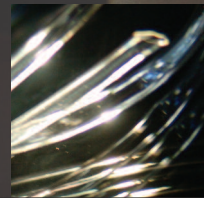
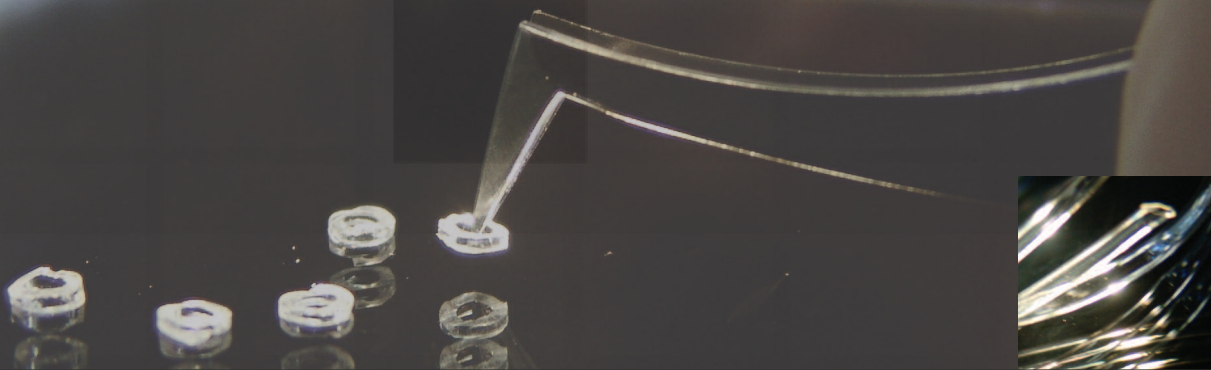
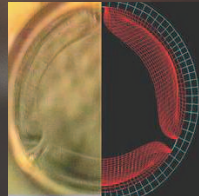
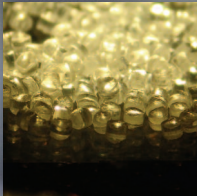


AorTech International plc
Annual Report & Accounts
For the year to
31 March 2010

annual report

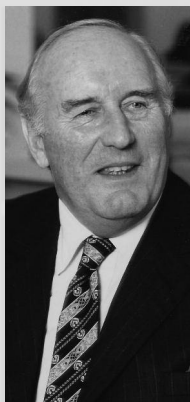


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Chairman's Statement

02

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



Financial Review

During the year to 31 March 2010, Group revenue increased by £0.1m over that achieved in the previous financial year, rising to £1.4m. The majority of the revenue was received during the second half of the year, as I indicated in my interim report was likely to be the case. Again this year, the Group revenue was achieved through a combination of sales of bulk material and components as well as through licencing fees, royalty income and milestone payments.

Operating expenses increased from £3,032,000 to £3,727,000, with much of this increase being directly attributable to the strengthening over the course of the period of the Australian Dollar, being the currency of our manufacturing base, with Pounds Sterling being the financial results reporting currency. Together with the reduction in interest receivable, made inevitable by the lower rates than those previously obtainable, the loss before taxation was £1.9m as compared with £1.2m in the previous year.

The net cash balances at 31 March 2010 were £2.9m, which are expected to continue to provide sufficient resources to support the Group's ongoing operations and our development plans.

Group revenue was achieved through a combination of sales of bulk material and components as well as through licencing fees, royalty income and milestone payments.



Shareholders who have followed the Company's development in recent years are aware of the lengthy timescales for commercialisation of medical materials and devices.

Operational Highlights of the Financial Year

Progress always seems to be frustratingly slow but I should like to assure you that the past year has seen substantial advances. Our range of polymer materials in the Elast-Eon™ and ECSil™ family are now in use, or in a number of development programmes, in the following areas:

