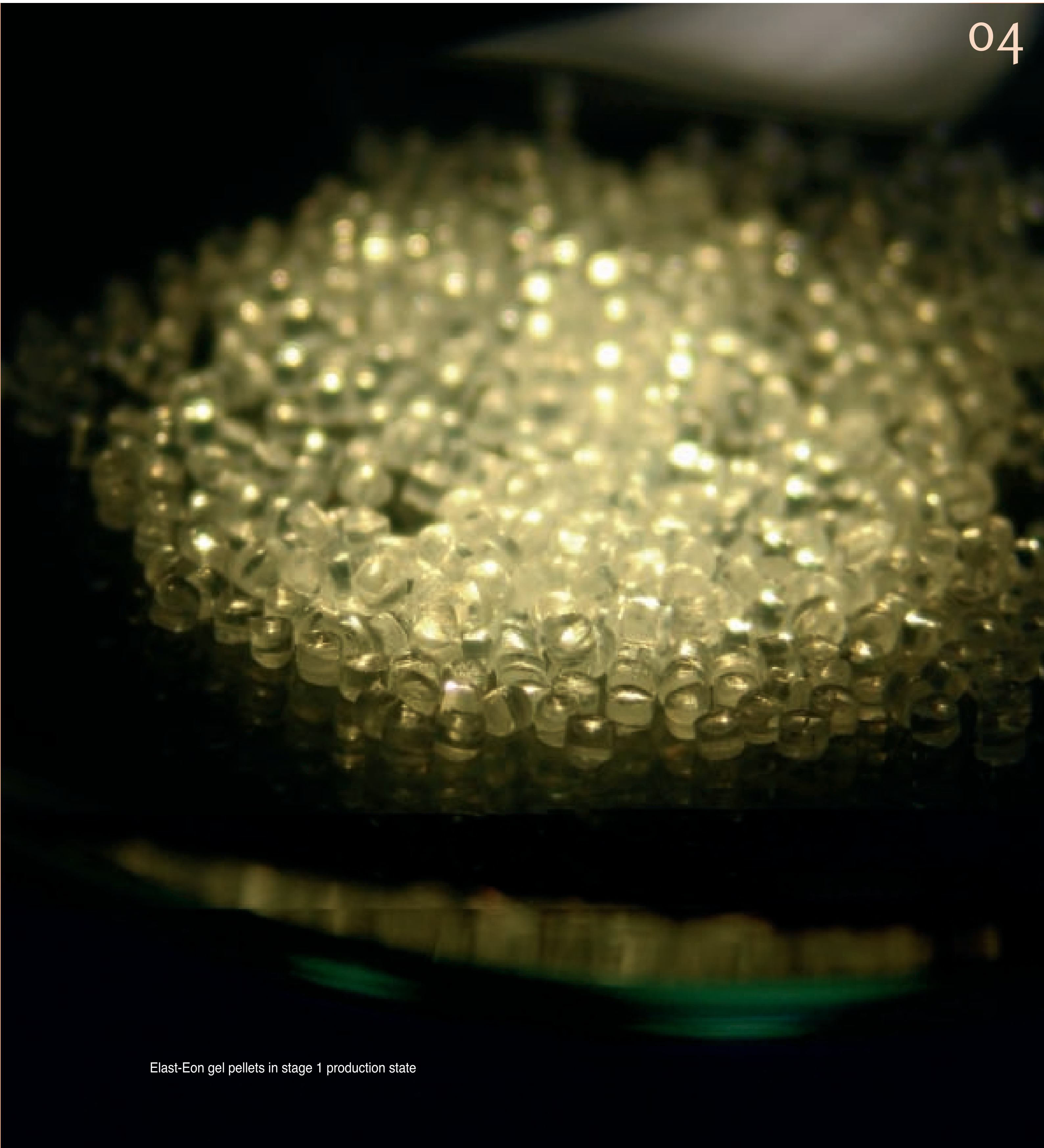
Our factory has maintained its perfect delivery and quality performance for another year. Shareholders have the right to be proud of the Melbourne facility and its staff.

Perhaps the most exciting progress has come in the development and supply of Elast-Eon™ components and the utilisation of our proprietary processing methods to produce certain types of next generation orthopædic and cardiology components to our customers' specification. In the coming year we project that our highest growth area will be in the production of Elast-Eon™ components for ventricular assist, vascular occlusion, various coatings and in particular, cardiac pacing and neurostimulation headers.

Each of these markets are of high value and we believe that Elast-Eon™ provides advantages over existing technologies that will enable AorTech and its Licensees to gain substantial market share.

We recently announced our entry into the supply of material and manufacture of headers for pacemakers and neurostimulation devices. We have signed our first licence agreement for two products and have high expectation for growth in this area.

Looking forward, the business is increasingly utilising the co-development of Elast-Eon™ components and the manufacture of these components to drive top line revenue.



Elast-Eon gel pellets in stage 1 production state

Outlook

Looking forward, the business is increasingly utilising the co-development of Elast-Eon™ components and the manufacture of these components to drive top line revenue.

These projects have already proved of great interest to our customers. Our specific advantage is an ability to process Elast-Eon™ polymers in ways that are unique and of high value to numerous customer-based product development programmes.

In calendar year 2010 we are expecting first human use of devices incorporating Elast-Eon™ headers together with a major expansion of an existing licence along with multiple licences and regulatory approvals for urological applications. New orthopædic licences for both bulk polymer and for component supply are also anticipated within this window.

In addition, we will see the clinical use of Elast-Eon™ in a critical long-term cardiac surgery implant.

These developments are in line with strategic expectations, and we believe that upon realisation they will create a substantial increase in shareholder value.

Jon Pither
Chairman

Operational Highlights of the Financial Year

- The US$32.8 million co-development programme for new products announced in July 2007 continues to proceed on plan and has expanded into related product areas providing revenues for the next period.
- AorTech has advanced into Elast-Eon™ header manufacturing through our first licence agreement. The header application relates to component parts for implantable pacemakers and neurostimulation devices. This has been rapidly followed by the supply of implant-quality components, accelerating our partners' programmes towards first human use in this application.
- As announced, St Jude Medical elected to extend their exclusivity period for the use of our polymers in their pacing lead application. A new set of annual maintenance payments related to this development are now incorporated into our cash forecasts.
- Breast implant patents continue to move through their examination phase and the Group has concluded that with the global downturn of elective cosmetic surgeries it will maintain its breast implant patent portfolio but suspend in-house development efforts until such time as the plastic surgery market recovers.
- The development of a new biostable polymer, Ecsil, permitting softer formulations and improved strength, further cements AorTech's position as the leading supplier of high performance polymers to the medical long-term implant market. This product is in a number of customer evaluations and will be formally launched in Q3 2009. It will play a role in our breast implant development.

