

AorTech annualreport

AorTech International plc
Annual Report & Accounts
For the year to
31 March 2012

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01 International

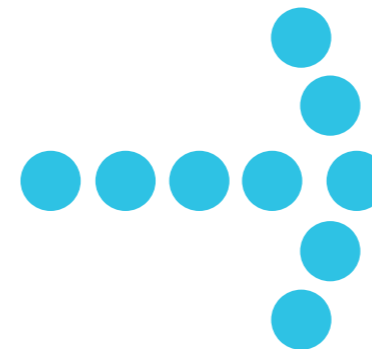
In mid-2010, Management had developed a two-stage plan for the relocation of the Group's factory from Melbourne, Australia to the Minneapolis / St. Paul area in the United States. By the final quarter of 2011, the first batch of polymer in the new US factory was produced.

U.S.A. The move to a 15,000 square foot manufacturing plant in Rogers, Minnesota in September positioned the business at the heart of the US medical device sector hub with all the benefits that brings - including a highly trained workforce.

02

Australia Dis-advantaged by the fluctuations of currency and transport costs, as well as shipping issues, the viability of our Melbourne facility had become clear.

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I am presenting my first report to shareholders since my appointment as Chairman of the Company on 3 July this year.

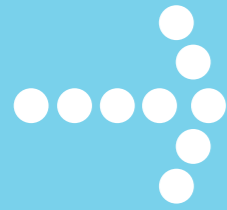
I joined the Board of AorTech in late October last year and over that time have been working closely with my Board colleagues to gain a full understanding of the issues affecting the business and the opportunities to capitalise on the developments within the business for the benefit of our shareholders.

In July, we announced the outcome of a strategy review which has resulted in us appointing advisers to seek a sale of the business and I will update shareholders on the strategy and process later in this report.

Firstly, however, I will discuss the results for the year to 31 March 2012 and the financial position of the Group which as disclosed last year are now presented in US \$ terms.

Results

The year to 31 March 2012 was one of considerable change for the Group. During the period we undertook the relocation of our polymer manufacturing facilities from Melbourne, Australia to Rogers, Minneapolis. This move was a significant task and involved the closing of Australian operations, dismantling all of the plant and equipment and having it shipped half way round the world.



The setting up of the Rogers facility was also a major undertaking resulting in obtaining work permits for the staff relocated from Australia, recruiting a new team for the US operations, training that team to enable the manufacture of polymer to recommence and obtaining all the necessary approvals.

As a result of the relocation of the production facility, we were only producing polymer at normal production rates for seven months during the year.

Group revenue for the year was \$5.038 million, up from the \$2.44 million reported for the previous year. Of this total revenue \$4.34 million was represented by licence fees of which \$4.2 million related to the restructured licence agreement announced last year.

The final balance of this licence fee was received in March 2012 after meeting all the required conditions. Total polymer sales amounted to \$694,000 compared to \$1,444,000 for the previous year reflecting the unavailability of the production facilities during the period. We also received grant income of \$638,000 over the period (\$510,000 in 2011). Total operating expenses were \$4,877,000 compared to \$6,969,000 in 2011, reflecting the lower operating costs now that the operations have been relocated, resulting in an operating profit before exceptional item for the year of \$799,000 (loss of \$4,019,000 in 2011).

Exceptional costs were also incurred over the period of \$761,000 (2011 - nil) being costs of transfer of the operations to the USA. Overall, after finance income the Group has reported a profit for the year of \$57,000 (loss of \$3.9 million for 2011).

Cash at 31 March 2012 amounted to \$1,917,000, a decrease of \$297,000 from the same date last year. It should be noted that the reduction in the cash position was after expenditure on property, plant and equipment of \$671,000 and a reduction in year end trade and other payables of \$437,000 from the previous year. Despite the significant improvement in the profitability of the Group over the year, it is clear that the results have been impacted both positively and negatively as a result of the move to the USA; however the major impact has been the \$4.2 million received as part of the licence restructuring which facilitated the move.



Strategy

St Jude Medical has stated publicly that it "has acquired the exclusive intellectual property rights and necessary assets for the manufacture of Optim™ insulation used in CRM leads", we feel it is appropriate to clarify this statement. In fact, St Jude has not acquired the exclusive intellectual property rights to Optim™ but does have an exclusive, perpetual licence to use AorTech's materials in the field of use of implantable leads for implantable cardiac rhythm management systems. AorTech is currently the sole manufacturer and supplier of the material that St Jude calls Optim™. AorTech retains ownership of the intellectual property and know how relating to Optim™. In addition, St Jude purchased the necessary items of plant and equipment from AorTech which are required to manufacture Optim™; these assets are currently located in the Rogers facility which AorTech leases from St Jude. AorTech continues to use these assets to manufacture Elast-Eon™/Optim™.

We set out in the interim results a strategy for the creation of shareholder value and began to explore a number of options. We believe that the move to Minneapolis was a very important decision and that it has raised awareness of the value of our technology. I would emphasise, however, that, as a result of the closure of our Australian operation and the time taken to set up our US operation, our polymer sales were adversely affected during the year both in terms of volume and margins achieved.

In addition to these issues and in order to increase margins and profitability we have sought a price increase for polymer supply from the customer which has to date had the greatest impact on our margins but this has been met with significant resistance despite the value that this customer derives from our material. As a very small business we have been unable to leverage other business relationships that a larger business may be able to use as a negotiation strategy or to adopt the ultimate negotiating position that a larger business could implement.

We believe that the move to Minneapolis was a very important decision and that it has raised awareness of our technology.

In the interim report we announced that we were reacquiring the rights to our polymer heart valve project.

This was an important development as all of our IP and designs were returned together with the exclusive rights over one of our polymer materials from which the valve is manufactured.

The replacement heart valve sector is at a point of significant change. Over the past decade there has been a major switch from mechanical valves to animal tissue valves, as a result of the improvement in the durability of tissue valves together with a much reduced requirement for patients to undertake long term anti coagulation treatment. In addition, there are multiple projects underway to replace heart valves by using minimally invasive surgical techniques by introducing a valve via a catheter rather than by open heart surgery.