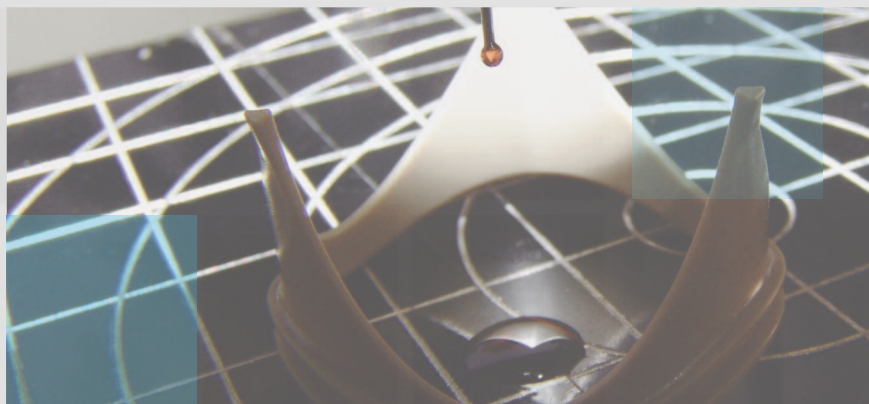
- Cardiac Rhythm management
- Neurostimulation
- Cardiac Surgery
- Spinal Disc
- Biliary Drainage
- Urology Catheters
- Urology Stents
- Morbid Obesity
- Blood Glucose Monitoring

By the end of this year we expect to have more than six of these applications in development programmes or in human use. Our product is already in human use in several million patients and additional human use is gathering momentum.

It is also encouraging that a number of medical device companies wish us to augment material supply by actually manufacturing components or complete devices. Headers for cardiac rhythm management and neurostimulation are examples. Going beyond the simple financial figures that have been reported, the Board believes that your Company has passed the evolutionary point, the tipping point, with an established widely applicable and respected material, which has achieved regulatory approval, and that this will now lead to rapidly rising direct and indirect revenues.

The executive team, capable of realising this opportunity, is largely in place. Therefore subject to unforeseen events the Company's financial performance will begin to show substantial reward for the years of patient research and development.

The polymer business has continued to grow. Tonnage has more than doubled over the prior year and composite pricing has seen improvements related to mix, new licences and price increases programmed into existing licences. A new licence has been announced in the urology field; other licences in ophthalmic and morbid obesity fields are projected in the near term.



Our new polymer product, ECSil™, essentially a super silicone, is enjoying early success in customer qualification programmes for application areas which include pacing and neurostimulation leads, spinal disc and breast implant, amongst others.

After suffering the unanticipated loss of a key raw material supplier in the 2nd quarter of 2010, the Company resumed polymer shipments after a 5 week period in which it successfully completed its long term programme for producing this raw material in-house. With this supply disruption behind us, we expect a resumption of our history of perfect customer delivery and quality performance.

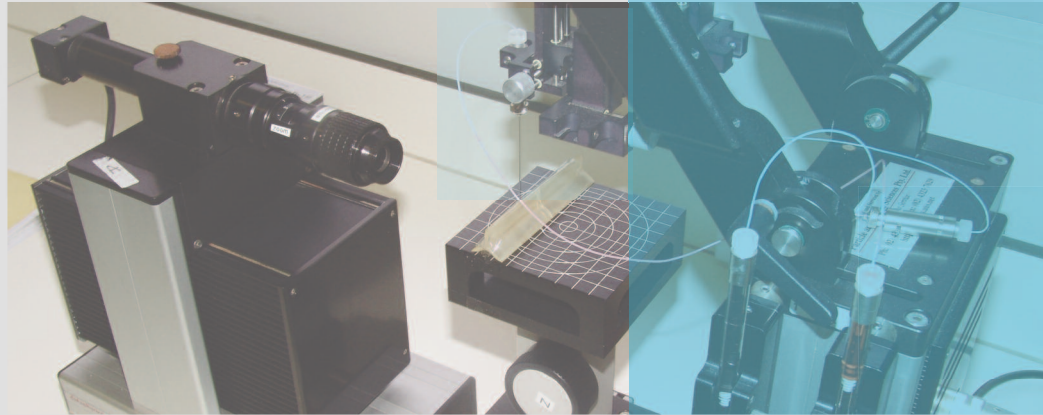
In general, prospects for the bulk polymer business remain bright as a number of customer qualification programmes continue to mature into new licence agreements and other existing agreements, some of which are royalty bearing.

By the end of this year we expect to have more than six of these applications in development programmes or in human use. Our product is already in human use in several million patients and additional human use is gathering momentum.

Strategy and Current Trading

The greatest potential for near term revenue growth comes from our component and device development segments. The U.S. \$32.8 million co-development programme is continuing to progress satisfactorily. The final phase of the trial for the polymer heart valve in the previously announced circulatory support application is expected to conclude in the current financial year.