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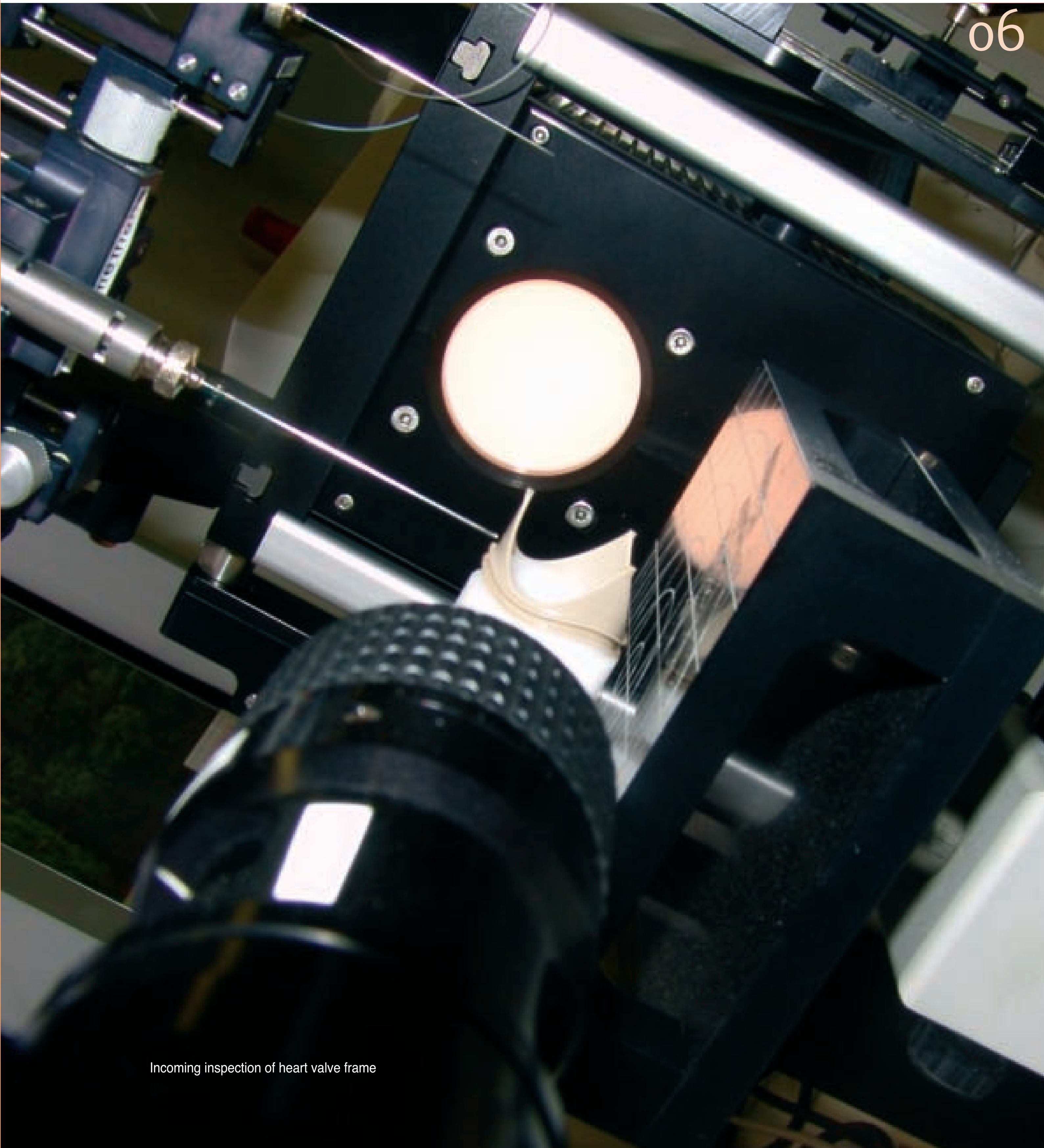

Incoming inspection of heart valve frame

// Board of Directors & Advisors

Directors

Jon Pither non-Executive Chairman
Frank Maguire Chief Executive
Eddie McDaid non-Executive Director
Dr Stuart Rollason non-Executive Director
Gordon Wright non-Executive Director

Company Secretary

David Parsons ACIS

Registered Office

Registered in Scotland, Company No.170071

Dalmore House
310 St Vincent Street
Glasgow G2 5QR

Head Office

Prestige Travel Suite
Barclays Bank House
81-83 Victoria Road
Surbiton, Surrey KT6 4NS

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

Nominated Adviser and Broker

Evolution Securities Limited
100 Wood Street
London EC2V 7AN

Registrars

Equniti Limited
1st Floor, 34 South Gyle Crescent
South Gyle Business Park
Edinburgh EH12 9EB

Independent Auditor

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Regent House
80 Regent Road
Leicester LE1 7NH

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.

// Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is the holding company of a Group whose principal activities are the development and exploitation of a range of innovative biomaterials and medical devices.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the financial year under review the Group continued to achieve key operational milestones in the use of its core product Elast-Eon™ polymer. These included the development and refinement of this material for the medical community with the aim of providing a wide range of high performance Elast-Eon™ materials in a variety of application specific formulations and densities for use in medical devices. Looking forward, the business is increasingly utilising the co-development of Elast-Eon™ components and the manufacture of these components to drive top line revenue. The Group's specific advantage is an ability to process Elast-Eon™ polymers in ways that are unique and of high value to numerous customer-based product development programmes.

During the year costs of £1,040,000 (2008: £1,023,000) were charged to the Income Statement as development expenditure. The consolidated Income Statement is set out on page 21 indicating the Group's loss for the financial year of £1,249,000 (2008: £1,159,000) which will be added to the deficit on reserves.

On a Group basis the business review and future prospects are contained within the Chairman's Statement. The Directors consider the Group financial key performance indicators to be revenue growth, control of operating expenses and the pre tax result. These are summarised within the financial review section of the Chairman's Statement. In addition the Directors consider the Group non financial key performance indicators to be the development of new products and the signing of new licence agreements. These are summarised in the operational highlights section of the Chairman's Statement.

The Directors consider the principal risks and uncertainties facing the Group at this stage of its development to be as follows: small customer base; retention of key management and personnel; reliability of products in the event of undetected faults after shipment; any adverse results which may arise during development phases; product liability risks; competitive markets with changing technology and evolving industry standards, and foreign currency movements.

No dividends have been paid or proposed for the years ended 31 March 2009 and 31 March 2008.

DIRECTORS AND THEIR INTERESTS

At 31 March 2009 the Chairman of the Company was J Pither; the Executive Director was F Maguire and the non-Executive Directors were E McDaid, Dr S Rollason and G Wright. No other Director served during the year ended 31 March 2009.

At each Annual General Meeting one third of the Directors shall be subject to retirement by rotation. G Wright retires from the Board at the Annual General Meeting and, being eligible, offers himself for re-election.

// Report of the Directors

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The interests of the Directors at 31 March 2009 and 31 March 2008 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2009 Number of shares	31 March 2008 Number of shares
J Pither	**-**	-
F Maguire	**1,200**	1,200
E McDaid	**363,383**	363,383
S Rollason	**8,825**	8,825
G Wright	**335,107**	335,107

On 3 April 2009 J Pither, F Maguire and S Rollason purchased 15,050, 79,850 and 3,000 ordinary shares respectively at a price of 130 pence per ordinary share, of which 30,000 were purchased from E McDaid and a further 30,000 from G Wright. G Wright's shares are held through Caricature Investments Limited.

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 25 June 2009 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Chase Nominees Limited*	**1,064,435**	22.03%
Mr Edward McDaid and Mrs Kathleen McDaid	**333,383**	6.90%
Caricature Investments Limited**	**305,107**	6.31%
BNP Paribas Arbitage SNC	**290,000**	6.00%
W B Nominees Limited	**185,465**	3.84%
EVO Nominees Limited	**166,250**	3.44%
Goldman Sachs International	**159,637**	3.30%
HSBC Global Custody Nominee (UK) Limited	**147,863**	3.06%

* the holding of Chase Nominees Limited includes 962,841 shares held by Bluehone Investors LLP which accounts for 19.9% of the Company's issued share capital. Dr S Rollason is also a Director of Bluehone Investors LLP. Dr S Rollason owns 11,825 shares in the Company at 25 June 2009.

**Caricature Investments Limited is a company wholly owned by Mr G Wright, a Director of the Company.

The percentage of shares not in public hands (as defined in the AIM rules) at 25 June 2009 was 33.4%.

EMPLOYEES

The Group places considerable value on the involvement of its employees and they are regularly briefed on the Group's activities through consultative meetings.

Equal opportunities are given to all employees regardless of their gender, colour, race, religion or ethnic origin.

