14

ANNUAL REPORT
AorTech International plc

Annual Report and Accounts for the year to 31 March 2014

AorTech INTERNATIONAL PLC

CONTENTS

BOARD OF DIRECTORS AND ADVISORS

DIRECTORS

Bill Brown	non-Executive Chairman
Eddie McDaid	Chief Executive
Roy Mitchell	non-Executive Finance Director
Gordon Wright	non-Executive Director

Company Secretary	David Parsons ACIS
Registered Office	c/o Kergan Stewart LLP 163 Bath Street Glasgow G2 4SQ
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 Ltd 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. SC170071

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

CHAIRMAN'S STATEMENT

I set out below my report to the shareholders of AorTech for the year ended 31 March 2014.

AUDITED RESULTS FOR THE YEAR

During the year, the Group discontinued its manufacturing operations as part of the transition to an IP-focused business. The accounts have therefore been presented on the basis of the continuing operations with a charge shown for the losses from the discontinued activities. The references to financial performance below are based on continuing operations only.

Group revenue for the year was $418,000 (2013, $313,000). Operating loss after exceptional items was $764,000 (2013: $1,205,000). The net loss for the year was $823,000 (2013: $3,258,000) after exceptional finance costs of $59,000 (2013: $2,048,000). These finance costs relate to a provision in respect of potential additional redemption premium due to loan note holders.

The Group's administrative expenditure before exceptional items was $859,000 (2013: $1,091,000). The reduction in this expenditure arises as a direct consequence of the closure of the US manufacturing facility and the transition of the business to an IP company. The exceptional administrative expenses of $83,000 relate to legal fees incurred in the dispute with the Group's former Chief Executive, Mr Maguire, of which further details are set out below.

The Group's cash position at 31 March 2014 was $642,000. This shows a decrease of approximately $345,000 from the corresponding date last year. As previously disclosed, the cash position has been reduced by the additional investment required to establish the manufacturing licence with Biomerics LLC together with the legal fees referred to above.

BUSINESS MODEL

The exit from polymer manufacture provided the opportunity to develop a more attractive business model, on a significantly lower cost base, of exploiting the IP held by the Group. This process has now been completed with the exit from manufacturing during the year and the transfer of manufacturing know-how under licence to Biomerics. The process to ensure Biomerics were able to validate our manufacturing suffered delays but is now nearing completion.

The structure of the Board has changed to reflect the new business structure. Eddie McDaid was appointed as Chief Executive Officer of the Group in December 2013 and Roy Mitchell took over the role of Finance Director which was previously performed by Eddie.

MAGUIRE DISPUTE

We announced in June that AorTech is in dispute with Mr Frank Maguire, the Company's previous CEO who resigned in November 2013. Following Mr Maguire's resignation several matters arose which created serious concerns for your Board.

We have found evidence showing that during his employment with AorTech Mr Maguire sought to undertake business transactions, unbeknown to the Board, with existing and potential licencees. Upon his resignation from AorTech, Mr Maguire took up a senior appointment with a company called Foldax which is involved in the development of a TAVI heart valve.

Our investigations discovered that Mr Maguire had during the previous two years been negotiating a potential heart valve deal between AorTech and a company and individuals connected to Foldax. In addition our investigations revealed that, during his period of employment with AorTech, Mr Maguire had been negotiating with another of AorTech's licencees for a transaction between himself and the licencee to the exclusion of AorTech. AorTech's Board had not been informed of these meetings and discussions.

As a result of these investigations, AorTech has taken legal action against Mr Maguire for amongst other matters breach of his contract, breach of his fiduciary duties, misappropriation of trade secrets and the retaining of confidential documents, files and assets which are the property of AorTech International.

At an initial court hearing on 1 August 2014, the Court indicated it would deny motions in which Mr Maguire asked the Court to dismiss AorTech's claims identified above.

It is the Board's present intention to vigorously pursue Mr Maguire through the appropriate legal processes in order to protect AorTech's know-how and trade secrets and, in doing so, protect the Company and its shareholders' interests. This may include seeking, as appropriate, damages from Mr Maguire and his co-venturers.