I anticipate being able to inform you of a projected date for the first human use of this important device in my next statement. The state of this programme is such that the internal valve development and pilot manufacturing phases are essentially complete and management is evaluating other device opportunities, some of them joint ventures in other areas.



The most exciting component development in our portfolio is the use of our polymers and proprietary reaction injection molding (RIM) process for the production of headers for cardiac rhythm management (CRM) and neurostimulation devices. Also in my next statement I hope to be celebrating the first successful human use of this technology in a clinical setting.

In addition to new licensees who prefer to source their Elast-Eon™ and ECSil™ components from the Company at the outset of our business with them, we are also seeing existing polymer accounts responding favourably to our proposals to manufacture their components, thereby facilitating the simplification of their own supply chains.

Management foresee increasing revenue streams over the short and medium term, and with the Group's infrastructure being of sufficient capacity to enable increased output without significant further capital outlay. This anticipated increase is expected to be reflected in an improved bottom line and cash reserves position.

Finally, I should once again wish to take this opportunity to thank each member of our staff for their continued efforts and commitment to the Company, and to thank our shareholders for their ongoing support during the year.

Your Board is confident that the Group has the technology, resources and skills that will fully capitalise upon the opportunities that are now developing and expanding from the efforts of the past, and thereby to build shareholder value.

Jon Pither
Chairman

The most exciting component development in our portfolio is the use of our polymers and proprietary reaction injection molding (RIM) process for the production of headers for cardiac rhythm management (CRM) and neurostimulation devices.



07 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

C/o Brodies LLP
2 Blythswood Square
Glasgow G2 4AD

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

Equiniti Registrars Scotland
1st Floor
34 South Gyle Crescent
South Gyle Business Park
Edinburgh EH12 9EB

Independent Auditor

Grant Thornton UK LLP
Statutory 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

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The Directors present their report and the audited financial statements for the year ended 31 March 2010.

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 & 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, and to develop its new super silicone polymer product ECSil™. These milestones included the development and refinement of the materials for the medical community with the aim of providing a wide range of high performance polymers 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™ and ECSil™ polymers in ways that are unique and of high value to numerous customer-based product development programmes.

During the year costs of £1,121,000 (2009: £1,040,000) 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 £1,923,000 (2009: £1,249,000) 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 application areas for its polymer products including components and devices, trials and human use of the polymer heart valve 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 2010 and 31 March 2009.

Directors & Their Interests

At 31 March 2010 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 2010.

At each Annual General Meeting one third of the Directors shall be subject to retirement by rotation. F Maguire, J Pither and Dr. S Rollason retire from the Board at the Annual General Meeting and, being eligible, offer themselves for re-election.

The interests of the Directors at 31 March 2010 and 31 March 2009 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2010 Number of shares	31 March 2009 Number of shares
J Pither	15,050	-
F Maguire	81,050	1,200
E McDaid	333,383	363,383
S Rollason	11,825	8,825
G Wright	305,107	335,107

On 18 May 2010 J Pither purchased 5,000 ordinary shares at a price of 170 pence per ordinary share. 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 30 June 2010 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Chase Nominees Limited*	1,060,435	21.94%
Mr Edward McDaid and Mrs Kathleen McDaid	333,383	6.90%
Caricature Investments Limited**	305,107	6.31%
Pershing Nominees Limited LSCLT	270,000	5.59%
W B Nominees Limited	237,715	4.92%
Barclayshare Nominees Limited	207,684	4.30%
L R Nominees Limited	160,660	3.32%
Pershing Nominees Limited PSL981	148,508	3.07%

* 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 30 June 2010.

**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 30 June 2010 was 37.4%.

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 and shown in the Statement of Comprehensive Income.

	Net foreign currency monetary assets			Total £000
	Australian dollar £000	Euro £000	US dollar £000	
2010				
Sterling	2,794	11	32	2,837
2009				
Sterling	3,634	12	22	3,668

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 2010 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			Total £000
	Fixed £000	Floating £000	Zero £000	
Financial assets				
Cash	2,631	36	218	2,885
Trade receivables	-	-	776	776
	2,631	36	994	3,661
Financial liabilities				
Trade payables	-	-	99	99
	-	-	99	99

Credit Risk

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

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. 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 2010 was 30 days (2009: 16 days).