Applications for employment from disabled persons are always considered fully bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

MARKET RISK

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

CURRENCY RISK

The Group is exposed to translation and transaction foreign exchange risk.

The majority of the Group's sales are to customers in the United States. These sales are priced and invoiced in US dollars. The Group policy is to try and match the timing of the settling of these sales and purchase invoices so as to eliminate, as far as possible, currency exposures.

The tables below show the extent to which the Group has residual financial assets and liabilities. Foreign exchange differences on retranslation of these assets and liabilities are taken to the Income Statement of the Group, other than in respect of the retranslation of foreign subsidiary balances arising on consolidation which are taken through the foreign exchange reserve.

	Net foreign currency monetary assets			
	Australian dollar	Euro	US dollar	Total
	£000	£000	£000	£000
2009				
Sterling	**3,634**	**12**	**22**	**3,668**
2008				
Sterling	3,762	9	15	3,786

LIQUIDITY RISK

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably.

INTEREST RATE RISK

The Group finances its operations through retained cash reserves.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2009 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		
	Fixed	Floating	Zero	Total
	£000	£000	£000	£000
Financial assets				
Cash	3,347	765	66	4,178
Trade receivables	-	-	265	265
	3,347	765	331	4.443
Financial liabilities				
Trade payables	-	-	119	119
	-	-	119	119

// Report of the Directors

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CREDIT RISK
The Group's principal financial assets are cash and trade receivables. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade receivables.

CAPITAL MANAGEMENT OBJECTIVES
The Directors' capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders. The parent and subsidiary companies' Boards meet regularly to review performance and discuss future opportunities and threats with the aim of optimising sustainable returns and minimising risk.

PAYABLES PAYMENT POLICY
The Group's current policy concerning the payment of the majority of its trade payables is to follow the 'Better Payment Practice Code' issued by the Better Payment Practice Group (copies available from the DTI). For other suppliers, the Group policy is to:

a) Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
b) Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
c) Pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payables for revenue and capital supplies of goods and services without exception.

Wherever possible UK subsidiaries follow the same policy and the overseas subsidiaries are encouraged to adopt a similar policy applying local best practice. The Company's average payables payment period at 31 March 2009 was 16 days (2008: 16 days).

CHARITABLE AND POLITICAL DONATIONS
During the year the Group made no charitable or political donations (2008: nil).

ANNUAL GENERAL MEETING
The notice convening the Annual General Meeting for 12:00 noon on Wednesday, 16 September 2009 in the Mansfield Room of the Marriott Hotel Chancery Court, 252 High Holborn, London WC1V 7EN is set out on page 53. There are a number of resolutions to be passed and further information in relation to these resolutions is set out below.

RESOLUTIONS 1 to 7
Resolution 1 provides for the approval of the Company's financial statements for the year ended 31 March 2009.

Resolution 2 provides for approval of the Report of the Remuneration Committee for the year ended 31 March 2009. The vote is advisory and the Directors entitlement to remuneration is not conditional on the resolution being passed.

Resolution 3 deals with the re-appointment of the one Director required by the Company's Articles of Association to retire this year.

Resolution 4 deals with the re-appointment of Grant Thornton UK LLP as the Company's auditor. Following assessment by the Audit Committee the Board considers the auditor to be effective and independent in their role.

Resolution 5 provides under the Companies Act 1985 (Section 80) the directors of a company may only allot unissued shares if authorised to do so. Passing this Resolution will continue the Directors' flexibility to act in the best interests of shareholders when opportunities arise by issuing new shares.

In Resolution 5, the Company is seeking authority to allot shares with a nominal value of up to £4,027,315 which represents one third of the Company's issued ordinary share capital. The Directors intend to use this authority, which will lapse at the conclusion of the next Annual General Meeting of the Company (to be held in 2010), or, if earlier, 30 November 2010, for general corporate purposes.

Resolution 6 provides if shares are to be alloted for cash, the Companies Act 1985 requires that those shares are offered first to the existing shareholders in proportion to the number of shares they hold at the time of the offer. However, it may sometimes be in the interests of the Company for the Directors to allot shares other than to shareholders in proportion to their existing holdings. At last year's Annual General Meeting shareholders authorised the Board, subject to specified limits:

- to allot shares in connection with a rights issue, defined in summary as, an offer of equity securities to shareholders which is open for a period decided by the Board subject to any limits or restrictions which the Board thinks are necessary or appropriate.
- to allot shares not in connection with a rights issue up to a specific amount so that the pre-emption requirement does not apply to the allotments of shares for cash up to that amount.

This authority is required to be renewed annually. The Directors will be empowered by Resolution 6 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) for cash without complying with the statutory pre-emption rights of shareholders under section 89 of the Companies Act 1985, up to a maximum nominal amount of approximately £604,097. This disapplication is limited to allotments made to ordinary shareholders and holders of any other class of equity security in proportion (as nearly as may be) to their holdings and, otherwise, to allotments up to a maximum of 5% of the Company's issued ordinary share capital.

There are no current plans to allot shares except in connection with the employee share schemes.

In Resolution 7, the Company is seeking authority to make a number of amendments to the articles of association primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the existing articles of association is set out in the appendix on page 47 of this document. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix.

The Resolution is proposed as a special resolution. This means that for the resolution to be passed, at least three quarters of the votes cast must be in favour of the resolution.

A copy of the proposed new articles of association of the Company and a copy of the existing articles of association, marked to show the changes being proposed in the resolution, are available for inspection at the Company's office at 81-83 Victoria Road, Surbiton, Surrey KT6 4NS and at the office of Biggart Baillie LLP, Solicitors, Dalmore House, 310 St Vincent Street, Glasgow, G2 5QR from 31 August 2009 until the time of the Annual General Meeting and in the Mansfield Room of the Marriott Hotel Chancery Court, 252 High Holborn, London WC1V 7EN from 15 minutes before the Annual General Meeting until it ends.

Resolutions 1 to 4 are termed ordinary business. Resolutions 5 to 7 are termed special business.

J C D Parsons
Company Secretary
Surbiton

20 July 2009

// Statement of Directors Responsibilities

The Directors are responsible for preparing 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and International Financial Reporting Standards as adopted by the European Union 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 Group and the parent company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of both the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

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

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

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:

J C D Parsons
Company Secretary
Surbiton

20 July 2009

// Corporate Governance

The Group currently has a reduced Corporate Governance structure, reflecting the present stage of development, the size of the business and the Directors' assessment of the cost / benefit balance of full Corporate Governance. The situation will, however, continue to be kept under review in the light of ongoing corporate developments and scaling up of activities.

DIRECTORS

The Company is controlled by the Board of Directors which, at 31 March 2009, comprised one Executive and three non-Executive Directors and a non-Executive Chairman. All Directors are able to take independent advice in furtherance of their duties if necessary.

// Accountability & Audit

The Board includes a detailed review of the performance of the Group in the Chairman's Statement on pages 2 to 6. Reading this alongside the Report of the Directors on pages 8 to 12 the Board seeks to present a balanced and understandable assessment of the Group's position and prospects.

INTERNAL CONTROL

The Board has formalised the review and reporting of the main internal controls within the business. In previous periods, the Directors commissioned a risk review exercise in the course of which the key risk factors facing the Group were identified. These areas included regulatory, research and development, commercial, human resources and information technology. The Board will continue to review the system of internal controls within the Group.

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

AUDIT COMMITTEE

The Audit Committee, comprising the non-Executive Directors and Chaired by E McDaid, meets at least twice per year and overviews the monitoring of the Group's internal controls, accounting policies, financial reporting and provides a forum through which the external auditor reports. It meets at least once a year with the external auditor without Executive Board members present.