At the initial court hearing on 1 August Mr Maguire was instructed to return all of AorTech's property including all data and confidential information relating to AorTech's know-how and trade secrets.

A substantial amount of time, effort and work has been incurred, in particular by both our Chief Executive Eddie McDaid and our Finance Director Roy Mitchell, in not only investigating these matters but also in implementing the appropriate legal processes. However such work has been necessary in view of the serious allegations which arose from Mr Maguire's actions.

AorTech is taking advice from our US attorneys on the possibility of taking further action against Mr Maguire and indeed against Foldax, particularly where it relates to our IP, know-how and trade secrets.

AorTech has over many years maintained appropriate insurance cover to protect our IP know-how and trade secrets. I am pleased to confirm that AorTech has recently received confirmation that insurance coverage, in accordance with the policy terms, will be available to meet the ongoing costs of its action against Mr Maguire.

HEART VALVE

We have not made the progress with the Heart Valve project we would have wished, but the Board is now trying to get some indications of interest back up to speed and restore momentum to the project.

CHAIRMAN'S STATEMENT
(continued)

BIOMERICS

One of the key objectives of your Board during 2013 was to ensure that we were in a position to benefit from developments being carried out by existing licencees and to assure their ongoing supply of polymer, as well as creating a model for bringing our polymers to a much wider medical market. On 1 October 2013 we announced a licence with Biomerics LLC for the manufacture and distribution of our Elast-Eon™ materials.

This licence required a process of transferring our manufacturing know-how to Biomerics. It became clear a few months into the relationship that the former CEO had significantly underestimated both the costs and time scale required to complete the technology transfer in a professional manner. The contract called for AorTech to contribute up to $100,000 towards the technology transfer process, of which $50,000 was paid on signing the contract. In addition to this, a further $110,000 has had to be invested. Biomerics have also incurred $155,000 in costs relating to labour costs for the validation process. Biomerics are effectively reimbursed these costs out of gross margin made on polymer and material sales. By the year end, we had reimbursed $47,000 of these costs.

The validation and technology transfer is now in its final phase and we are pleased that the first shipments of Elast-Eon™ were made by Biomerics to AorTech's licencees at the end of July 2014. The delays experienced by Biomerics in it's validation processes has inevitably resulted in delays in expected sales from the Biomerics transaction. However Biomerics has already received enquiries from several new potential customers who have shown an interest in AorTech's Elast-Eon™ material.

UPDATE ON LICENCEES

As announced in our trading and commercial update on 16 June 2014, our licencees are continuing to progress their products through the development and regulatory phases, although some have experienced delays during the past twelve months.

CONCLUSION

The last twelve months, in particular the last six months has been a very difficult period for your Board in view of the inordinate length of time that has been spent on the investigation of the actions of Mr Maguire, our previous CEO. In addition, the delays in both the validation process of Biomerics, our manufacturing partner, and in the regulatory processes experienced by several of our licencees have had an adverse effect on the anticipated revenues both for this last financial year and the current financial year.

On the positive side, AorTech together with its manufacturing partner Biomerics, has achieved a successful technology transfer to enable and secure the continuation of future supply of Elast-Eon™ material to not only our present customers but also to future potential customers. Biomerics has already, at this early stage, received a number of enquiries from several companies regarding the potential use of AorTech's Elast-Eon™ material in various medical devices.

The restructuring of AorTech is now complete resulting in substantial cost savings going forward into the future.

I take this opportunity to recognise on behalf of the shareholders the time, effort and hard work which has been carried out by the Board. This past twelve months has demonstrated the determination and commitment of your Board to continue to protect the interests of its shareholders and the Company and to enhance shareholder value in future years.

This current year will be one of continuing change and hopefully result in resolution of some of the matters raised in this report.

Bill Brown
Chairman

15 August 2014

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

The Company is an Intellectual Property (IP) holding company whose principal activity is exploiting the value of its IP and know-how.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated Income Statement is set out on page 17 indicating the Group's loss for the financial year of US$1,309,000 (2013: loss of US$847,000) which will be deducted from the reserves.