Charitable & Political Donations

During the year the Group made no charitable or political donations (2009: nil).

Annual General Meeting

The notice convening the Annual General Meeting for 12:00 noon on Monday, 27 September 2010 in the Staple and Gray's Inn Room of the Renaissance London Chancery Court Hotel, 252 High Holborn, London, WC1V 7EN is set out on page 51. There are a number of resolutions to be passed and further information in relation to these resolutions is set out below.

Resolutions 1 to 8

Resolution 1 provides for the approval of the Company's financial statements for the year ended 31 March 2010.

Resolution 2 provides for approval of the Report of the Remuneration Committee for the year ended 31 March 2010. The vote is advisory and the Directors entitlement to remuneration is not conditional on the resolution being passed.

Resolutions 3, 4 and 5 deal with the re-appointment of the Directors required by the Company's Articles of Association to retire this year.

Resolution 6 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 7 provides under the Companies Act 2006 (Section 551) 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 7 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, for general corporate purposes.

Resolution 8 provides if shares are to be allotted for cash, the Companies Act 2006 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 8 to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash without complying with the statutory pre-emption rights of shareholders under section 561 of the Companies Act 2006, 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.

Resolutions 1 to 6 are termed ordinary business. Resolutions 7 and 8 are termed special business.

J C D Parsons
Company Secretary
AorTech International plc
Company number SC0170071
Surbiton

30 July 2010

RECOMMENDATION:

An explanation of the the resolutions to be proposed is set out on pages 11 and 12 of this document. The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

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 adequate 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 2006. 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 auditors are 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 auditors are aware of that information.

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

Auditor

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

By Order of the board:

J C D Parsons
Company Secretary
Surbiton

30 July 2010

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 2010, 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

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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 or loss.

The principal elements of the system include:

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

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

Audit Committee

The Audit Committee, comprising the non-Executive Directors and chaired by E McDaid, meets at least twice per year and oversees the monitoring of the Group's internal controls, accounting policies, financial reporting and provides a forum through which the external auditor reports, as well as ensuring the auditor remains independent of the Company. 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 for a period of at least 12 months from the date of signing these financial statements, 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 Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, which introduced new statutory requirements for the disclosure of Directors' remuneration in respect of periods commencing on or after 6 April 2008. The report also meets the relevant requirements of the AIM Rules 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 Group'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 2008 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 Group 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.

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 - audited

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

	Salary & fees £	Benefits in kind £	Pension contributions £	2010 Total £	2009 Total £
Executive					
F Maguire	232,816	7,200	15,000	255,016	238,481
Non-executive					
J Pither (Chairman)	30,000	-	-	30,000	30,000
Dr S Rollason	18,000	-	-	18,000	19,500
E McDaid	22,000	-	-	22,000	18,000
G Wright	18,000	-	-	18,000	18,000
	320,816	7,200	15,000	343,016	323,981

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			Exercise price	Date from which exercisable	Expiry date
	At 1 April 2009	Granted /expired during year	At 31 March 2010			
(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 2010 was from £1.30 to £1.90. The mid market price on 31 March 2010 was £1.355.

On behalf of the Board

Dr Stuart Rollason
Chairman of the Remuneration Committee
30 July 2010

Report of the Independent Auditor

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To the Members of AorTech International Plc

We have audited the Group financial statements of AorTech International Plc for the year ended 31 March 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of AorTech International Plc for the year ended 31 March 2010.

John Bowler
Senior Statutory Auditor
For and on behalf of GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
East Midlands

30 July 2010

21 Consolidated Income Statement

	Notes	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Revenue	3	1,362	1,259
Other income - grants received		306	234
Cost of sales		(382)	(124)
Administrative expenses		(2,082)	(1,754)
Other expenses - development expenditure		(1,121)	(1,040)
Other expenses - amortisation of intangible assets	10	(142)	(114)
Operating loss	3	(2,059)	(1,539)
Finance income	7	136	290
Loss before taxation		(1,923)	(1,249)
Taxation	8	-	-
Loss attributable to equity holders of the parent company		(1,923)	(1,249)
Loss per share			
Basic and diluted – (pence per share)	9	(39.79)	(25.84)