GOING CONCERN

After considering the strong year end cash position, making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has more than 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 Group financial statements is appropriate.

// Report of the Remuneration Committee

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, which introduced new statutory requirements for the disclosure of Directors' remuneration in respect of periods on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. In accordance with best practice, notwithstanding that these regulations do not strictly apply to AIM companies, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the non-Executive Directors as follows:
Dr S Rollason (Chairman)
E McDaid
J Pither
G Wright

As appropriate, the Committee may invite the Chief Executive to participate in some of its discussions. No Director plays a part in any discussion about his own remuneration.

The Committee is responsible for determining the terms and conditions of employment of Executive Directors. It is also responsible for considering management recommendations for remuneration and employment terms of the Company's staff, including incentive arrangements for bonus payments and grants of share options.

The constitution and operation of the Committee is in compliance with the provisions of the Combined Code on Corporate Governance. When setting its remuneration policy the Committee gives full consideration to the provisions and principles of the Combined Code. In setting the policy it considers a number of factors including:

- The basic salaries and benefits available to executive Directors and senior management of comparable companies.
- The need to attract and retain Directors and senior management of an appropriate calibre.
- The need to ensure Executive Directors' and senior management's commitment to the future success of the Company by means of incentive schemes.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of the non-executive Directors is determined by the Board with reference to the annual survey of independent Directors carried out by Independent Remuneration Solutions.

The non-Executive Directors do not receive any pension or other benefits from the Company, nor do they participate in any of the bonus schemes.

The non-Executive Directors have service agreements, which are reviewed by the Board annually, and they are also included in the one third of Directors subject to retirement by rotation at each Annual General Meeting.

// Report of the Remuneration Committee

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REMUNERATION OF EXECUTIVE DIRECTOR

The Executive Director has a service contract, which can be terminated on one year's notice by either party. The Remuneration Committee will review each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances, taking care to ensure that poor performance is not rewarded. The most recent executed contract for the Executive Director was for F Maguire on 6 December 2002. The Company's remuneration policy for Executive Directors is to:

- Have regard to the individual's experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality.
- Link individual remuneration packages to the Group's long term performance through the award of share options and bonus schemes.
- Provide post retirement benefits through defined contribution pension schemes.
- Provide employment related benefits including the provision of a company car, life assurance, medical insurance and insurance relating to the individual's duties.

SALARIES AND BENEFITS

The Remuneration Committee meets twice each year to consider and set the annual salaries and benefits for the Executive Director, having regard to personal performance and independent advice concerning comparable organisations.

PERFORMANCE RELATED BONUSES

An annual performance related bonus scheme is operated by the Group. Under the scheme bonuses are payable to Executive Directors subject to terms laid down by the Remuneration Committee from time to time.

SHARE OPTIONS

The Company operates an Approved Share Option Scheme and an Unapproved Share Option Scheme.

Only Executive Directors and employees of the Group resident in the UK are eligible to participate in the Share Option Scheme, which has been approved by HM Revenue and Customs under the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988.

Any person who at the date of grant is approved by the Board is entitled to participate in the Unapproved Share Option Scheme.

The award of options under both schemes is at the discretion of the Remuneration Committee.

The options issued to date under both schemes will only be exercisable if the average mid market closing price of the Company's shares on the five business days prior to the date of exercise exceeds the option price by 15% or more and after the elapse of three years from the date of grant of the option.

PENSIONS

The Group made contributions to a personal pension plan for F Maguire at the rate of 10% of pensionable salary.

DIRECTORS' EMOLUMENTS

Details of individual Director's emoluments for the year are as follows:

	Salary & fees £	Benefits in kind £	Pension contributions £	2009 Total £	2008 Total £
Executive					
F Maguire	**216,281**	**7,200**	**15,000**	**238,481**	225,531
Non-executive					
J Pither (Chairman)	**30,000**	**-**	**-**	**30,000**	30,000
Dr S Rollason	**19,500**	**-**	**-**	**19,500**	25,000
E McDaid	**18,000**	**-**	**-**	**18,000**	18,000
G Wright	**18,000**	**-**	**-**	**18,000**	18,000
	301,781	**7,200**	**15,000**	**323,981**	316,531

Benefits in kind include the provision of a company car and medical insurance.

J Pither is employed by Surrey Management Services Limited (Surrey) in the provision of services to the Company. All of the emoluments of J Pither above are represented by payments made by the Company to Surrey in respect of those services.

Dr S Rollason is employed by Bluehone Investors LLP (Bluehone) in the provision of services to the Company. All of the emoluments of Dr S Rollason above are represented by payments made by the Company to Bluehone in respect of these services.

DIRECTORS' INTERESTS IN SHARES

The interests of Directors in shares of the Company are included in the Report of the Directors on page 9.

DIRECTORS' INTERESTS IN SHARE OPTIONS

The details of options held by Directors are set out below:

	Number of options					
	At 1 April 2008	Granted /expired during year	At 31 March 2009	Exercise price	Date from which exercisable	Expiry date
(i) Approved Share Option Scheme						
F Maguire	**12,000**	**-**	**12,000**	**£2.50**	11/07/2005	11/07/2012
(ii) Unapproved Share Option Scheme						
F Maguire	**7,000**	**-**	**7,000**	**£2.50**	11/07/2005	10/07/2012
	19,000	**-**	**19,000**	**£2.80**	08/08/2005	07/08/2012
	25,000	**-**	**25,000**	**£2.50**	14/07/2006	13/07/2013
	200,000	**-**	**200,000**	**£2.50**	30/06/2007	29/06/2014
J Pither	**20,000**	**-**	**20,000**	**£3.25**	01/09/2009	01/09/2016
Dr S Rollason	**13,000**	**-**	**13,000**	**£3.25**	01/09/2009	01/09/2016

The range in the mid market price of the Company's shares during the year ended 31 March 2009 was from £1.30 to £3.475. The mid market price on 31 March 2009 was £1.30.

On behalf of the Board

Dr Stuart Rollason
Chairman of the Remuneration Committee
20 July 2009

// Report of the Independent Auditor _ to the Members of AorTech International plc

We have audited the Group financial statements of AorTech International Plc for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 20. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of AorTech International Plc for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Group financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Corporate Governance statement, the Accountability and Audit statement and the Report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Group financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
East Midlands

20 July 2009

// Consolidated Income Statement

	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Revenue	3	**1,259**	1,484
Other income - grants received		**234**	268
Cost of sales		**(124)**	(205)
Administrative expenses		**(1,754)**	(1,789)
Other expenses - development expenditure		**(1,040)**	(1,023)
Other expenses - amortisation of intangible assets		**(114)**	(108)
Operating loss	3	**(1,539)**	(1,373)
Finance income	7	**290**	214
Loss before taxation		**(1,249)**	(1,159)
Taxation	8	**-**	-
Loss attributable to equity holders of the parent company		**(1,249)**	(1,159)
Loss per share			
Basic and diluted – (pence per share)	9	**(25.84)**	(25.84)

// Consolidated Balance Sheet

	Notes	31 March 2009 £000	31 March 2008 £000
Assets			
Non current assets			
Property, plant and equipment	11	702	640
Intangible assets	10	1,257	1,302
Total non current assets		1,959	1,942
Current assets			
Inventories	12	150	240
Trade and other receivables	14	436	312
Cash and cash equivalents	15	4,178	5,348
Total current assets		4,764	5,900
Total assets		6,723	7,842
Liabilities			
Current liabilities			
Trade and other payables	16	(512)	(581)
Total current liabilities		(512)	(581)
Non current liabilities			
Other non current liabilities	16	(79)	(147)
Total non current liabilities		(79)	(147)
Total liabilities		(591)	(728)
Net assets		6,132	7,114
Equity			
Issued capital	19	12,082	12,082
Share premium	19	2,340	2,340
Other reserve		(2,003)	(2,003)
Foreign exchange reserve		658	391
Profit and loss account		(6,945)	(5,696)
Equity shareholders' funds		6,132	7,114