On a Group basis, the business review and future prospects are contained within the Chairman's Statement on pages 4 to 6. 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 successful utilisation of patents and know-how by existing licencees and the signing of new licence agreements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider the principal risks and uncertainties facing the Group at this stage of its development to be as follows: the success rate of several key customers utilising our products in various medical device fields; small customer base generating revenues; retention of key management; any adverse results which may arise during development and regulatory phases; product liability risks; competitive markets with changing technology and evolving industry standards. All of the above risks and uncertainties are considered fundamental to the achievement of the Group's strategy as an IP focussed business and are being actively managed at Board level through regular review of progress, along with the internal control environment detailed on page 9.

No dividends have been paid or proposed for the years ended 31 March 2014 and 31 March 2013.

FINANCIAL RISKS

The financial risks faced by the Group are as follows:

MARKET RISK

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

CURRENCY RISK

The Group is exposed to translation and transaction foreign exchange risk. The majority of the Group's sales are to customers in the United States. 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.

PRINCIPAL RISKS AND UNCERTAINTIES
(continued)

The tables below show the extent to which the Group has residual financial assets and liabilities in foreign currencies. 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 and parent company equity balances which are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

	Australian Dollar	GB Pound	Total
	US$000	US$000	US$000
2014			
US Dollars	**-**	**371**	**371**
2013			
US Dollars	22	823	845

LIQUIDITY RISK

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. As disclosed within the Report of the Directors, the Directors have set out their assessment of why they believe the Group continues to remain a going concern, including the assumptions they have made in this regard.

INTEREST RATE RISK

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

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2014 is shown in the table below. The table includes trade receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

	Interest rate			
	Fixed	Floating	Zero	Total
	US$000	US$000	US$000	US$000
Financial assets				
Cash	-	189	453	642
Trade receivables	-	-	688	688
	-	189	1,141	1,330
Financial liabilities				
Trade payables	-	-	76	76
	-	-	76	76

CREDIT RISK

The Group's principal financial assets are cash and trade receivables. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from trade receivables. The Directors regularly review the profile of trade receivables to minimise the Group's exposure to bad debts.

CAPITAL MANAGEMENT OBJECTIVES

The Directors' capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders. The parent company's Board meets regularly to review performance and discuss future opportunities and threats with the aim of optimising sustainable returns and minimising risk. Capital in the business is represented by the Company's ordinary share capital. Success in meeting the capital management objectives are assessed by reference to the Group's profitability, and, in turn, its share price.

J C D Parsons
Company Secretary
AorTech International plc
Company number SC170071
Weybridge

15 August 2014

GOVERNANCE

We do not comply with the UK Corporate Governance Code and we are not required to. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Company and best practice.

CORPORATE GOVERNANCE

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

Directors

The Company is controlled by the Board of Directors which, at 31 March 2014, comprised one 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.

ACCOUNTABILITY AND AUDIT

The Board includes a detailed review of the performance of the Group in the Chairman's Statement on pages 4 to 6. Reading this alongside the Strategic Report and the Report of the Directors on pages 4 to 7 and 13 to 15 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 overviews 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.

REPORT OF THE REMUNERATION COMMITTEE

This report 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
R Mitchell (appointed 23 May 2013)

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 accordance 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 of an appropriate calibre.
- The need to ensure Executive Directors' 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 Director has a service contract, which can be terminated on one year's notice by either party. The Remuneration Committee will review each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances, taking care to ensure that poor performance is not rewarded. The most recent executed contract for the Executive Directors 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.

Salaries and Benefits

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

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 Approved 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

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

Directors' Emoluments - audited

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

	Salary & fees	Taxable Benefits	Sub-total	Pension contributions	2014 Total	2013 Total
	US$	US$	US$	US$	US$	US$
Executive						
F Maguire	**127,380**	**10,183**	**137,563**	**12,738**	**150,301**	233,785
E McDaid	**76,373**	**-**	**76,373**	**-**	**76,373**	118,255
Non-executive						
J Pither	**-**	**-**	**-**	**-**	**-**	75,146
W Brown	**19,093**	**-**	**19,093**	**-**	**19,093**	121,815
G Wright	**19,093**	**-**	**19,093**	**-**	**19,093**	28,476
R Mitchell	**28,640**	**-**	**28,640**	**-**	**28,640**	-
	270,579	**10,183**	**280,762**	**12,738**	**293,500**	577,477

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

J Pither was a Director until 31 December 2012, when he resigned. R Mitchell was appointed a Director on 23 May 2013. F Maguire resigned as a Director on 29 November 2013.