Consolidated Statement of Comprehensive Income

	31 March 2010 £000	31 March 2009 £000
Notes		
Loss for the year	(1,923)	(1,249)
Other comprehensive income:		
Exchange differences on translating foreign operations	1,204	267
Income tax relating to other comprehensive income	-	-
Other comprehensive income for the year, net of tax	1,204	267
Total comprehensive income for the year, attributable to equity holders of the parent	(719)	(982)

Consolidated Balance Sheet

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	Notes	31 March 2010 £000	31 March 2009 £000
Assets			
Non current assets			
Property, plant and equipment	11	718	702
Intangible assets	10	1,424	1,257
Total non current assets		2,142	1,959
Current assets			
Inventories	12	150	150
Trade and other receivables	14	859	436
Cash and cash equivalents	15	2,885	4,178
Total current assets		3,894	4,764
Total assets		6,036	6,723
Liabilities			
Current liabilities			
Trade and other payables	16	(623)	(512)
Total current liabilities		(623)	(512)
Non current liabilities			
Other non current liabilities	16	-	(79)
Total non current liabilities		-	(79)
Total liabilities		(623)	(591)
Net assets		5,413	6,132
Equity			
Issued capital	19	12,082	12,082
Share premium	19	2,340	2,340
Other reserve		(2,003)	(2,003)
Foreign exchange reserve		1,862	658
Profit and loss account		(8,868)	(6,945)
Total equity attributable to equity holders of the parent		5,413	6,132

The Group financial statements were approved by the Board on 30 July 2010 and were signed on its behalf by

Consolidated Cash Flow Statement

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Cash flows from operating activities		
Group loss after tax	(1,923)	(1,249)
Adjustments for:		
Depreciation of property, plant and equipment	258	207
Amortisation of intangible assets	142	114
Interest income	(136)	(290)
Deferred income released	(79)	(64)
Increase in trade and other receivables	(423)	(124)
Decrease in inventories	-	90
Increase / (decrease) in trade and other payables	111	(73)
Net cash flow from operating activities	(2,050)	(1,389)
Cash flows from investing activities		
Purchase of property, plant and equipment	(102)	(234)
Interest received	136	290
Net cash flow from investing activities	34	56
Net decrease in cash and cash equivalents	(2,016)	(1,333)
Foreign exchange differences	723	163
Cash and cash equivalents at beginning of year	4,178	5,348
Cash and cash equivalents at end of year	2,885	4,178

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 31 March 2008	12,082	2,340	(2,003)	391	(5,696)	7,114
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,249)	(1,249)
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	267	-	267
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	267	(1,249)	(982)
Balance at 31 March 2009	12,082	2,340	(2,003)	658	(6,945)	6,132
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,923)	(1,923)
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	1,204	-	1,204
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,204	(1,923)	(719)
Balance at 31 March 2010	12,082	2,340	(2,003)	1,862	(8,868)	5,413

Notes 26 to the Financial Statements

1 Basis of preparation

The Group financial statements are for the year ended 31 March 2010. 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 2010.

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

After considering the 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.

The accounting policies remain unchanged from the previous year except for the adoption of IAS 1 'Presentation of Financial Statements' (Revised 2007) and the adoption of IFRS 8 'Operating Segments', both of which have been applied retrospectively.

The adoption of IAS 1 (Revised) has resulted in the inclusion of the consolidated statement of comprehensive income as a primary statement. Revised IAS 1 requires presentation of a comparative balance sheet as at the beginning of the first period in some circumstances. The directors consider that this is not necessary this year because the March 2008 balance sheet is the same as that previously published.

The adoption of IFRS 8 has required the disclosure of segmental information in line with the way the business is managed (i.e. the operating segments disclosed are those whose results are regularly reviewed by the Chief Operating Decision Maker). The Group has previously reported in this way and therefore the segments disclosed have not changed as a result of adoption of IFRS 8. Segment information is set out in note 3.

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 2010 financial statements

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

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 3 Business Combinations (Revised 2008) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on any business combinations occurring in future reporting periods. In particular, transaction costs must be expensed in the Income Statement rather than previously when these were capitalised and dealt with as part of the acquisition accounting.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Group's financial statements.

IFRS 5 (amendment) 'Non current assets held for sale and discontinued operations'

Part of the IASB's improvement project, this amendment will be applied in the Group's financial statements for the year to 31 March 2011 and clarifies the disclosure required for any non current assets held for sale or disposal Groups.