The financial statements were approved by the Board on 20 July 2009 and were signed on its behalf by

J Pither, Chairman

F Maguire, Chief Executive

// Consolidated Cash Flow Statement

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Cash flows from operating activities		
Group loss after tax	**(1,249)**	(1,159)
Adjustments for:		
Depreciation of property, plant and equipment	**207**	185
Amortisation of intangible assets	**114**	108
Interest income	**(290)**	(214)
Deferred income released	**(64)**	(29)
Loss on disposal of property, plant and equipment	**-**	18
(Increase)/decrease in trade and other receivables	**(124)**	62
Decrease/(increase) in inventories	**90**	(151)
(Decrease)/increase in trade and other payables	**(73)**	41
Net cash flow from operating activities	**(1,389)**	(1,139)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(234)**	(312)
Interest received	**290**	214
Net cash flow from investing activities	**56**	(98)
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs	**-**	4,896
Net cash flow from financing activities	**-**	4,896
Net (decrease)/increase in cash and cash equivalents	**(1,333)**	3,659
Foreign exchange differences	**163**	209
Cash and cash equivalents at beginning of year	**5,348**	1,480
Cash and cash equivalents at end of year	**4,178**	5,348

// Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Other reserve £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2007	9,526	-	(2,003)	(25)	(4,537)	2,961
Exchange difference on translation of foreign operations	-	-	-	416	-	416
Net income recognised directly in equity	-	-	-	416	-	416
Loss for the year	-	-	-	-	(1,159)	(1,159)
Total recognised income and expense for the year	-	-	-	416	(1,159)	(743)
Issue of share capital (net of issue costs)	2,556	2,340	-	-	-	4,896
Balance at 31 March 2008	12,082	2,340	(2,003)	391	(5,696)	7,114
Exchange difference on translation of foreign operations	-	-	-	267	-	267
Net income recognised directly in equity	-	-	-	267	-	267
Loss for the year	-	-	-	-	(1,249)	(1,249)
Total recognised income and expense for the year	-	-	-	267	(1,249)	(982)
Balance at 31 March 2009	**12,082**	**2,340**	**(2,003)**	**658**	**(6,945)**	**6,132**

// Notes to the Financial Statements

1. BASIS OF PREPARATION

The Group financial statements are for the year ended 31 March 2009. They have been prepared in compliance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 March 2009.

The Group financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value.

After considering the strong year end cash position, making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has more than 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 Group financial statements is appropriate.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 31 March 2009 financial statements
At the date of authorisation of these financial statements, certain new Standards, amendments and Interpretations to existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the Group's financial statements are as follows:

IAS 1 Presentation of Financial Statements (Revised 2007) (effective for reporting periods beginning on or after 1 January 2009)
This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management are currently assessing the detailed impact of this amendment on the Group's financial statements.

IFRS 3 Business Combinations (Revised 2008) and IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective for reporting periods beginning on or after 1 July 2009)
The revised Standards introduce major changes to the accounting treatment for business combinations, transactions with non-controlling interests (a new term for minority interests) and a loss of control of a subsidiary. Management are currently assessing the detailed impact of this amendment on the Group's financial statements.

IFRS 8 Operating segments (effective for reporting periods beginning on or after 1 January 2009)
This IFRS specifies how an entity should report information about its operating segments in its financial statements. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Implementation of this standard may change the number of reportable segments as well as the manner in which the segments are reported; ie in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

Management anticipate that all the above pronouncements will be adopted in the Group's financial statements for the period beginning 1 April 2009.

Other new Standards and Interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

The Group 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.

Revenue

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

(a) *Supply of materials, services and finished goods:* Revenue from the supply of materials and finished goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be on shipment, receipt of the goods by the customer or upon completion of the product and the product being ready for delivery, based on the specific contract terms. Revenue from the supply of services is recognised upon completion of the service, based on the specific contract terms.

(b) *Licence fees:* Upfront payments in respect of licence revenues for access by third parties to the Group's technology, are recognised once a third party has a binding contractual obligation to the Group based on the specific contract terms.

(c) *Milestone payments:* Milestone payments are recognised once the Group's obligations for each milestone have been met and the Group has achieved a right to be paid in return for their contractual performance.

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

Government grants / assistance

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement on a diminishing value basis over the expected useful lives of the relevant assets. As such, a proportion of deferred income is shown on the balance sheet as a non current liability. Government grants which are income in nature are credited to the income statement in the same period as the related expenditure so as to match them with the related costs which they are intended to compensate, on a systematic basis.

// Notes to the Financial Statements

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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.

Employee benefits

Defined contribution pension scheme: The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Intangible assets

(a) Patents and trademarks (intellectual property):

Patents and trademarks (intellectual property) are included at cost less estimated residual amount 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.

(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.

The Group does not currently have any such internal or external development costs that qualify for capitalisation as intangible assets.

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 on an annual basis.

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.

Property, plant and equipment

Property, plant and equipment is stated at cost, including any incidental costs of acquisition, net of accumulated depreciation and any accumulated provision for impairment. No depreciation is charged until the asset is brought into use.

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 the income statement. 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. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

Depreciation

Depreciation is calculated to write off the cost of all property, plant and equipment less estimated residual value by the reducing balance method where it reflects the basis of consumption of the assets over their estimated useful economic lives. The periods generally applicable are:

Leasehold property improvements:	Period of lease
Plant and equipment	2½ years
Fixtures and fittings	2½ - 5 years

Material residual value estimates are updated as required, but at least annually.

Impairment testing of 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.

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Any impairment loss is charged pro rata to the other assets in the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

// Notes to the Financial Statements

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Leased assets

The Group has a property lease on its facility in Melbourne and an equipment lease on a photocopier/fax printer. Both leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Financial assets

Financial assets are divided 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 other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each balance sheet date.

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.

Financial liabilities

Financial liabilities are divided into the following category: Other financial liabilities

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.

All financial liabilities 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, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

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 the income statement, 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.

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of 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 AorTech International plc shares issued (£3,206,884) and the nominal value of AorTech Biomaterials Limited (formerly AorTech Europe Limited) 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.
- "Foreign exchange reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Profit and loss account" represents retained profits.

// Notes to the Financial Statements

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Share based employee compensation

The Group operates equity settled share based compensation plans for the remuneration of its employees.

All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the share option awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

All share based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to the other reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares options expected to vest. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. At this time, the appropriate balance in the other reserve relating to the share options exercised is transferred to retained earnings by way of a transfer within reserves.

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). The Company's functional currency 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 the income statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of changes in equity to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of changes in equity, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average of exchange rates in force at the end of each month of the reporting period. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal. All resulting exchange differences are recognised as a separate component of equity.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

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.

b) Assessment of the impairment of assets is a judgement based on analysis of the likely future cash flows from the relevant income generating unit and an estimate of value in use.

c) The Directors must judge whether future profitability is likely in making the decision whether or not to create a deferred tax asset.

d) Identification of functional currencies requires analysis of the economic environments of the subsidiaries of the Group and the selection of the presentational currency must reflect the requirements of the users of those statements.

Sources of estimation uncertainty:

a) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.

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

c) Estimates are required as to intangible asset carrying values and impairment charges.

3. SEGMENTAL REPORTING

The principal activity of the AorTech International Plc Group currently is the development and exploitation of a range of innovative biomaterials and medical devices. This forms the Group's only primary reporting segment and therefore no additional information is given.

The Group's secondary reporting segments are based on geographical location of operations.