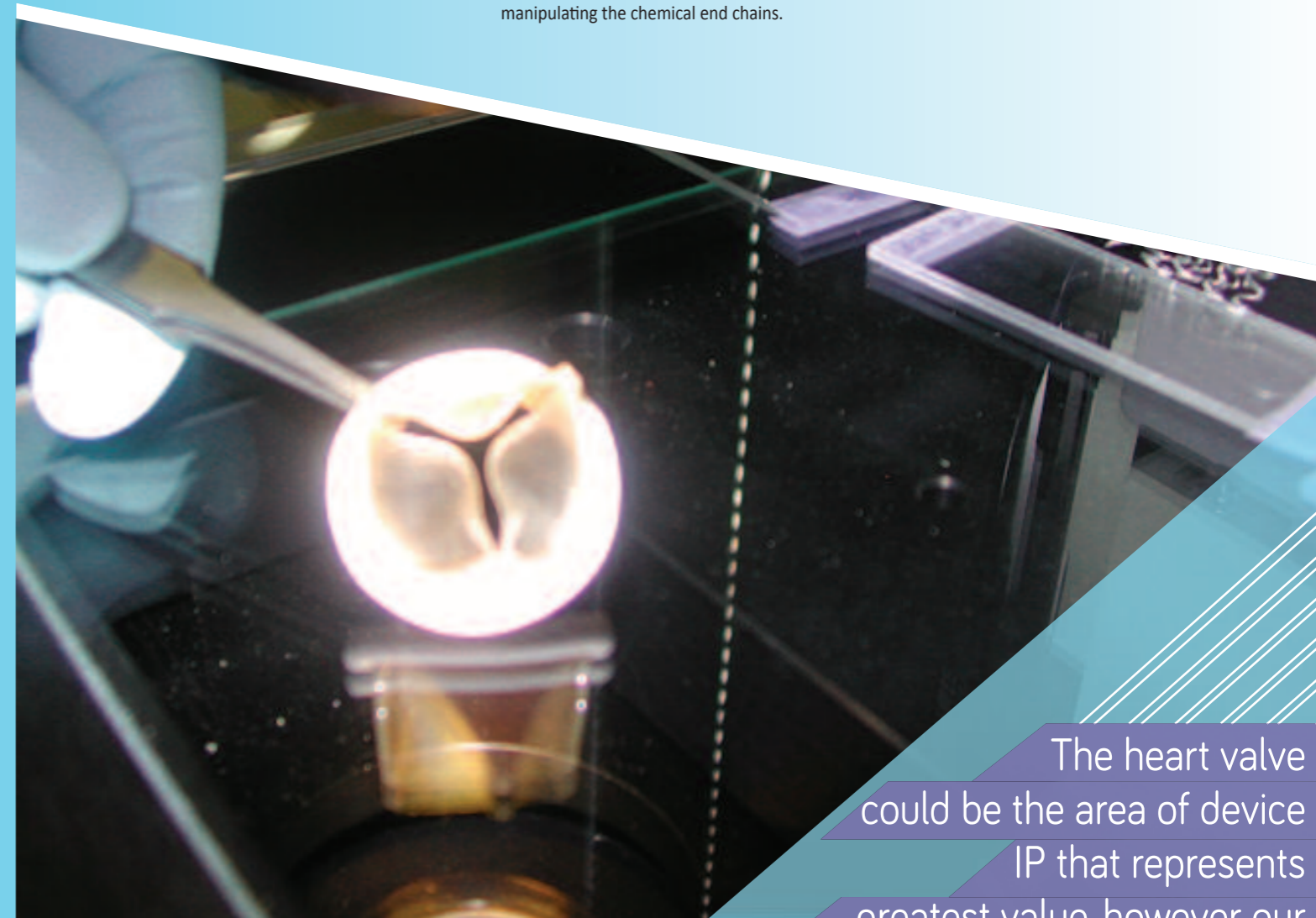
The AorTech polymer valve, which has performed well and to expectations through a number of tests, has a number of benefits. We believe that a polymer valve made with Elast-Eon™ leaflets will have similar longevity to mechanical valves, will demonstrate similar “soft failure characteristics” to tissue valves, will not require the use of anti coagulation drugs and will be a disruptive technology from a cost perspective. The current generation of heart valves cost between \$800 and \$2,000 each to manufacture. We believe that the AorTech valve can be manufactured for under \$80 which represents a step change to the current cost of each valve. This is of major importance as all economies are struggling with the expanding costs of health care but is of particular importance to the emerging economies of China and India (particularly given the issues of bovine material) where much health care is self funded. In addition, we have patented our material and leaflet design for the use in trans catheter valve insertion. In addition to the benefits of valve design the polymer valve can be crimped to a much narrower diameter increasing the size of the potential patient population but also reducing the risks of trans-catheter valve surgery.

We have a costed project which we believe would undertake the future development of the valve to the stage of first human use which would take only 24 months and cost \$4 million.

The heart valve could be the area of device IP that represents greatest value, however our materials also demonstrate significant benefits.

The core current material is Elast-Eon2A™ which is a co-polymer of silicone and polyurethane. This material was developed over many years of fundamental research which was able to achieve a synthesis process of combining these two highly incompatible materials by carefully manipulating the chemical end chains.

We hold not only all of the patents for this process but also retain the very detailed and complicated know how on the preparation of the component materials and the reactive process. I have been very impressed with the technical skills of our scientific team and believe that not only are our products protected by patent but the know how required to manufacture our sub components and ultimately manufacture of Elast-Eon™ could take over three years to develop independently.



The heart valve could be the area of device IP that represents greatest value, however our materials also demonstrate significant benefits.

The result of synthesising both silicone and polyurethane is to create a material that demonstrates the biostability of silicone with the mechanical properties of polyurethane.

In the field of use of cardiac leads, Elast-Eon™ demonstrates improved lubricity over both silicone and Pellathane 55D (another polyurethane used in pacing leads), displayed similar flexibility to silicone and is considerably less stiff than 55D polyurethane, similar lead to lead abrasion resistance to 55D and a major improvement to silicone. The Elast-Eon™ material is proven to be highly biostable with strong performance in both oxidation and hydrolysis.

We have considerable internal data on the performance of the material as well as a wealth of independent research and our material scientists have a full understanding of how the material reacts in different environments which is key to assisting licensees in the design of their products. An example of this in depth understanding of the material is the understanding of why accelerated hydrolytic testing is not an appropriate model for evaluating Elast-Eon™ due to changes in the material that occur at the high temperatures at which accelerated testing is undertaken.

Our next generation polymer, ECSil™, demonstrates not only the class leading biostability of Elast-Eon™ but also exhibits superior physical properties. ECSil™ can be made to be much softer than Elast-Eon™ and can be viewed as a “super silicone rubber”.

Much has been achieved by AorTech over the past decade with the development of both next generation materials and device designs and patents. We have also had some success in attracting medical companies to adopt our material for incorporation into their devices, the success that St Jude are enjoying with our material being a case in point. Many of these devices take a long time to come to market and it is difficult therefore to predict when the larger milestone payments, royalty payments and growth in material supply volume will start to have a significant impact on revenues. It is also an issue that a company looking to incorporate our materials into their devices may have concerns over being entirely reliant on a small company for a key area of component supply.

Having carefully considered the areas of true advantage that AorTech holds, we have concluded that the value of the business rests with the IP in both our materials and designs. Based on this conclusion, we believe that the Company as a whole or individual parts of the business would be much more successful by being part of a larger business with a combination of both the resources, critical mass and additional sales and distribution skills required to not only maximise the value of existing contracts but to expand the use of our materials into other areas.

We also believe that the best way to generate value for our shareholders and capitalise on the various IP is through a sales process. It is for this reason that we appointed Piper Jaffray to conduct a sale of the Company on behalf of shareholders.

Sale Process

We announced the start of our sale process in July 2012. As a public company, we have to work within the constraints of the Takeover Code which can restrict the number of parties that can be approached and may require the disclosure of parties that are in negotiation. We felt that the restrictions that would have been applicable to a confidential process would limit the value potential for shareholders and as a result we decided to announce the process to the market. The benefits of that are that we are able to approach a much larger target market and keep each participant in the process confidential. The down side to the announcement has been that we have been limited in our ability to interact with our shareholders, the press and the market as a whole.