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

REPORT OF THE REMUNERATION COMMITTEE
(continued)

Directors' interests in shares

The interests of Directors in shares of the Company are included in the Report of the Directors on page 13.

Directors' interests in share options

No Director currently holds share options.

The range in the mid market price of the Company's shares during the year ended 31 March 2014 was from £0.415 to £1.315. The mid market price on 31 March 2014 was £0.80.

On behalf of the Board

Gordon Wright
Chairman of the Remuneration Committee

15 August 2014

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

GOING CONCERN

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, 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.

The future developments of the Group and an update on Research and Development activities are detailed in the Chairman's Statement on pages 4 to 6.

DIRECTORS AND THEIR INTERESTS

At 31 March 2014 the Chairman of the Company was W Brown; the Chief Executive Director was E McDaid; the non-Executive Finance Director was R Mitchell, and the non-Executive Director was G Wright. The other Director who served during the year was F Maguire, who resigned as Chief Executive on 29 November 2013. R Mitchell was appointed to the Board on 23 May 2013.

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

The interests of the Directors at 31 March 2014 and 31 March 2013 (or date of appointment if later) in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2014	31 March 2013 (or date of appointment)
	Number of shares	Number of shares
F Maguire*	**-**	103,350
E McDaid	**358,914**	333,914
G Wright	**308,311**	308,311
W Brown	**407**	407
R Mitchell	**360,163**	335,163

* not a member of the Board of Directors on 31 March 2014

SUBSTANTIAL SHAREHOLDERS

With the exception of the following shareholdings the Directors have not been advised of any individual interest or group of interests held by persons acting together which at 1 August 2014 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Bluehone Investors LLP*	**891,861**	18.45%
Mr Roy Mitchell and Mrs P Mitchell	**360,163**	7.45%
Mr Edward McDaid	**358,914**	7.43%
Caricature Investments Limited**	**308,311**	6.38%
Mr Clive Titcomb	**228,907**	4.74%
Halifax Share Dealing	**198,647**	4.11%

* 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 30 June 2014 was 39.7%.

REPORT OF THE DIRECTORS
(continued)

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

The Directors have taken the option to include disclosures in relation to financial risk and dividends within the Strategic Report on pages 7 and 8 as these are deemed to have strategic importance to the Group.

DIRECTORS' INDEMNITY

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

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting for 11:00am on Monday, 29 September 2014 in the offices of Kergan Stewart LLP, 163 Bath Street, Glasgow G2 4SQ is set out on page 49. There are a number of resolutions to be passed and further information in relation to these resolutions is set out below.

RESOLUTIONS 1 to 6

Resolution 1 provides for the approval of the Company's financial statements for the year ended 31 March 2014. **Resolution 2** provides for approval of the Report of the Remuneration Committee for the year ended 31 March 2014. 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 re-appointment of Grant Thornton UK LLP as the Company's auditor. Following assessment by the Audit Committee the Board considers the auditor to be effective and independent in their role.

Resolution 5 provides under the Companies Act 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 5 the Company is seeking authority to allot shares with a nominal value of up to £4,027,315 which represents one third of the Company's issued ordinary share capital. The Directors intend to use this authority, which will lapse at the conclusion of the next Annual General Meeting of the Company, for general corporate purposes.

Resolution 6 provides if shares are to be alloted 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 pursuant to the rules of any share scheme approved by the shareholders in general meeting.
- to allot shares not in connection with a rights issue up to a specific amount so that the pre-emption requirement does not apply to the allotments of shares for cash up to that amount.

This authority is required to be renewed annually. The Directors will be empowered by Resolution 6 to allot equity securities (within the meaning of Section 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.

Resolutions 1 to 4 are termed ordinary business. Resolutions 5 and 6 are termed special business.