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 as revenue once a third party has a binding contractual obligation to the Group based on the specific contract terms and the Group has no remaining obligations to perform.
- (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.

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. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

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 fall into the following category: Loans and receivables.

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

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 fall 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.

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, where material, 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. All resulting exchange differences are recognised as a separate component of equity. 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.

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.
- (e) Revenue recognition requires the Directors to assess the terms of contracts and to determine whether specific obligations have been met before recognising revenue in relation to licence fees and milestone payments.

Sources of estimation uncertainty:

- (a) Estimates are required as to intangible asset carrying values and impairment charges.
- (b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.
- (c) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.

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 reporting segment and therefore no additional information is given.

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

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Analysis of revenue by destination		
United Kingdom		
Supply of materials and finished goods	29	11
Australia		
Supply of materials and finished goods	2	3
USA and Rest of the World		
Supply of materials and finished goods	738	198
Milestone payments - services	12	26
Licence fees - services	574	1,020
Royalty revenue	7	1
	1,362	1,259
Analysis of result - operating loss		
United Kingdom	(356)	(583)
Australia	(1,234)	(557)
USA and Rest of the World	(469)	(399)
	(2,059)	(1,539)
Analysis of assets by location		
United Kingdom	98	607
Australia	5,922	6,111
USA and Rest of the World	16	5
	6,036	6,723

During the year ended 31 March 2010, 77.8% of the Group's revenues depended upon a single customer (2009: 73.1%).

4 Remuneration of Directors and key management personnel

Key management personnel	2010 £000	2009 £000
Emoluments – short-term employee benefits	743	567
Pension costs – post-employment benefits	53	38
	796	605

The key management personnel whose remuneration is included in the table above are a Director / Company Secretary of AorTech Biomaterials Pty Limited; two Directors, 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 pages 16 to 18 for full details of Directors' emoluments.

Included in the aggregate emoluments for the year ended 31 March 2010 are payments of £48,000 (2009: £49,500) made by the Company to third parties. The highest paid Director received total emoluments of £255,016 including pension contributions of £15,000 (2009: total emoluments of £238,481 including pension contributions of £15,000).

5 Loss before tax

Loss before tax has been arrived at after charging/(crediting):	2010 £000	2009 £000
Foreign exchange differences	42	(17)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	258	207
Amortisation of intangible assets	142	114
Employee benefits expense:		
Employee costs (Note 6)	1,540	1,246
Land and buildings held under operating leases:		
Other operating leases	163	148
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group financial statements	25	23
Fees payable to the Company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	16	13
Tax services	3	3
Other services	1	4

6 Employees

	2010 £000	2009 £000
Employee costs (including Directors):		
Wages and salaries	1,430	1,166
Pension costs	110	80
	1,540	1,246

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

	Numbers	Numbers
Production	4	4
Sales	1	2
Development and quality control	11	11
Administration	12	11
	28	28

7 Finance income

	2010 £000	2009 £000
Bank interest receivable	136	290

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:

	2010 £000	2009 £000
Loss for the year before tax	(1,923)	(1,249)
Loss for year multiplied by the respective standard rate of corporation tax applicable in each domain (average 28%)	(538)	(350)
Effects of:		
Depreciation for the year differs from capital allowances and other temporary differences	(14)	(10)
Expenses not deductible for tax purposes and other tax differences	81	62
Losses not utilised	471	300
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 £4,539,000 – tax effect is £1,271,000 (2009: £4,184,000 – tax effect £1,172,000). Losses carried forward in Australia total £6,457,000 – tax effect £1,808,000 (2009: £4,394,000 – tax effect £1,230,000). Losses in the USA total £931,000 – tax effect £261,000 (2009: £533,000 – tax effect £149,000).

On 1 April 2009 the standard UK rate of corporation tax was 28%.

9 Loss per share

	2010 £000	2009 £000
Loss for the year attributable to equity shareholders	(1,923)	(1,249)
Loss per share		
Basic and diluted (pence per share)	(39.79)	(25.84)
	Shares	Shares
Issued ordinary shares at start of the year	4,832,778	4,832,778
Ordinary shares issued in the year	-	-
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	4,832,778

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 2008	2,171
Exchange differences	115
At 31 March 2009	2,286
Exchange differences	562
At 31 March 2010	2,848
Amortisation	
At 1 April 2008	869
Exchange differences	46
Charge for the year	114
At 31 March 2009	1,029
Exchange differences	253
Charge for the year	142
At 31 March 2010	1,424
Net book value	
At 1 April 2008	1,302
At 31 March 2009	1,257
At 31 March 2010	1,424

The intangible assets have been reviewed for impairment in the current year. The Directors have concluded that no impairment loss is necessary, and therefore no adjustment has been made to the carrying amount.