// Notes to the Financial Statements

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	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Analysis of revenue by destination		
United Kingdom		
Supply of materials, services and finished goods	**11**	(1)
Australia		
Supply of materials, services and finished goods	**3**	11
USA and Rest of the World		
Supply of materials, services and finished goods	**198**	521
Milestone payments - services	**26**	935
Licence fees - services	**1,020**	17
Royalty revenue	**1**	1
	1,259	1,484
Analysis of result - operating loss		
United Kingdom	**(583)**	(780)
Australia	**(557)**	(459)
USA and Rest of the World	**(399)**	(134)
	(1,539)	(1,373)
Analysis of assets by location		
United Kingdom	**484**	1,413
Australia	**5,643**	5,701
USA and Rest of the World	**5**	-
	6,132	7,114
Additions to property, plant and equipment and intangible assets		
Australia	**234**	312
	234	312

4. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2009 £000	2008 £000
Emoluments	**567**	522
Pension costs	**38**	35
	605	557

The key management personnel whose remuneration is included in the table above are a Director / Company Secretary of AorTech Biomaterials Pty Limited; a Director, AorTech Biomaterials Pty Limited; the Vice President of Research & Development, AorTech Medical Devices (USA), Inc, the Chief Operating Officer and the five Directors of the parent company.

Please see the Report of the Remuneration Committee on page 18 for full details of Directors' emoluments.

Included in the aggregate emoluments for the year ended 31 March 2009 are payments of £49,500 (2008: £55,000) made by the Company to third parties. The highest paid Director received total emoluments of £238,481 including pension contributions of £15,000 (2008: total emoluments of £225,531 including pension contributions of £15,000).

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):	2009 £000	2008 £000
Foreign exchange differences	**(17)**	212
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**207**	185
Amortisation of intangible assets	**114**	108
Employee benefits expense:		
Employee costs (Note 6)	**1,246**	956
Land and buildings held under operating leases:		
Other operating leases	**148**	131
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group financial statements	**23**	22
Fees payable to the Company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	**13**	13
Tax services	**3**	5
Other services	**4**	17

// Notes to the Financial Statements

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6. EMPLOYEES

	2009 £000	2008 £000
Employee costs (including Directors):		
Wages and salaries	**1,166**	894
Pension costs	**80**	62
	1,246	956

The average number of employees (including Directors) during the year was made up as follows:	**Numbers**	Numbers
Production	**4**	4
Sales	**2**	1
Development and quality control	**11**	12
Administration	**11**	10
	28	27

7. FINANCE INCOME

	2009 £000	2008 £000
Bank interest receivable	**290**	214

8. INCOME TAX EXPENSE

No current tax or deferred tax expense arises on the loss for the year.

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:

	2009 £000	2008 £000
Loss for the year before tax	**(1,249)**	(1,159)
Loss for year multiplied by the respective standard rate of corporation tax applicable in each domain (average 28%)	**(350)**	(348)
Effects of:		
Depreciation for the year differs from capital allowances and other temporary differences	**(10)**	(6)
Expenses not deductible for tax purposes and other tax differences	**62**	68
Losses not utilised	**300**	286
Losses utilised	**(2)**	-
Tax on loss for the year	**-**	-

Unrelieved tax losses remain available to offset against future taxable profits. These losses have not been recognised as deferred tax assets within the financial statements as they do not meet the conditions required in accordance with IAS 12. Losses carried forward in the UK total £4,184,000 – tax effect is £1,172,000 (2008: £3,603,000 – tax effect £1,009,000). Losses carried forward in Australia total £4,394,000 – tax effect £1,230,000 (2008: £4,048,000 – tax effect £1,133,000). Losses in the USA total £533,000 – tax effect £149,000 (2008: £134,000 - tax effect £37,000).

On 1 April 2008 the standard UK rate of corporation tax reduced from 30% to 28%.

9. LOSS PER SHARE

	2009 £000	2008 £000
Loss for the year attributable to equity shareholders	**(1,249)**	(1,159)
Loss per share Basic and diluted (pence per share)	**(25.84)**	(25.84)
	Shares	Shares
Issued ordinary shares at start of the year	**4,832,778**	3,810,278
Ordinary shares issued in the year	**-**	1,022,500
Issued ordinary shares at end of the year	**4,832,778**	4,832,778
Weighted average number of shares in issue for the year	**4,832,778**	4,484,875

The diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

10. INTANGIBLE ASSETS

	Intellectual property £000
Valuation	
At 1 April 2007	1,993
Exchange differences	178
At 31 March 2008	2,171
Exchange differences	115
At 31 March 2009	2,286
Amortisation	
At 1 April 2007	731
Exhange differences	30
Charge for the year	108
At 31 March 2008	869
Exhange differences	46
Charge for the year	114
At 31 March 2009	1,029
Net book value	
At 1 April 2007	1,262
At 31 March 2008	1,302
At 31 March 2009	**1,257**

// Notes to the Financial Statements

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11. PROPERTY, PLANT AND EQUIPMENT

	Property improvements £000	Plant & equipment £000	Fixtures & fittings £000	Total £000
Cost				
At 1 April 2007	317	596	124	1,037
Disposals	(12)	(11)	(1)	(24)
Additions	143	149	20	312
Exchange differences	38	72	15	125
At 31 March 2008	486	806	158	1,450
Additions	124	89	21	234
Exchange differences	25	45	8	78
At 31 March 2009	635	940	187	1,762
Depreciation				
At 1 April 2007	47	430	88	565
Charge for the year	74	96	15	185
Disposals	(4)	(1)	(1)	(6)
Exchange differences	5	50	11	66
At 31 March 2008	122	575	113	810
Charge for the year	78	113	16	207
Exchange differences	6	31	6	43
At 31 March 2009	206	719	135	1,060
Net book value				
At 1 April 2007	270	166	36	472
At 31 March 2008	364	231	45	640
At 31 March 2009	**429**	**221**	**52**	**702**

12. INVENTORIES

	2009 £000	2008 £000
Raw materials	**108**	190
Finished goods	**42**	50
	150	240

In 2009 a total of £53,000 of inventories was included in the income statement as an expense (2008: £152,000). There was no amount resulting from writedowns of inventories in either 2009 or 2008. There were no reversals of previous writedowns that were recognised in the income statement in either 2009 or 2008.

13. FINANCIAL INSTRUMENTS

Risk management

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables and 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	**2009 £000**	2008 £000
Financial assets – loans and receivables		
Cash and cash equivalents	**4,178**	5,348
Trade and other receivables	**335**	312
	4,513	5,660
Financial liabilities		
Liabilities at amortised cost	**(273)**	(227)
	(273)	(227)

Foreign currency risk

The Group has an Australian subsidiary whose functional currency is the Australian dollar and a US subsidiary whose functional currency is the US dollar. The Board considers that the exposure to foreign currency risk is not currently significant and no steps have yet been undertaken to minimise this risk. However, the Board will continue to monitor the situation and review the exposure to this risk on a regular basis as activity in these subsidiaries increases.

Substantial cash balances are carried within the Group in interest earning accounts, which comprise the following currency holdings:

	2009 £000	2008 £000
Sterling	**510**	1,566
US dollars	**17**	13
Australian dollars	**227**	127
Euros	**11**	9
	765	1,715

In addition to cash holdings the following short term deposits are placed for up to 12 months depending on the Group's funding requirements:

	2009 £000	2008 £000
Australian dollars	**3,347**	3,610
	3,347	3,610

// Notes to the Financial Statements

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Interest rate risk

The Group finances its operations through equity fundraising and does not currently carry any borrowings. The cash balances and short term deposits are held at both fixed and floating as follows:

	Interest rate %	2009 £000	Interest rate %	2008 £000
Cash	**0%**	**66**	0%	23
	0.20%	**227**	5.00%	1,566
	0.81%	**17**	2.00%	13
	0.75%	**11**	4.40%	127
	0.50%	**510**	3.00%	9
Short term deposits	**5.00%**	**896**	7.71%	2,185
	4.80%	**920**	8.10%	965
	4.75%	**1,211**	7.64%	460
	4.30%	**242**		
	4.20%	**78**		
		4,178		5,348

Sensitivity analysis

If, for example, there had been a rise or fall of interest rates over the year of 1%, this would have resulted in an increase/decrease in interest income of £38,000 (2008: £53,000), all other variables remaining constrant.