J C D Parsons
Company Secretary
AorTech International plc
Company number SC170071
Weybridge

15 August 2014

RECOMMENDATION:

An explanation of the resolutions to be proposed is set out on page 14 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.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report and Directors' Report, the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

The Directors confirm that:

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

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

AUDITOR

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

BY ORDER OF THE BOARD:

J C D Parsons
Company Secretary
Weybridge

15 August 2014

INDEPENDENT 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 2014 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 15, 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 Financial Reporting Council'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 2014 and of its loss 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and 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 2014.

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

15 August 2014

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March 2014			Year ended 31 March 2013		
		Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total
	Notes	US$000	US$000	US$000	US$000	US$000	US$000
Revenue	3	418	-	418	313	-	313
Other income		1	-	1	62	-	62
Cost of sales		-	-	-	-	-	-
Administrative expenses		(859)	(83)	(942)	(1,091)	-	(1,091)
Other expenses - development expenditure		-	-	-	(239)	-	(239)
Other expenses - amortisation of intangible assets	11	(241)	-	(241)	(250)	-	(250)
Operating (loss) / profit	3	(681)	(83)	(764)	(1,205)	-	(1,205)
Finance expense	8	-	(59)	(59)	(5)	(2,048)	(2,053)
Loss from continuing operations attributable to owners of the parent company	5	(681)	(142)	(823)	(1,210)	(2,048)	(3,258)
(Loss) / profit from discontinued operations	18	(486)	-	(486)	(782)	3,193	2,411
(Loss) / profit attributable to owners of the parent company		(1,167)	(142)	(1,309)	(1,992)	1,145	(847)
Loss per share							
Basic and diluted (US cents per share)	10			(27.09)			(17.53)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March 2014 US$000	Year ended 31 March 2013 US$000
Loss for the year	**(1,309)**	(847)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(51)**	(130)
Income tax relating to other comprehensive income	**-**	-
Other comprehensive income for the year, net of tax	**(51)**	(130)
Total comprehensive income for the year, attributable to owners of the parent company	**(1,360)**	(977)

No items of other comprehensive income can be subsequently reclassified to profit and loss.

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2014 US$000	31 March 2013 US$000
Assets			
Non current assets			
Intangible assets	11	1,861	1,840
Property, plant and equipment	12	-	4
Trade and other receivables	15	300	-
Total non current assets		2,161	1,844
Current assets			
Inventories	13	46	-
Trade and other receivables	15	401	1,820
Cash and cash equivalents	16	642	987
Total current assets		1,089	2,807
Total assets		3,250	4,651
Liabilities			
Current liabilities			
Trade and other payables	17	(306)	(406)
Total current liabilities		(306)	(406)
Non current liabilities			
Change of control redemption premium	17	(193)	(134)
Total non current liabilities		(193)	(134)
Total liabilities		(499)	(540)
Net assets		2,751	4,111
Equity			
Issued capital	21	20,144	18,351
Share premium	21	3,901	3,555
Other reserve		(3,340)	(3,043)
Foreign exchange reserve		3,791	5,684
Profit and loss account		(21,745)	(20,436)
Total equity attributable to equity holders of the parent		2,751	4,111

The Group financial statements were approved by the Board on 15 August 2014 and were signed on its behalf by

W D Brown, Chairman

R W Mitchell, Director

Company number SC170071

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March 2014 US$000	Year ended 31 March 2013 US$000
Cash flows from operating activities		
Group loss after tax	**(823)**	(3,258)
Adjustments for:		
Amortisation of intangible assets	**241**	250
Finance expense	**59**	2,053
(Decrease) / increase in trade and other receivables	**102**	(754)
Increase in trade and other payables	**69**	8
Net cash flow from continuing operations	**(352)**	(1,701)
Net cash flow from discontinued operations	**312**	2,227
Net cash flow from operating activities	**(40)**	526
Cash flows from investing activities		
Purchase of intangible assets	**(439)**	(72)
Net cash flow from continuing operations	**(439)**	(72)
Net cash flow from discontinued operations	**-**	671
Net cash flow from investing activities	**(439)**	599
Cash flows from financing activities		
Interest paid	**-**	(5)
Proceeds from issue of loan notes	**-**	1,914
Repayment of loan notes	**-**	(1,914)
Redemption premium paid to loan note holders	**-**	(1,914)
Net cash flow from financing activities	**-**	(1,919)
Net decrease in cash and cash equivalents	**(479)**	(794)
Foreign exchange movements on cash held in foreign currencies	**134**	(136)
Cash and cash equivalents at beginning of year	**987**	1,917
Cash and cash equivalents at end of year	**642**	987