We updated the market on our sale process on 13 August and stated that a broad range of potential acquirors have been contacted including medical technology companies, biomaterials and coatings companies, contract manufacturing organisations and other strategic consolidators, as well as private equity investors. Your Board will provide further updates to you and the market when it is deemed appropriate to do so.

Timetable and Financial Position

We stated as part of the Strategic update in July that we would require to raise further funds or complete a corporate deal by the end of October 2012. Shareholders should note that whilst your Board is working to secure a recommended offer by the end of October 2012, there is no guarantee that any such offer will be forthcoming or even proposed in the timeframe required, or as to the level of any proposal or offer that may be made.

Your Board therefore intends to implement a fundraising in the short term to raise sufficient finance to enable the Company to continue to trade for the foreseeable future. This decision has been taken in the interests of shareholders to ensure that the best outcome can be obtained through our sale process.

Conclusion

Much has been achieved over the past year including the factory move and reacquiring our heart valve technology together with the other implications of that deal. The disappointment has been that the renegotiated licence deal and the price achieved on polymer supply do not provide the Company with sufficient resources to see the Company through to the point where cash is being generated from other contracts. Although that was a factor in our decision to seek a corporate transaction, the key driver in the decision was a recognition that the value of our IP should be greater than what we alone can derive from material supply and the creation of shareholder value is best served by the sale process we have undertaken.

Bill Brown
Chairman

Directors

Bill Brown non-Executive Chairman
Frank Maguire Chief Executive
Eddie McDaid Finance Director
Jon Pither 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

Level Two
 Springfield House
 23 Oatlands Drive
 Weybridge
 Surrey KT13 9LZ

web: www.aortech.com

email: info@aortech.com

Nominated Adviser and Broker

FinnCap
 60 New Broad Street
 London EC2M 1JJ

Registrars

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

Independent Auditor

Grant Thornton UK LLP
 Statutory Auditor
 Chartered Accountants
 Regent House
 80 Regent Road
 Leicester LE1 7NH

Registered in Scotland, Company No.170071



*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.*

The Directors present their report and the audited financial statements for the year ended 31 March 2012.

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

The consolidated Income Statement is set out on page 25 indicating the Group's profit for the financial year of US\$57,000 (2011: loss of US\$3,887,000) which will be added to the 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. 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. All appropriate key performance indicators are summarised in 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 generating revenues; 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. All of the above risks and uncertainties are considered fundamental to the achievement of the Group's strategy and are being actively managed at Board level, along with the internal control environment detailed on page 18 below.

No dividends have been paid or proposed for the years ended 31 March 2012 and 31 March 2011.

Fundraising / Going concern

The Board intends to implement a fundraising in the short term to raise sufficient finance to enable the Company to continue to trade for the foreseeable future.

Whilst the Directors are confident that the fundraising will be successful, until it has been completed this represents a material uncertainty regarding the Group's ability to continue as a going concern.

Nevertheless, after considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts for a period of at least twelve months from the date of signing these financial statements, and in particular taking account of achieving a successful fundraising as detailed above and in our Chairman's statement, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider the adoption of the going concern basis in preparing the Group financial statements is appropriate.

Directors & Their Interests

At 31 March 2012 the Chairman of the Company was J Pither; the Chief Executive Director was F Maguire; the Finance Director was E McDaid, and the non-Executive Directors were W Brown and G Wright. The other Director who served during the year was Dr S Rollason, who resigned on 21 October 2011. W Brown was appointed to the Board on 21 October 2011. On 3 July 2012, J Pither stepped down as Chairman and W Brown took over that role. Mr Pither remains on the Board as a non-Executive Director.

At each Annual General Meeting one third of the Directors shall be subject to retirement by rotation. J G Wright retires from the Board at the Annual General Meeting and, being eligible, offers himself for re-election. W Brown, having been appointed Director since the last Annual General Meeting, will retire and seek re-election.

The interests of the Directors at 31 March 2012 and 31 March 2011 (or date of appointment if later) in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2012 Number of shares	31 March 2011 Number of shares
J Pither	25,550	15,050
F Maguire	103,350	81,050
E McDaid	333,914	363,383
S Rollason*	-	11,825
G Wright	308,311	335,107
W Brown**	-	-

* not a member of the Board of Directors on 31 March 2012

** not a member of the Board of Directors on 31 March 2011

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 17 August 2012 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Bluehone Investors LLP*	891,861	18.45%
Mr Edward McDaid	333,914	6.91%
Mr Roy Mitchell and Mrs P Mitchell	312,963	6.47%
Barclays Wealth Management (UK)	308,856	6.39%
Caricature Investments Limited**	308,311	6.38%
Henderson Global Investors (UK)	283,159	5.86%
Walker Crips Stockbrokers	157,465	3.26%
TD Direct Investing	156,308	3.23%
Fermain Capital Ltd	146,500	3.03%

* the holding of Bluehone Investors LLP is as fund manager of Active Capital Trust plc which accounts for 18.45% of the Company's issued share capital. W Brown is also a Director of Bluehone Investors LLP.

**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 17 August 2012 was 34.4%.

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 move of operations from Australia to the United States during the year has assisted in managing this risk. During the year the Group changed presentational currency for the Group financial statements from GB Pounds to US Dollars as this is the functional currency of the trading subsidiary.

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 profit or loss of the Group, other than in respect of the retranslation of foreign subsidiary balances arising on consolidation which are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

	Net foreign currency monetary assets			
	Australian dollar US\$000	Euro US\$000	US dollar US\$000	Total US\$000
2012				
US Dollars	93	17	1,196	1,306
2011				
US Dollars	2,128	17	35	2,180

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. As disclosed within the Report of the Directors, the Directors have set out their assessment of why they believe the Group continues to remain a going concern, including the assumptions they have made in this regard.

Interest Rate Risk

The Group finances its operations through retained cash reserves.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2012 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 US\$000
	Fixed US\$000	Floating US\$000	Zero US\$000	
Financial assets				
Cash	-	227	1,690	1,917
Trade receivables	-	-	858	858
	-	227	2,548	2,775
Financial liabilities				
Trade payables	-	-	132	132
	-	-	132	132

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. As noted in the Chairman's Statement, the Board's view is that this is best achieved by way of sale of the Company, and in the interim a further fundraising is to be undertaken to maintain the Group as a going concern whilst a sale is completed. 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 the overseas subsidiaries are encouraged to adopt a similar policy applying local best practice. The Company's average payables payment period at 31 March 2012 was 18 days (2011: 13 days).

Charitable & Political Donations

During the year the Group made no charitable or political donations (2011: nil).

Annual General Meeting

The notice convening the Annual General Meeting for 11:00am on Friday, 28 September 2012 in the Tower Suite of The Institute of Directors, New Broad Street House, 35 New Broad Street, London, EC2M 1NH is set out on page 53. There are a number of resolutions to be passed and further information in relation to these resolutions is set out below.