_continued

11 Property, plant and equipment

	Property improvements £000	Plant & equipment £000	Fixtures & fittings £000	Total £000
Cost				
At 1 April 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
Additions	28	55	19	102
Exchange differences	156	231	46	433
At 31 March 2010	819	1,226	252	2,297
Depreciation				
At 1 April 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
Charge for the year	108	128	22	258
Exchange differences	51	177	33	261
At 31 March 2010	365	1,024	190	1,579
Net book value				
At 1 April 2008	364	231	45	640
At 31 March 2009	429	221	52	702
At 31 March 2010	454	202	62	718

12 Inventories

	2010 £000	2009 £000
Raw materials	117	108
Finished goods	33	42
	150	150

In 2010 a total of £344,000 of inventories was included in the income statement as an expense (2009: £53,000). There was no amount resulting from writedowns of inventories in either 2010 or 2009. There were no reversals of previous writedowns that were recognised in the income statement in either 2010 or 2009.

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

	2010	2009
	£000	£000
Financial assets – loans and receivables		
Cash and cash equivalents	2,885	4,178
Trade and other receivables	813	335
	<hr/> 3,698	<hr/> 4,513
Financial liabilities		
Liabilities at amortised cost	(311)	(273)
	<hr/> (311)	<hr/> (273)

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.

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

	2010	2009
	£000	£000
Sterling	48	510
US dollars	32	22
Australian dollars	163	287
Euros	11	12
	<hr/> 254	<hr/> 831

In addition to cash holdings the following short term deposits are placed for up to 7 months depending on the Group's funding requirements:

	2010	2009
	£000	£000
Australian dollars	2,631	3,347
	<hr/> 2,631	<hr/> 3,347

*_continued**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 rates as follows:

	Interest rate %	2010 £000	Interest rate %	2009 £000
Cash	0%	218	0%	66
	0.5%	36	0.20%	227
			0.81%	17
			0.75%	11
			0.50%	510
Short term deposits	5.80%	1,002	5.00%	896
	4.75%	1,509	4.80%	920
	3.76%	120	4.75%	1,211
			4.30%	242
			4.20%	78
		2,885		4,178

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 £34,000 (2009: £38,000), all other variables remaining constant.

Credit risk

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

The Group has trade receivables resulting from sales and other receivables from provision of other services which the management consider to be of low risk. 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

	2010	2009
	£000	£000
Current assets		
Trade receivables	776	265
Other receivables	37	70
Prepayments	46	101
	859	436

There were no financial assets overdue at 31 March 2010.

15 Cash and cash equivalents

	2010	2009
	£000	£000
Cash at bank and in hand	254	831
Short term deposits	2,631	3,347
	2,885	4,178

16 Trade and other payables

	2010	2009
	£000	£000
Current liabilities		
Trade payables	99	119
Other payables	212	154
Deferred income (government grants)	92	75
Accruals	220	164
	623	512
Non-current liabilities		
Deferred income (government grants)	-	79
	-	79

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:

	2010	2009
	£000	£000
The following payments are due to be made on operating lease commitments:		
Within one year	192	152
Two to five years	16	174
	208	326

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

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

	2010 WAEP		2009 WAEP	
	Number	£	Number	£
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:
1,500	81.00	15 June 2010
4,500	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
73,000	3.25	1 September 2016
40,000	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:

	2010 WAEP		2009 WAEP	
	Number	£	Number	£
Outstanding at the beginning of the year	414,500	£4.68	419,500	£4.67
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	(10,500)	£7.12	(5,000)	£4.28
Expired during the year	(2,000)	£56.25	-	-
Outstanding at the year end	402,000	£4.32	414,500	£4.68
Exercisable at the year end	402,000	£4.32	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 (2009: nil), on the grounds that the charge is not significant. The Directors have also concluded that the cumulative position to date is also not significant.