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Share capital	Share premium	Other reserve	Foreign exchange reserve	Profit and loss account	Total equity
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Balance at 31 March 2012	19,319	3,742	(3,203)	4,819	(19,589)	5,088
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(847)	(847)
Other comprehensive income						
Exchange difference on translating foreign operations	(968)	(187)	160	865	-	(130)
Total comprehensive income for the year	(968)	(187)	160	865	(847)	(977)
Balance at 31 March 2013	**18,351**	**3,555**	**(3,043)**	**5,684**	**(20,436)**	**4,111**
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,309)	(1,309)
Other comprehensive income						
Exchange difference on translating foreign operations	1,793	346	(297)	(1,893)	-	(51)
Total comprehensive income for the year	1,793	346	(297)	(1,893)	(1,309)	(1,360)
Balance at 31 March 2014	**20,144**	**3,901**	**(3,340)**	**3,791**	**(21,745)**	**2,751**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The Group financial statements are for the year ended 31 March 2014. 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 2014.

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

The accounting policies remain unchanged from the previous year.

Going concern

After considering the year end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts for a period of at least twelve months from the date of signing these financial statements, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has 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 adopted for the first time

IFRS 13 'Fair Value Measurement' (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'.

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 2014 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. The only standard expected to have a significant effect on the Group is IFRS10, the effect of this is not reasonably estimable at this time.

New accounting standards issued but not adopted:

- IFRS 10 Consolidated Financial Statements (EU effective date 1 January 2014)
- IFRS 11 Joint Arrangements (EU effective date 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (EU effective date 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (EU effective date 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (EU effective date 1 January 2014)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (EU effective date 1 January 2014)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- IFRIC Interpretation 21 Levies (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS39) (effective 1 January 2014)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (IASB effective date 1 July 2014)
- IFRS 9 Financial Instruments (no mandatory effective date)

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.

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 at 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) *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.

(b) *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.

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

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 underlying performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented as a single amount in the income statement. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale, is further analysed in note 18.

The disclosures for discontinued operations in the year relate to all operations that have been discontinued by the reporting date of the latest period presented.

Intangible assets

(a) Patents and trademarks (intellectual property):

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

(b) Research and development:

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

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

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

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

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

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 available for 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.

Depreciation

Depreciation is calculated to write off the cost of all property, plant and equipment less estimated residual value by the straight line 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

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.

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 initially measured at fair value and subsequently 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Financial liabilities

Financial liabilities fall into the following category: Financial liabilities at amortised cost and fair value through profit or loss.

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

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires. Financial liabilities at amortised cost (trade payables and accruals) are subsequently recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs (the capital value of which have now been settled), 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.

Financial liabilities at fair value through profit or loss represents the change of control redemption premium under loan notes, the capital value of which have been settled, which is considered to be an embedded derivative which is separable from the loan notes and therefore has been accounted for as a separate instrument. Such financial liabilities are carried subsequently at fair value with gains or losses recognised in profit or loss.

Fair value has been determined by reference to the potential value of the change in control premium to be paid at some time in the future, which has been estimated based on the Company's market capitalisation at the balance sheet date, with a discount applied to reflect the probability of such a change of control happening (the effect of the liquidity restriction and the change of control clause) and to reflect an estimate of likely timescale. These estimates will be reassessed at each balance sheet date. All changes in the instrument's fair value are reported in profit or loss and included within finance costs.

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 is 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 profit or loss.