Resolutions 1 to 7

Resolution 1 provides for the approval of the Company's financial statements for the year ended 31 March 2012. Resolution 2 provides for approval of the Report of the Remuneration Committee for the year ended 31 March 2012. The vote is advisory and the Directors entitlement to remuneration is not conditional on the resolution being passed. Resolution 3 deals with the re-appointment of the Director required by the Company's Articles of Association to retire this year. Resolution 4 deals with the formal appointment of Bill Brown to the Board, as required by Article 100 of the Company's Articles of Association. Resolution 5 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 6 provides under the Companies Act 2006 (Section 551) the directors of a company may only allot 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 6 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 7 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 7 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 5 are termed ordinary business. Resolutions 6 and 7 are termed special business.

J C D Parsons
Company Secretary
AorTech International plc
Company number SCO170071
Weybridge

3 September 2012

RECOMMENDATION:

An explanation of the resolutions to be proposed is set out on pages 15 and 16 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.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Laws) and the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

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

Auditor

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

BY ORDER OF THE BOARD

J C D Parsons
Company Secretary
Weybridge

3 September 2012

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 2012, comprised two Executive and two non-Executive Directors and a non-Executive Chairman. All Directors are able to take independent advice in furtherance of their duties if necessary.

The Board includes a detailed review of the performance of the Group in the Chairman's Statement on pages 4 to 10. Reading this alongside the Report of the Directors on pages 12 to 16 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 W Brown, 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.

Audit independence

Under the Ethical Standards issued by the Auditing Practices Board, an audit engagement partner responsible for the audit of a listed company normally serves in that role for a period of no more than five years. However, there is scope for Audit Committees to decide that a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the audit.

The Audit Committee has determined that, due to the substantial changes occurring in respect of the nature and structure of the Group's business, and in particular the relocation of the primary manufacturing operations of the Group from Melbourne, Australia to the Minneapolis / St Paul area in the United States, it would be in the interests of audit quality that the current audit engagement partner should continue in his role for the audit of the 2012 accounts. The Audit Committee is satisfied that by the application of safeguards, the extension does not undermine the objectivity and independence of the auditor.

Grant Thornton UK LLP has agreed to these extensions, which will bring the total period served by the audit engagement partner to seven years, as permitted by Ethical Standards.

This report has been prepared largely 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 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:

G Wright (Chairman)
W Brown
J Pither

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 UK Corporate Governance Code (June 2010). When setting its remuneration policy the Committee gives full consideration to the provisions and principles of the 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 Directors

The Executive Directors have service contracts, 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 E McDaid on 14 July 2011. 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 Directors, having regard to personal performance and independent advice concerning comparable organisations.

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:

				2012	2011
	Salary & fees US\$	Benefits in kind US\$	Pension contributions US\$	Total US\$	Total US\$
Executive					
F Maguire	292,576	11,537	24,035	328,148	331,798
E McDaid	94,539	-	-	94,539	-
Non-executive					
J Pither	48,071	-	-	48,071	46,620
Dr S Rollason	24,636	-	-	24,636	32,634
E McDaid	-	-	-	-	46,620
G Wright	36,854	-	-	36,854	27,972
W Brown	32,247	-	-	32,247	-
	528,923	11,537	24,035	564,495	485,644

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 was, and W Brown is employed by Bluehone Investors LLP ('Bluehone') in the provision of services to the Company. All of the emoluments of Dr S Rollason and W Brown 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:

	At 1 April 2010	Granted/ (expired) during year	At 31 March 2011	Exercise price	Date from which exercisable	Expiry date
(i) Approved Share Option Scheme						
F Maguire	12,000	-	12,000	\$4.00	11/07/2005	29/06/2014
(ii) Unapproved Share Option Scheme						
F Maguire	7,000	-	7,000	\$4.00	11/07/2005	29/06/2014
	19,000	-	19,000	\$4.48	08/08/2005	29/06/2014
	25,000	-	25,000	\$4.00	14/07/2006	29/06/2014
	200,000	-	200,000	\$4.00	30/06/2007	29/06/2014
J Pither	20,000	-	20,000	\$5.20	01/09/2009	01/09/2016
J Pither	5,000	-	5,000	\$4.00	16/06/2013	15/06/2020
Dr S Rollason	13,000	(13,000)	-	\$5.20	-	-
Dr S Rollason	5,000	(5,000)	-	\$4.00	-	-

The range in the mid market price of the Company's shares during the year ended 31 March 2012 was from £1.405 to £3.71. The mid market price on 31 March 2012 was £3.24.

On behalf of the Board

Gordon Wright
Chairman of the Remuneration Committee
3 September 2012

23 independant auditor's report

To the Members of AorTech International plc

We have audited the Group financial statements of AorTech International Plc for the year ended 31 March 2012 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 Directors' Responsibilities Statement set out on page 17, 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 and express an opinion on 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/private.cfm

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 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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Emphasis of matter – Going concern

In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1, Basis of Presentation, to the Group financial statements concerning the Group's ability to continue as a going concern. The Board intends to implement a fundraising in the short term to raise sufficient finance to enable the Company to continue to trade for the foreseeable future. The outcome of this fundraising represents a material uncertainty as to whether the Group has sufficient resources to continue in operational existence for the following twelve months. These conditions, along with the other matters explained in Note 1, Basis of Presentation, to the Group financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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:

Under the Companies Act 2006 we are required 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 2012. That report includes an emphasis of matter.

John Bowler
Senior Statutory Auditor

For and on behalf of

GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
Leicester

3 September 2012

	Notes	Year ended 31 March 2012 US\$000	Year ended 31 March 2011 US\$000
Revenue	3	5,038	2,440
Other income - grants received		638	510
Cost of sales		(701)	(555)
Administrative expenses		(3,130)	(3,399)
Other expenses - development expenditure		(798)	(2,072)
Other expenses - impairment of property, plant and equipment	11	-	(707)
Other expenses - amortisation of intangible assets	10	(248)	(236)
Operating profit / (loss) before exceptional item		799	(4,019)
Exceptional item – cost of transfer of operations to USA		(761)	-
Operating profit / (loss)	3	38	(4,019)
Finance income	7	19	132
Profit / (loss) before taxation	8	57	(3,887)
Taxation	8	-	-
Profit / (loss) attributable to equity holders of the parent company		57	(3,887)
Earnings / (loss) per share			
Basic and diluted – (US cents per share)	9	1.18	(80.42)

	Year ended 31 March 2012 US\$000	Year ended 31 March 2011 US\$000
Profit / (loss) for the year	57	(3,887)
Other comprehensive income:		
Exchange differences on translating foreign operations	26	734
Income tax relating to other comprehensive income	-	-
Other comprehensive income for the year, net of tax	26	734
Total comprehensive income for the year, attributable to equity holders of the parent company	83	(3,153)