19 Share capital

	Shares Number	Nominal Value (£2.50) £000	Premium net of costs £000	Total £000
In issue at 1 April 2008	4,832,778	12,082	2,340	14,422
Exercise of share options	-	-	-	-
Issue of shares (net of issue costs)	-	-	-	-
31 March 2009 and 31 March 2010	4,832,778	12,082	2,340	14,422

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.

Contingent liabilities

There were no contingent liabilities at 31 March 2010 or at 31 March 2009.

Report of the Independent Auditor

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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 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of AorTech International Plc for the year ended 31 March 2010.

John Bowler
Senior Statutory Auditor
For and on behalf of GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
East Midlands

30 July 2010

Parent Company Balance Sheet

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	Notes	31 March 2010 £000	31 March 2009 £000
Fixed assets			
Investment in subsidiary undertakings	3	-	-
Current assets			
Debtors – amounts falling due within one year	4	22	68
Debtors – amounts falling due after one year	4	17,129	13,735
Cash at bank		46	509
		17,197	14,312
Creditors: amounts falling due within one year	5	(194)	(122)
Net assets		17,003	14,190
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	2,581	(232)
Equity shareholders' funds	8	17,003	14,190

The parent company financial statements were approved by the Board on 30 July 2010 and were signed on its behalf by

J Pither, Chairman

E McDaid, Director

Notes to the Parent Company Financial Statements

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1 Accounting policies

Accounting convention

The parent company financial statements are 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 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 are taken into account in arriving at the operating result.

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2 Company Profit and Loss Account

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year ended 31 March 2010 was £355,000 (2009: £536,000) before foreign exchange credits of £3,168,000 (2009: £655,000).

3 Fixed Asset Investments

	31 March 2010 £000	31 March 2009 £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

	2010 £000	2009 £000
Amounts falling due within one year		
Other debtors	15	41
Prepayments	7	27
	22	68
Amounts falling due after more than one year		
Amounts owed by Group undertakings*	17,129	13,735
	17,151	13,803

* 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

	2010 £000	2009 £000
Trade creditors	6	-
Accruals	188	122
	194	122

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 £000	Share premium £000	Profit and loss account £000	Total shareholders' funds £000
1 April 2008	12,082	2,340	(351)	14,071
Profit for the year	-	-	119	119
At 31 March 2009	12,082	2,340	(232)	14,190
Profit for the year	-	-	2,813	2,813
At 31 March 2010	12,082	2,340	2,581	17,003

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 pages 16 to 18.

10 Related Party Transactions

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

Notice of the Annual General Meeting

Notice is hereby given that the thirteenth Annual General Meeting of AorTech International Plc will be held in the Staple and Gray's Inn Room of the Renaissance London Chancery Court Hotel, 252 High Holborn, London, WC1V 7EN on Monday, 27 September 2010 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 2010 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 2010.
3. To re-elect Mr Frank Maguire, who is retiring by rotation.
4. To re-elect Mr Jon Pither as a Director, who is retiring by rotation.
5. To re-elect Dr Stuart Rollason as a Director, who is retiring by rotation.
6. To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

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

7. That the Directors be hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of said Section 551) up to an aggregate nominal amount of £4,027,315 which authority will expire at the conclusion of the next Annual General Meeting of the Company 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:

8. That subject to the passing of Resolution 7 above as an Ordinary Resolution, in substitution for any existing power under Section 571 of the Act, the Directors be and are hereby empowered until the conclusion of the next Annual General Meeting of the Company ("the period of the Section 571 power"), pursuant to Section 571 of the Act to allot equity securities (as defined by Section 560 of the Act) pursuant to the authority granted by Resolution 5 above in accordance with Section 551 of the Act as if Section 561(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 571 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.

By order of the Board,

J C D Parsons
Company Secretary
Victoria Road, Surbiton
Surrey KT6 4NS
30 July 2010

1. Members will only 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 23 September 2010 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, speak and vote on their behalf. To be valid, Forms of Proxy must be lodged with the Company's Registrars, Equiniti Limited, P O Box 4630, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6QQ not later than 12:00 noon on 23 September 2010 or 48 hours before the time appointed for the holding 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. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
5. As at noon on 30 June 2010 the Company's issued share capital comprised 4,832,778 ordinary shares of £2.50 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at noon on 30 June 2010 is 4,832,778.
6. 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.

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