The assets and liabilities in the financial statements of foreign subsidiaries and retranslation of the parent to the presentational currency, including equity items, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Use of accounting estimates and judgements

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

Judgements in applying accounting policies:

a) Capitalisation of development costs requires detailed analysis of the technical feasibility and commercial viability of the project. Prior to this financial year, the Group had written off all such development costs because the specific criteria for capitalisation had not been met. The Board regularly reviews this judgement in respect of specific development projects. During the year costs were incurred in relation to the Biomerics project which met the specific criteria for capitalisation.

b) The Directors must judge whether future profitability is likely in making the decision whether or not to recognise a deferred tax asset. At this stage the timing of future profits is insufficiently certain to warrant inclusion of a deferred tax asset.

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

d) Revenue recognition requires the Directors to assess the terms of contracts and to determine whether specific obligations have been met before recognising revenue in relation to licence fees and milestone payments. 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 2014 financial year. In addition, the Directors have assessed whether any provision for impairment is necessary against receivables through the estimation of future cash flows.

e) The disposal of assets in the US to St Jude Medical as part of the settlement agreement was not judged to represent a discontinued operation in the prior year financial statements as the Group continued to operate in the US selling polymer. As such this was not considered to be the disposal of a component under the definition in IFRS 5. The closure of the Australian operations in 2011 was judged not to represent a discontinued operation under IFRS 5, but rather the transfer of the manufacturing capability to a different geographical location.

During the year the remaining manufacturing capability was transferred entirely to Biomerics LLC, and AorTech International Plc no longer operates in the USA selling polymer. As such, this has been considered to represent discontinued operations in both years.

Sources of estimation uncertainty:

a) Estimates are required as to intangible asset carrying values and impairment charges.
b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.
c) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.
d) The discount applied in determining the fair value of the change of control redemption premium constitutes an estimate.
e) Estimates as to recoverability of receivables, including future expected cash flows.

3. Segmental reporting

The principal activity of the AorTech International Plc Group currently is exploiting the value of its IP and know-how.

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

	2014	2013
Analysis of revenue by products and services and by geographical area		
	US$000	US$000
United Kingdom		
Supply of product	**48**	-
Licence fees – services	**332**	313
Royalty revenue	**38**	-
	418	313

During the year ended 31 March 2014, 23.1% of the Group's revenues depended upon a single customer (2013: 37.0%).

	2014	2013
Analysis of result - operating (loss) / profit		
	US$000	US$000
Continuing operations		
United Kingdom	**(764)**	(1,205)
Australia	**-**	-
USA	**-**	-
Operating (loss) / profit	**(764)**	(1,205)
Finance expenses – all UK	**(59)**	(2,053)
Loss on continuing operations before taxation	**(823)**	(3,258)
Discontinued operations		
Australia	**-**	(101)
USA	**(486)**	2,512
(Loss) / profit on discontinued operations	**(486)**	2,411

The operating loss disclosure above is after charging amortisation of $241,000 (all UK) (2013: $250,000 (all UK)), and after a profit on disposal of $4,000 (all USA) (2013: $138,000 (all USA)).

Analysis of non current assets by location		
United Kingdom	**1,861**	1,840
USA	**-**	4
	1,861	1,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

4. Remuneration of Directors and key management personnel

Key management personnel	**2014** **US$000**	2013 US$000
Emoluments – short-term employee benefits	**440**	1,147
Pension costs – post-employment benefits	**13**	20
	453	1,167

The key management personnel whose remuneration is included in the table above are the Financial Controller, the Principal Scientist and the Vice-President Operations & Quality of AorTech Polymers & Medical Devices, Inc; and the five current and previous Directors of the parent company.

Please see the Report of the Remuneration Committee on page 11 for full details of Directors' emoluments which have been audited.

Included in the aggregate emoluments for the year ended 31 March 2014 are payments of $19,000 (2013: $197,000) made by the Company to third parties. The highest paid Director received total emoluments of $150,301 including pension contributions of $12,738 (2013: total emoluments of $233,785 including pension contributions of $20,008).