27 consolidated balance sheet

	Notes	31 March 2012 US\$000	31 March 2011 US\$000	31 March 2010 US\$000
Assets				
Non current assets				
Intangible assets	10	2,012	2,188	2,146
Property, plant and equipment	11	621	346	1,082
Total non current assets		2,633	2,534	3,228
Current assets				
Inventories	12	203	234	226
Trade and other receivables	14	956	1,081	1,295
Cash and cash equivalents	15	1,917	2,214	4,348
Total current assets		3,076	3,529	5,869
Total assets		5,709	6,063	9,097
Liabilities				
Current liabilities				
Trade and other payables	16	(439)	(1,058)	(939)
Total current liabilities		(439)	(1,058)	(939)
Non current liabilities				
Trade and other payables	16	(182)	-	-
Total liabilities		(621)	(1,058)	(939)
Net assets		5,088	5,005	8,158
Equity				
Issued capital	19	19,319	19,370	18,210
Share premium	19	3,742	3,751	3,527
Other reserve		(3,203)	(3,211)	(3,019)
Foreign exchange reserve		4,819	4,741	5,199
Profit and loss account		(19,589)	(19,646)	(15,759)
Total equity attributable to equity holders of the parent		5,088	5,005	8,158

The Group financial statements were approved by the Board on 3 September 2012 and were signed on its behalf by

W Brown, Chairman

E McDaid, Director

consolidated cash flow statement 28

	Year ended 31 March 2012 US\$000	Year ended 31 March 2011 US\$000
Cash flows from operating activities		
Group profit / (loss) after tax	57	(3,887)
Adjustments for:		
Depreciation of property, plant and equipment	53	351
Impairment of property, plant and equipment	-	707
Loss on disposal of property, plant and equipment	23	-
Amortisation of intangible assets	248	236
Interest income	(19)	(132)
Decrease in trade and other receivables	125	288
Decrease in inventories	31	12
(Decrease) / increase in trade and other payables	(437)	57
Net cash flow from operating activities	81	(2,368)
Cash flows from investing activities		
Purchase of property, plant and equipment	(671)	(205)
Proceeds from disposal of property, plant and equipment	320	-
Purchases of intangible assets	(49)	-
Interest received	19	132
Net cash flow from investing activities	(381)	(73)
Net decrease in cash and cash equivalents	(300)	(2,441)
Foreign exchange movements on cash held in foreign currencies	3	307
Cash and cash equivalents at beginning of year	2,214	4,348
Cash and cash equivalents at end of year	1,917	2,214

	Share capital US\$000	Share premium account US\$000	Other reserve US\$000	Foreign exchange reserve US\$000	Profit and loss account US\$000	Total equity US\$000
Balance at 31 March 2010	18,210	3,527	(3,019)	5,199	(15,759)	8,158
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(3,887)	(3,887)
Other comprehensive income						
Exchange difference on translating foreign operations	1,160	224	(192)	(458)	-	734
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	1,160	224	(192)	(458)	(3,887)	(3,153)
Balance at 31 March 2011	19,370	3,751	(3,211)	4,741	(19,646)	5,005
Transactions with owners	-	-	-	-	-	-
Profit for the year	-	-	-	-	57	57
Other comprehensive income						
Exchange difference on translating foreign operations	(51)	(9)	8	78	-	26
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	(51)	(9)	8	78	57	83
Balance at 31 March 2012	19,319	3,742	(3,203)	4,819	(19,589)	5,088

1 Basis of preparation

The Group financial statements are for the year ended 31 March 2012. They have been prepared in compliance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 March 2012.

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

The accounting policies remain unchanged from the previous year, other than the change in presentational currency, as disclosed below.

Going concern

The Board intends to implement a fundraising in the short term to raise sufficient finance to enable the Company to continue to trade for the foreseeable future.

Whilst the Directors are confident that the fundraising will be successful, until it has been completed this represents a material uncertainty regarding the Group's ability to continue as a going concern.

Nevertheless, after considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts for a period of at least twelve months from the date of signing these financial statements, and in particular taking account of achieving a successful fundraising as detailed above and in our Chairman's statement, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider the adoption of the going concern basis in preparing the Group financial statements is appropriate.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 31 March 2012 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.

New Accounting standards issued but not adopted:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)

Presentational currency

The Group's revenues, profits and cash flows are primarily generated in US dollars, and are expected to remain principally denominated in US dollars in the future. During the year, the Group changed the currency in which it presents its consolidated financial statements from pounds sterling to US dollars, in order to better reflect the underlying performance of the Group.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Statutory financial information included in the Group's Annual Report and Accounts for the year ended 31 March 2012 previously reported in sterling has been restated into US dollars using the procedures outlined below:

- assets and liabilities denominated in non-US dollar currencies were translated into US dollars at the closing rates of exchange on the relevant balance sheet date;
- non-US dollar income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- the cumulative hedging and translation reserves were set to nil at 1 April 2006, the date of transition to IFRS, and these reserves have been restated on the basis that the Group has reported in US dollars since that date. Issued capital, share premium and the other reserves have been retranslated into US dollars at the closing rates of exchange on the relevant balance sheet date.
- all exchange rates were extracted from the Group's underlying financial records.

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 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.
- (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 reducing balance 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.

Exceptional items

Items considered significant by virtue of their size or nature are separately disclosed on the face of the Income Statement to enable a full understanding of the Group's financial performance.

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 when an impairment trigger occurs.

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

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 profit or loss. The gain or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense" in the income statement. 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 Rogers, Minneapolis, and leases plant and equipment in the US. These leases are regarded as operating leases and the payments made are charged to profit or loss on a straight line basis over the lease term. Amounts received up front as lease incentives are held as other payables and are released to profit or loss 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 profit or loss.

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 discounted at the original effective interest rate. 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: Financial liabilities at amortised cost

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

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 profit or loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity. Tax which relates to items recognised in other comprehensive income is recognised in other comprehensive income.

Equity

Equity comprises the following:

- "Issued capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of cash consideration received for equity shares, net of expenses of the share issue.
- "Other reserve" represents the difference arising on consolidation between the nominal value of 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 net 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 is Sterling and the Group's presentational currency has changed in the year from Sterling to US Dollars.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in the profit or loss.

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 in other comprehensive income and accumulated in 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 reclassified from equity to profit or loss as a reclassification adjustment 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:

- Capitalisation of development costs requires detailed analysis of the technical feasibility and commercial viability of the project. To date the Group has written off all such development costs because the specific criteria for capitalisation have not been met, although the Board regularly reviews this judgement in respect of specific development projects.
- The Directors must judge whether future profitability is likely in making the decision whether or not to create a deferred tax asset. At this stage the timing of future profits is insufficiently certain to warrant inclusion of a deferred tax asset.
- 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.
- 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, as well as assessing whether any provision for impairment is necessary through the estimation of future cash flows. Specifically the Directors have assessed the restructured licence agreement and ensured all contract milestones have been met before recognising the relevant revenue in full in the March 2012 financial year.
- The closure of the Australian operations has been judged not to represent a discontinued operation under IFRS 5, but rather the transfer of the manufacturing capability to a different geographical location.

Sources of estimation uncertainty:

- Estimates are required as to intangible asset carrying values and impairment charges.
- Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.
- 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.