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 cae of both the cash and short term deposits is the value of the outstanding amount.

The Group has trade receivables resulting from sales and other receivables from provision of other services which the management consider to be of low risk. The management do not consider that there is any concentration of risk within either trade or other receivables.

Liquidity risk

The Group currently holds substantial cash balances and short term deposits in Sterling, US dollars and Australian dollars. These balances provide funding for the Group's trading activities. The Group relies on equity fundraising to provide any additional liquid funds and management expects to continue this method successfully in the future.

There is no material difference between the fair values and the book values of these financial instruments.

14. TRADE AND OTHER RECEIVABLES

	2009 £000	2008 £000
Current assets		
Trade receivables	**265**	194
Other receivables	**70**	58
Prepayments	**101**	60
	436	312

There were no financial assets overdue at 31 March 2009.

15. CASH AND CASH EQUIVALENTS

	2009 £000	2008 £000
Cash at bank and in hand	**831**	1,738
Short term deposits	**3,347**	3,610
	4,178	5,348

16. TRADE AND OTHER PAYABLES

	2009 £000	2008 £000
Current liabilities		
Trade payables	**119**	75
Other payables	**154**	152
Deferred income (government grants)	**75**	71
Accruals	**164**	283
	512	581
Non-current liabilities		
Deferred income (government grants)	**79**	147
	79	147

Government grants received towards capital expenditure are released to the income statement on a diminishing value basis over a period equal to the useful economic life of the assets to which they relate. On average this period is five years.

17. OPERATING LEASE COMMITMENTS

The Group had the following total commitments under non-cancellable operating leases at 31 March:

	2009 £000	2008 £000
The following payments are due to be made on operating lease commitments:		
Within one year	**152**	142
Two to five years	**174**	315
	326	457

18. SHARE BASED PAYMENTS

The Group has an approved share option plan for the benefit of employees resident in the UK and Executive Directors.

Options in issue	Exercise Price (£)	Exercise period on or before:
12,000	2.50	10 July 2012
600	2.95	25 July 2012

// Notes to the Financial Statements

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Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding at the beginning of the year	12,600	£2.52	12,600	£2.52
Outstanding at the year end	**12,600**	**£2.52**	12,600	£2.52
Exercisable at the year end	**12,600**	**£2.52**	12,600	£2.52

The Group has an unapproved share option plan for the benefit of other employees.

Options in issue	Exercise Price (£)	Exercise period on or before:
2,000	56.25	16 December 2009
1,500	81.00	15 June 2010
5,000	74.25	10 July 2010
1,050	90.35	17 December 2010
1,600	41.75	28 May 2011
1,350	17.25	17 December 2011
7,000	2.50	10 July 2012
19,000	2.80	7 August 2012
25,000	2.50	13 July 2013
8,000	2.50	29 June 2014
200,000	2.50	29 June 2014
20,000	2.50	21 November 2014
78,000	3.25	1 September 2016
45,000	4.28	21 January 2018

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding at the beginning of the year	**419,500**	**£4.67**	393,000	£4.52
Granted during the year	**-**	**-**	50,000	£4.28
Exercised during the year	**-**	**-**	(22,500)	£2.50
Forfeited during the year	**(5,000)**	**£4.28**	-	-
Expired during the year	**-**	**-**	(1,000)	£10.25
Outstanding at the year end	**414,500**	**£4.68**	419,500	£4.67
Exercisable at the year end	**291,500**	**£5.12**	291,500	£5.12

The options issued to date under both schemes will only be exercisable if the average mid market closing price of the Company's shares on the five business days prior to the date of exercise exceeds the option price by 15% or more and after the elapse of three years from date of Option Grant.

The fair value of options granted after 7 November 2002 but not vested at 1 April 2006 has been arrived at using an appropriate model. The assumptions inherent in the use of this model are as follows:

- The option life is assumed to be at the end of the allowed period.
- There are no vesting conditions.
- No variables change during the life of the option (e.g. dividend yield).
- Volatility has been calculated over the three years prior to the balance sheet date.

Date of grant	Vesting Period (years)	Date of vesting	Exercise Price(£)	Risk-free Rate	Share price at grant (£)	Volatility of Share price	Fair value (£000)	Number outstanding
14.07.03	3	14.07.06	2.50	3.83%	1.32	63%	12	25,000
30.06.04	3	30.06.07	2.50	5.04%	1.62	63%	24	8,000
30.06.04	3	30.06.07	2.50	5.04%	1.62	63%	132	200,000
22.11.04	3	22.11.07	2.50	4.56%	1.89	63%	18	20,000
01.09.06	3	01.09.09	3.25	4.61%	3.18	63%	118	78,000
21.01.08	3	21.01.11	4.28	4.21%	4.02	45%	44	45,000

The Group has not recognised any expense related to equity-settled share based payment transactions during the year (2008: nil), on the grounds that the charge is not significant.

19. SHARE CAPITAL

	Shares Number	Nominal Value (£2.50) £000	Premium net of costs £000	Total £000
In issue at 1 April 2007	3,810,278	9,526	-	9,526
Exercise of share options*	22,500	56	-	56
Issue of shares (net of issue costs)**	1,000,000	2,500	2,340	4,840
31 March 2008 and **31 March 2009**	4,832,778	12,082	2,340	14,422

* On 16 October 2007, a total of 9,000 share options held by staff members under the Company's Unapproved Share Option Scheme were exercised at an option price of £2.50 per share. A further 13,500 options held under the Scheme were exercised at an option price of £2.50 per share on 20 December 2007.

** A Placing of 1,000,000 new Ordinary shares with institutional investors at a price of £5.10 per share was approved by shareholders at an EGM held on 20 August 2007, thereby raising £5,100,000 before expenses of £260,000.

At an EGM of Members held on 20 August 2007, the Company's authorised share capital was increased from £14,000,000 comprising 5,600,000 Ordinary shares of £2.50 each to £17,500,000, comprising 7,000,000 shares of £2.50 each.

20. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2009 or at 31 March 2008.

// Report of the Independent Auditor _ to the Members of AorTech International plc

We have audited the parent company financial statements of AorTech International Plc for the year ended 31 March 2009 which comprise the parent company balance sheet and notes 1 to 10. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of AorTech International Plc for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Corporate Governance statement, the Accountability and Audit statement and the Report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
East Midlands

20 July 2009

// Parent Company Balance Sheet

	Notes	31 March 2009 £000	31 March 2008 £000
Fixed assets			
Investment in subsidiary undertakings	3	-	-
Current assets			
Debtors – amounts falling due within one year	4	68	103
Debtors – amounts falling due after one year	4	13,735	12,681
Cash at bank		509	1,558
		14,312	14,342
Creditors: amounts falling due within one year	5	(122)	(271)
Net assets		14,190	14,071
Capital and reserves			
Called up share capital	6	12,082	12,082
Share premium account	8	2,340	2,340
Profit and loss account	8	(232)	(351)
Equity shareholders' funds	8	14,190	14,071

The parent company financial statements were approved by the Board on 20 July 2009 and were signed on its behalf by

J Pither, Chairman

F Maguire, Chief Executive

Notes to the Parent Company Financial Statements

1. ACCOUNTING POLICIES

Accounting convention

The parent company financial statements were prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) A summary of the more important accounting policies, which have been applied consistently, is set out below. The principal accounting policies represent the most appropriate in accordance with FRS 18.

Going concern

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

Investments

Investments held as fixed assets are stated at the lower of cost and net realisable value, less provision for any 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. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Share based payments

All share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements. All goods and services received in exchange for the grant of any share based payment are measured at their fair values. Where employees are rewarded using share based payments the fair values of their services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (e.g. profitability and sales growth targets).

All equity settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to 'other reserves'.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

Debtors

The amounts owed by Group undertakings are in respect of long term loans and have been treated as part of the net investment in the foreign entities, and included within debtors due in greater than one year. Exchange differences arising on these loans have been taken directly to reserves.

// Notes to the Parent Company Financial Statements

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2. COMPANY PROFIT AND LOSS ACCOUNT

The parent company has taken advantage of section 230 of the Companies Act 1985 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 2009 was £536,000 (2008: £1,073,000).

3. FIXED ASSET INVESTMENTS

	31 March 2009 £000	31 March 2008 £000
Investment in subsidiary undertakings		
Cost		
Historical cost	**23,159**	23,159
Provision for impairment	**(23,159)**	(23,159)
Net book value at 31 March	-	-

Interest in subsidiary undertakings

	Name of undertaking	Country of registration or incorporation	Description of shares held	Proportion of nominal value of shares held %
(i)	AorTech Biomaterials Limited	Scotland	Ordinary £1	100
(ii)	AorTech Critical Care Limited	Scotland	Ordinary £1	92
(iii)	AorTech Biomaterials Pty Limited	Australia	Ordinary Aus. $1	100
(iv)	AorTech Medical Devices (USA), Inc	USA	Common US $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) The development of new biostable polyurethanes operating principally in Australia
(iv) Marketing in the Americas

4. DEBTORS

	2009 £000	2008 £000
Amounts falling due within one year		
Other debtors	**41**	50
Prepayments	**27**	53
	68	103
Amounts falling due after more than one year		
Amounts owed by Group undertakings*	**13,735**	12,681
	13,803	12,784

* AorTech International plc has agreed not to seek repayment of the amount owing by its subsidiary AorTech Biomaterials Pty Limited within 12 months of the balance sheet date.

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£000	£000
Trade creditors	**-**	11
Accruals	**122**	260
	122	271

6. SHARE CAPITAL

See Note 19 in the Group financial statements.

7. SHARE BASED PAYMENTS

See Note 18 in the Group financial statements.

8. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	Share premium	Profit and loss account	**Total shareholders' funds**
	£000	£000	£000	**£000**
1 April 2007	9,526	-	(381)	**9,145**
Loss for the year	-	-	(1,073)	**(1,073)**
Share issue	2,556	2,340	-	**4,896**
Exchange differences	-	-	1,103	**1,103**
At 31 March 2008	12,082	2,340	(351)	**14,071**
Loss for the year	-	-	(536)	**(536)**
Exchange differences	-	-	655	**655**
At 31 March 2009	12,082	2,340	(232)	**14,190**

9. DIRECTORS AND EMPLOYEES

The Directors are the only employees of the parent company. Disclosure of their emoluments is given in the Report of the Remuneration Committee on page 18.

10. RELATED PARTY TRANSACTIONS

In accordance with FRS 8, "Related Party Disclosures", AorTech International plc has taken advantage of the exemption for over 90% owned subsidiaries not to disclose any transactions or balances between group entities including those that have been eliminated on consolidation.

// Appendix

APPENDIX

1. **The Company's objects**

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of share each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 7 (a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

2. **Articles which duplicate statutory provisions**

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be amended to bring them into line with the Companies Act 2006.

3. **Change of name**

Currently, a company can change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

4. **Form of resolution**

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. The provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

5. **Convening extraordinary and annual general meetings**

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required and the chairman of a general meeting no longer has a casting vote.

6. **Votes of members**

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

7. **Conflicts of Interest**

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

8. **Notice of board meetings**

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been amended, as modern communications mean that there may be no particular obstacle to giving notice by email to a director who is abroad.

// Appendix

9. **Authorised share capital and unissued shares**
The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment continues to be required under the Companies Act 2006, save in respect of employee share schemes.

10. **Redeemable Shares**
At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

11. **Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital**
Under the law currently in force a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

12. **Provision for employees on cessation of business**
The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

13. **Use of seals**
The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

14. **Suspension of registration of share transfers**
The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

15. Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

16. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with the member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information by him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

17. Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme.

// Notice of the Annual General Meeting

Notice is hereby given that the twelfth Annual General Meeting of AorTech International plc will be held in the Mansfield Room of the Marriott Hotel Chancery Court, 252 High Holborn, London, WC1V 7EN on 16 September 2009 at 12:00 noon for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the financial statements of the Company for the year ended 31 March 2009 together with the Reports of the Directors and Auditor thereon.
2. To approve the Report of the Remuneration Committee for the year ended 31 March 2009.
3. To re-elect as a Director Gordon Wright, who is retiring by rotation.
4. 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:

5. That the Directors be hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of said Section 80) up to an aggregate nominal amount of £4,027,315 which authority will expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 15 months after the passing of this Resolution save that the Company may, before such expiry, make an offer or agreement which would, or might, require relevant securities to be allotted after such expiry and the Directors may allot such securities in pursuance of such offer or agreement as if the authority so conferred had not expired.

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

6. That subject to the passing of Resolution 5 above as an Ordinary Resolution, in substitution for any existing power under Section 95 of the Act, the Directors be and are hereby empowered until the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the passing of this Resolution, whichever is the earlier ("the period of the Section 95 power"), pursuant to Section 95 of the Act to allot equity securities (as defined by Section 94(2) of the Act) pursuant to the authority granted by Resolution 5 above in accordance with Section 80 of the Act as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

(a) 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 interests 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 fractional entitlements or legal or practical problems under the laws of any territories or requirements of any recognized regulatory body or stock exchange in any territory; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities consisting of or related to Ordinary shares up to an aggregate nominal amount of £604,097, or if less, five percent of the issued Ordinary share capital of the Company from time to time but so that this power shall allow the Company to make an offer or enter into an agreement before the expiry of the period of the Section 95 power which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred thereby had not expired.

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

7. That with effect from 00.01am on 1 October 2009:-

(a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(b) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusive of, the existing Articles of Association.

By order of the Board,

J C D Parsons
Company Secretary
Victoria Road, Surbiton
Surrey KT6 4NS
20 July 2009

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members by 6.00 pm on 14 September 2009 or by 6.00 pm two days prior to the date of any adjournment of the meeting. 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.
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 to attend and, on a poll, to vote on their behalf. To be valid, Forms of Proxy must be lodged with the Company's Registrars, Equiniti Limited, PO Box 4630, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6QQ not later than 48 hours before the time appointed for the holding of the meeting or 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.
3. Completing and returning a Form of Proxy will not prevent any member from attending the meeting in person and voting should they so wish.
4. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (a) above.
5. The following documents will be available at the registered office of the Company on any weekday (except Saturday) during normal business hours from the date of this notice until the date of the Annual General Meeting:

(a) A copy of the service agreements for the Executive Directors.
(b) A copy of the letters of appointment for the non-Executive Directors.
(c) The Memorandum and Articles of Association of the Company.

These documents will also be available for inspection during the Annual General Meeting and for at least fifteen minutes before it begins.

AorTech

international plc

Prestige Travel Suite, Barclays Bank House, 81-83 Victoria Road, Surbiton, Surrey, England KT6 4NS

Tel: +44(0)870 850 8286 Fax: +44(0)208 399 3897 E-mail: info@aortech.com Web: www.aortech.com