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

	2012	2011
	US\$000	US\$000
Analysis of revenue by destination by products and services and by geographical area		
United Kingdom		
Supply of materials and finished goods	5	6
Australia		
Supply of materials and finished goods	-	2
USA		
Supply of materials and finished goods	694	1,444
Milestone payments - services	-	976
Licence fees - services	4,338	9
Royalty revenue	1	3
	5,038	2,440

During the year ended 31 March 2012, 76.0% of the Group's revenues depended upon a single customer (2011: 61.0%).

	2012	2011
	US\$000	US\$000
Analysis of result - operating profit / (loss)		
United Kingdom	(551)	(636)
Australia	3,281	(2,603)
USA	(2,692)	(780)
	38	(4,019)

Analysis of non-current assets by location

United Kingdom	1,963	-
Australia	-	2,534
USA	670	-
	2,633	2,534

4 Remuneration of Directors and key management personnel

Key management personnel	2012 US\$000	2011 US\$000
Emoluments – short-term employee benefits	1,184	1,053
Pension costs – post-employment benefits	32	81
	1,216	1,134

The key management personnel whose remuneration is included in the table above are a former Director and the former Company Secretary of AorTech Biomaterials Pty Limited; the former Vice President of Research & Development, the Financial Controller, the Chief Scientific Officer and the Vice-President Operations & Quality of AorTech Polymers & Medical Devices, Inc; and the five Directors of the parent company.

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

Included in the aggregate emoluments for the year ended 31 March 2012 are payments of \$91,000 (2011: \$79,000) made by the Company to third parties. The highest paid Director received total emoluments of \$328,148 including pension contributions of \$24,035 (2011: total emoluments of \$331,798 including pension contributions of \$23,310).

5 Profit / (Loss) before taxation

Profit / (loss) before taxation has been arrived at after charging / (crediting):	2012 US\$000	2011 US\$000
Foreign exchange differences	5	(25)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	53	351
Impairment of property, plant and equipment	-	707
Amortisation of intangible assets	248	236
Employee benefits expense:		
Employee costs (Note 6)	2,608	2,508
Land and buildings held under operating leases:		
Other operating leases	127	328
Audit and non-audit services:		
Fees payable to the Company's auditor and its associates for the audit of the Group financial statements	125	74
Fees payable to the Company's auditor and its associates for other services :		
The audit of the Company's subsidiaries pursuant to legislation	1	1
Tax services	27	5
Other services	12	2

6 Employees

	2012 US\$000	2011 US\$000
Employee costs (including Directors):		
Wages and salaries	2,522	2,317
Pension costs	86	191
	2,608	2,508
The average number of employees (including Directors) during the year was made up as follows:		
	2012 Numbers	2011 Numbers
Production	4	5
Sales	2	1
Development and quality control	10	14
Administration	9	12
	25	32

7 Finance income

	2012 US\$000	2011 US\$000
Bank interest receivable	19	132

8 Income tax expense

No current tax or deferred tax expense arises on the profit/(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:

	2012 US\$000	2011 US\$000
Profit / (loss) for the year before tax	57	(3,887)
Profit/(loss) for year multiplied by the respective standard rate of corporation tax applicable in each domain (average 26%: 2011 - 28%)	15	(1,088)
Effects of:		
Depreciation for the year differs from capital allowances and other temporary differences	42	(17)
Expenses not deductible for tax purposes and other tax differences	-	406
Taxable gains – Australia	531	-
Other tax deductions	(209)	-
Losses not utilised	647	940
Losses utilised	(1,026)	(241)
Tax on profit / (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 \$6,268,000 – tax effect is \$1,504,000 (2011: \$5,718,000 – tax effect \$1,487,000). Losses carried forward in Australia total \$nil following the closure of operations and utilisation against taxable gains. Losses in the USA total \$4,232,000 – tax effect \$1,016,000 (2011: \$2,294,000 - tax effect \$597,000).

9 Earnings / (loss) per share

	2012 US\$000	2011 US\$000
Earnings / (loss) for the year attributable to equity shareholders	57	(3,887)
Earnings / (loss) per share		
Basic and diluted (US cents per share)	1.18	(80.42)
	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 earnings per share is not materially different from the basic earnings per share. 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 US\$000
Valuation	
At 1 April 2010	4,292
Exchange differences	571
At 31 March 2011	4,863
Exchange differences	35
Additions during year	49
At 31 March 2012	4,947
Amortisation	
At 1 April 2010	2,146
Exchange differences	293
Charge for the year	236
At 31 March 2011	2,675
Exchange differences	12
Charge for the year	248
At 31 March 2012	2,935
Net book value	
At 1 April 2010	2,146
At 31 March 2011	2,188
At 31 March 2012	2,012

11 Property, plant and equipment

	Property improvements US\$000	Plant & equipment US\$000	Fixtures & fittings US\$000	Total US\$000
Cost				
At 1 April 2010	1,234	1,847	380	3,461
Additions	29	173	10	212
Exchange differences	165	247	49	461
At 31 March 2011	1,428	2,267	439	4,134
Additions	535	136	-	671
Disposals / written off in year	(1,428)	(2,264)	(439)	(4,131)
At 31 March 2012	535	139	-	674
Depreciation				
At 1 April 2010	550	1,543	286	2,379
Charge for the year	154	166	31	351
Impairment charge	626	-	81	707
Exchange differences	98	212	41	351
At 31 March 2011	1,428	1,921	439	3,788
Charge for the year	41	12	-	53
Disposals / written off in year	(1,428)	(1,921)	(439)	(3,788)
At 31 March 2012	41	12	-	53
Net book value				
At 1 April 2010	684	304	94	1,082
At 31 March 2011	-	346	-	346
At 31 March 2012	494	127	-	621

The property improvements and fixtures & fittings in Australia were fully impaired in the prior year as a result of the post year end transfer of manufacturing operations to the USA. As part of the transfer, the plant and equipment was disposed of and the property improvements and fixtures & fittings cost and accumulated depreciation remaining were written off.

12 Inventories

	2012 US\$000	2011 US\$000	2010 US\$000
Raw materials	102	157	176
Finished goods	101	77	50
	203	234	226

In 2012 a total of \$339,000 of inventories was included in the income statement as an expense (2011: \$409,000). There was no amount resulting from writedowns of inventories in either 2012 or 2011. There were no reversals of previous writedowns that were recognised in the income statement in either 2012 or 2011.

13 Financial instruments

Risk management

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

The Board reviews and agrees policies to manage risk to ensure that the entities within the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the effective management of liquid resources raised through share issues.

Categories of financial instrument

	2012 US\$000	2011 US\$000	2010 US\$000
Financial assets – loans and receivables			
Cash and cash equivalents	1,917	2,214	4,348
Trade and other receivables	956	1,081	1,295
	2,873	3,295	5,643
Financial liabilities			
Liabilities at amortised cost	(621)	(1,058)	(939)
	(621)	(1,058)	(939)

All amounts are short-term (all payable within six months) and their carrying values are considered reasonable approximations of fair value.

Foreign currency risk

The Group has a non-trading Australian subsidiary whose functional currency is the Australian dollar and a US subsidiary whose functional currency is the US dollar.

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

	2012 US\$000	2011 US\$000	2010 US\$000
Sterling	1,199	35	72
US dollars	608	95	48
Australian dollars	93	242	246
Euros	17	18	17
	1,917	390	383

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

	2012 US\$000	2011 US\$000	2010 US\$000
Australian dollars	-	1,824	3,965
	-	1,824	3,965

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 %	2012 £000	Interest rate %	2011 £000	Interest rate %	2010 £000
Cash	0%	1,690	0%	140	0%	329
	0.50%	227	0.50%	58	0.50%	54
			4.75%	192		
Short term deposits			6.05%	165	6.05%	1,510
			6.00%	61	6.00%	2,274
			5.50%	309	5.50%	181
			4.82%	207		
			4.75%	258		
			4.63%	309		
			4.57%	515		
		1,917		2,214		4,348

Sensitivity analysis

If, for example, there had been a rise or fall of interest rates over the year of 1%, this would have resulted in an increase/decrease in profit and equity of \$18,000 (2011: \$33,000), 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 cash balances and short term deposits in Sterling, US dollars and Australian dollars. These balances provide funding for the Group's trading activities.

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

14 Trade and other receivables

	2012 US\$000	2011 US\$000	2010 US\$000
Current assets			
Trade receivables	858	938	1,170
Other receivables	42	34	56
Prepayments	56	109	69
	956	1,081	1,295

Trade receivables are shown net of a provision of \$404,000 to reflect uncertainty over the timing of receipt. In addition, \$29,000 of net receivables were past due for payment but not impaired at 31 March 2012.

15 Cash and cash equivalents

	2012 US\$000	2011 US\$000	2010 US\$000
Cash at bank and in hand	1,917	390	383
Short term deposits	-	1,824	3,965
	1,917	2,214	4,348

16 Trade and other payables

	2012 US\$000	2011 US\$000	2010 US\$000
Current liabilities			
Trade payables	133	256	149
Other payables	-	433	319
Deferred income	48	11	139
Accruals	258	358	332
	439	1,058	939
Non current liabilities			
Deferred income	182	-	-
	621	1,058	939

Deferred income comprises lease incentives and government grants. Deferred income at 31 March 2012 relates to amounts received up front in relation to a lease incentive in the US, which will be released to the income statement over the period of the lease. Government grants received towards capital expenditure were 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 was five years.

17 Operating lease commitments

The Group had the following total commitments under non-cancellable operating leases in the United States at 31 March 2012. The commitments at 31 March 2011 related to the Australian operations:

	2012 US\$000	2011 US\$000
The following payments are due to be made on operating lease commitments:		
Within one year	240	314
Two to five years	744	31
	984	345

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 (US\$)	Exercise period on or before:
12,000	4.00	25 June 2014
600	4.72	30 April 2014

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

	2012 WAEP		2011 WAEP	
	Number	US\$	Number	US\$
Outstanding at the beginning of the year	12,600	\$4.04	12,600	\$3.80
Outstanding at the year end	12,600	\$4.03	12,600	\$4.04
Exercisable at the year end	12,600	\$4.03	12,600	\$4.04

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

Options in issue	Exercise Price (US\$)	Exercise period on or before:
3,000	4.00	1 July 2012
232,000	4.00	25 June 2014
19,000	4.48	25 June 2014
20,000	4.00	21 November 2014
35,000	5.20	1 September 2016
25,000	6.84	21 January 2018
9,000	4.00	15 June 2020
20,000	4.80	15 December 2021
4,000	5.80	16 February 2022

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

	2012 WAEP		2011 WAEP	
	Number	US\$	Number	US\$
Outstanding at the beginning of the year	442,250	\$4.52	402,000	\$6.51
Granted during the year	24,000	\$4.98	58,500	\$3.89
Forfeited during the year	(99,250)	\$5.33	(11,200)	\$11.34
Expired during the year	-	-	(7,050)	\$121.34
Outstanding at the year end	367,000	\$4.33	442,250	\$4.52
Exercisable at the year end	334,000	\$4.30	442,250	\$4.52

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 non-market 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 (US\$)	Risk-free Rate	Share price at grant (US\$)	Volatility of Share price	Fair value (US\$000)	Number outstanding
14.07.03	3	14.07.06	4.00	3.83%	2.14	63%	12	25,000
30.06.04	3	30.06.07	4.00	5.04%	2.94	63%	24	3,000
30.06.04	3	30.06.07	4.00	5.04%	2.94	63%	132	200,000
22.11.04	3	22.11.07	4.00	4.56%	3.52	63%	18	20,000
01.09.06	3	01.09.09	5.20	4.61%	6.06	63%	118	35,000
21.01.08	3	21.01.11	6.84	4.21%	7.85	45%	44	25,000
16.06.10	3	16.06.13	4.00	4.00%	2.78	36%	32	9,000
16.12.11	3	16.12.14	4.80	4.00%	4.55	31%	52	20,000
17.02.12	3	17.02.15	5.80	4.00%	5.69	31%	9	4,000

The Group has not recognised any expense related to equity-settled share based payment transactions during the year (2011: nil), on the grounds that the charge is not material. The Directors have also concluded that the cumulative position to date is also not material.

19 Share capital

	Shares Number	Nominal Value US\$000	Premium net of costs US\$000	Total US\$000
In issue at 1 April 2011	4,832,778	19,370	3,751	23,121
In issue at 31 March 2012	4,832,778	19,319	3,742	23,061

At an EGM of Members held on 20 August 2007, the Company's authorised share capital was increased from US\$27,762,000 comprising 5,600,000 Ordinary shares of US\$4.96 each to US\$34,702,500, comprising 7,000,000 shares of US\$4.96 each.

Capital management objectives are set out in the Report of the Directors on page 15.

20 Contingent liabilities

There were no contingent liabilities at 31 March 2012 or at 31 March 2011.

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 2012 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 Directors' Responsibilities Statement set out on page 17, 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 and express an opinion on 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/private.cfm.

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 2012;
- 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.

Emphasis of matter – Going concern

In forming our opinion on the parent company financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1, Accounting Policies, to the parent company financial statements concerning the parent company's ability to continue as a going concern. The Board intends to implement a fundraising in the short term to raise sufficient finance to enable the Company to continue to trade for the foreseeable future. The outcome of this fundraising represents a material uncertainty as to whether the parent company has sufficient resources to continue in operational existence for the following twelve months. These conditions, along with other matters explained in Note 1, Basis of Presentation, to the parent company's financial statements indicate the existence of a material uncertainty which may cast significant doubt about the parent company's ability to continue as a going concern. The parent company financial statements do not include the adjustments that would result if the parent company was unable to continue as a going concern.

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 2012. That report includes an emphasis of matter.

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

3 September 2012

	Notes	31 March 2012 £000	31 March 2011 £000
Fixed assets			
Intangible assets	3	4,269	-
Investment in subsidiary undertakings	4	-	-
		4,269	-
Current assets			
Debtors – amounts falling due within one year	5	518	10
Debtors – amounts falling due after one year	5	3,907	13,051
Cash at bank		748	20
		5,173	13,081
Creditors: amounts falling due within one year	6	(72)	(193)
Net current assets		5,101	12,888
Net assets		9,370	12,888
Capital and reserves			
Called up share capital	7	12,082	12,082
Share premium account	9	2,340	2,340
Profit and loss account	9	(5,052)	(1,534)
Equity shareholders' funds	9	9,370	12,888

The parent company financial statements were approved by the Board on 3 September 2012 and were signed on its behalf by

W Brown, Chairman

E McDaid, Director

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 material 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

The Board intends to implement a fundraising in the short term to raise sufficient finance to enable the Company to continue to trade for the foreseeable future.

Whilst the Directors are confident that the fundraising will be successful, until it has been completed this represents a material uncertainty regarding the parent company's ability to continue as a going concern.

Nevertheless, after considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts for a period of at least twelve months from the date of signing these financial statements, and in particular taking account of achieving a successful fundraising as detailed above and in our Chairman's statement, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the parent company has sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider the adoption of the going concern basis in preparing the parent company 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. These balances have been treated as monetary assets and retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on these loans are taken into account in arriving at the operating result.

Intangible assets

Patents and trademarks (intellectual property) are included at cost less estimated residual amount and are amortised on a straight line basis over their useful economic lives of 20 years, which corresponds to the lives of the individual patents. The assets have been transferred from the Australian subsidiary at an independent valuation which has been used as deemed cost for these assets in the UK.

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 2012 was £3,719,000 after the write-off of an inter-company debt of £2,868,000 (2011: loss of £5,079,000 after an impairment charge of £4,670,000 in respect of amounts owed by group undertakings) before foreign exchange credits of £201,000 (2011: £964,000).

3 Intangible Assets

	Intellectual property
Valuation	£000
Transferred in at 18 April 2011	4,777
At 31 March 2012	4,777
Amortisation	
Charge for the year	508
At 31 March 2012	508
Net book value	
At 31 March 2012	4,269

4 Fixed Asset Investments

	31 March 2012 £000	31 March 2011 £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	Country of registration or incorporation	Description of shares held	Proportion of nominal value of shares held
Name of undertaking			%
(i) AorTech Biomaterials Limited	Scotland	Ordinary £1	100
(ii) AorTech Critical Care Limited	Scotland	Ordinary £1	92
(iii) AorTech Heart Valve Technologies Limited	Scotland	Ordinary £1	100
(iv) AorTech Biomaterials Pty Limited	Australia	Ordinary Aus. \$1	100
(v) AorTech Polymers & Medical Devices, Inc	USA	Common US \$1	100
(vi) River Clyde Marine, Inc	USA	Common US \$1	100

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

- A non-trading company in the UK
- A dormant company in the UK
- A non-trading company in the UK
- The development of new biostable polyurethanes operating principally in Australia, currently being wound up.
- The manufacture, marketing and development of new biostable polyurethanes operating principally in USA
- Research into marine applications for biostable polyurethanes

5 Debtors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade debtors, less provision	496	-
Other debtors	21	9
Prepayments	1	1
	518	10
Amounts falling due after more than one year		
Amounts owed by Group undertakings*	3,907	13,051
	4,425	13,061

* AorTech International Plc has agreed not to seek repayment of the amount owing by its subsidiary AorTech Polymers & Medical Devices, Inc. Following the transfer of assets from the Australian subsidiary to AorTech International Plc at the balance sheet date (trade debtors outstanding, net of provision and the US subsidiary amounts owed to the Australian subsidiary) a further impairment charge of £2,868,000 has been made to write off the remaining amount outstanding from the Australian subsidiary.

6 Creditors: Amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	-	-
Accruals	72	193
	72	193

7 Share Capital

See Note 19 in the Group financial statements.

8 Share based payments

See Note 18 in the Group financial statements.

9 Statement of movement in Shareholders' Funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total shareholders' funds £000
1 April 2010	12,082	2,340	2,581	17,003
Loss for the year	-	-	(4,115)	(4,115)
At 31 March 2011	12,082	2,340	(1,534)	12,888
Loss for the year	-	-	(3,518)	(3,518)
At 31 March 2012	12,082	2,340	(5,052)	9,370

10 Directors and Employees

The Directors are the only employees of the parent company. Disclosure of their emoluments is given in the audited section of the Report of the Remuneration Committee on page 20.

11 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 wholly owned group entities including those that have been eliminated on consolidation. There were no related party transactions during the year with non fully owned subsidiaries.

53 notice of the annual general meeting

Notice is hereby given that the fifteenth Annual General Meeting of AorTech International Plc will be held in the Tower Suite of The Institute of Directors, New Broad Street House, 35 New Broad Street, London, EC2M 1NH on Friday, 28 September 2012 at 11:00am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the financial statements of the Company for the year ended 31 March 2012 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 2012.
3. To re-elect Gordon Wright, who is retiring by rotation.
4. To elect as a Director Bill Brown, who was appointed a Director on 21 October 2011.
5. To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

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

6. That in substitution for all existing unexercised authorities 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 shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £4,027,315 (representing approximately one third of the Company's issued ordinary share capital) 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:

7. That subject to the passing of Resolution 6 above as an Ordinary Resolution, in substitution for any existing unexercised power under Section 570 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 570 power"), pursuant to Section 570 of the Act to allot equity securities (as defined by Section 560 of the Act) pursuant to the authority granted by Resolution 6 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;

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

(c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities having a nominal amount or giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £604,097 (representing approximately five per cent of the issued ordinary share capital of the Company), 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 570 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
Oatlands Drive, Weybridge, Surrey KT13 9LZ
3 September 2012

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1. Members will only be entitled to attend and vote at the meeting if they are registered on the Company's register of members at 6:00pm on 26 September 2012 or by 6:00pm 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. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6:00pm on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. Any member of the Company who is entitled to attend and vote at the Annual General Meeting may appoint another person or persons (whether a member or not) as their proxy or proxies to attend, speak and vote on their behalf. To be valid, Forms of Proxy must be lodged with the Company's Registrars, Equiniti Limited, Aspect House, Lancing, BN99 6DA not later than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting together with any documentation required. In the case of a corporation, the Form of Proxy should be executed under its common seal or signed by a duly authorised officer or attorney of the corporation. Details of how to appoint the Chairman of the Meeting or another person as your proxy or proxies using the proxy form are set out in the notes to the proxy form.

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. Any member or his proxy attending the meeting has a right to ask any question at the meeting relating to the business of the meeting.

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. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Equiniti Limited (CREST Participant ID RA19), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning particular limitations of the CREST system and timings.

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

6. As at noon on 31 August 2012 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 31 August 2012 is 4,832,778.

7. 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.

8. If you have any general queries about the meeting please contact the Company Secretary. You may not use any electronic address provided either in this notice of meeting or any related documents (including the Form of Proxy) to communicate for any purposes other than those expressly stated.

By order of the Board,

J C D Parsons
Company Secretary
Oatlands Drive, Weybridge, Surrey KT13 9LZ
3 September 2012

AorTech International plc

Head Office:

Level Two, Springfield House, 23 Oatlands Drive, Weybridge,
Surrey UK, KT13 9LZ

Tel: +44(0)1932 252 123

Fax: +44(0)1932 251 113

E-mail: info@aortech.com

Web: www.aortech.com