5. Loss before taxation

Loss before taxation has been arrived at after charging :	**2014** **US$000**	2013 US$000
Foreign exchange differences	**72**	34
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**-**	84
Amortisation of intangible assets	**241**	250
Employee benefits expense:		
Employee costs (Note 7)	**482**	1,637
Land and buildings held under operating leases:		
Other operating leases	**19**	116
Audit and non-audit services:		
Fees payable to the Company's auditor and its associates for the audit of the parent and Group financial statements	**22**	79
Fees payable to the Company's auditor and its associates for other services :		
The audit of the Company's subsidiaries pursuant to legislation	**-**	2
Tax services	**4**	104
Other services	**-**	11

6. Exceptional items

The St Jude Medical transaction consists of the following:

	2014	2013	
	$000	$000	$000
Revenue – accelerated licence fees	-		1,990
Other income – further consideration from St Jude Medical	-		1,653
Other income – reimbursement of production costs to March 2013	-		618
Cost of sales – inventory acquired	-		(168)
Cost of sales – production costs to March 2013	-		(618)
Administrative expenses – legal and other costs	-		(420)
Profit on disposal of property, plant and equipment:	-		
Proceeds received	-	676	
Net book value of assets transferred	-	(538)	138
Operating profit from St Jude Medical transaction - exceptional item	-		**3,193**

In the prior year financial statements, these were shown on a line by line basis in the income statement as they were not deemed to represent a discontinued operation. In the current year they have been shown as exceptional in relation to discontinued operations.

The total consideration received by AorTech under the transaction agreements was $3.9 million less legal and other costs. Of this, $3.4 million was paid upon signing and $0.5 million paid shortly after the end of March 2013 along with payment in respect of the acquisition of certain of AorTech's assets. The agreements accelerated certain existing transitional arrangements relating to the manufacture and supply of Elast-Eon™, reaffirmed St Jude Medical's exclusive, perpetual, non-royalty bearing licence to use Elast-Eon™ for implantable leads for implantable cardiac rhythm management devices or monitoring systems, and set forth the purchase by St Jude Medical of certain AorTech assets. Among the transitional arrangements between the parties, the agreements also provided for the reimbursement by St Jude Medical to AorTech for the financial costs of running the Rogers facility for a period to 31 March 2013 at which time the complete transfer of the Rogers facility to St Jude Medical took place. These arrangements have ensured St Jude Medical's reliable ongoing supply of Elast-Eon™.

Other exceptional items relate to the loan note redemption premium as explained in note 17, and legal fees incurred in relation to the departure of Frank Maguire (former CEO).

7. Employees

	2014	2013
	US$000	US$000
Employee costs (including Directors):		
Wages and salaries	**460**	1,602
Social security costs	**9**	15
Pension costs	**13**	20
	482	1,637

The average number of employees (including Directors) during the year was made up as follows:	**2014**	2013
	Numbers	Numbers
Production	**-**	4
Sales	**-**	1
Development and quality control	**1**	7
Administration	**6**	6
	7	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

8. Finance expense

	Year ended 31 March 2014			Year ended 31 March 2013		
	Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items	Exceptional items	Total
	US$000	**US$000**	**US$000**	US$000	US$000	US$000
Bank interest expense	-	-	-	(5)	-	(5)
Loan premium payable on redemption	-	-	-	-	(1,914)	(1,914)
Change of control redemption premium	-	(59)	(59)	-	(134)	(134)
	-	(59)	(59)	(5)	(2,048)	(2,053)

9. Income tax expense

No current tax or deferred tax expense arises on the loss for the year (2013: $nil).

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

	2014	2013
	US$000	US$000
Loss for the year before tax	**(1,309)**	(847)
Loss for year multiplied by the respective standard rate of corporation tax applicable in each domain (average 23%: 2013 - 24%)	**(301)**	(203)
Effects of:		
Expenses not deductible for tax purposes and other tax differences	**(124)**	75
Losses not utilised	**505**	382
Losses utilised	**(80)**	(254)
Tax on loss for the year	**-**	-

Unrelieved tax losses remain available to offset against future taxable profits. These losses have not been recognised as deferred tax assets within the financial statements as they do not meet the conditions required in accordance with IAS 12. Losses carried forward in the UK total $6,864,000 – tax effect is $1,578,000 (2013: $6,197,000 – tax effect $1,487,000).

Losses in the USA total $6,161,000 – tax effect $1,417,000 (2013: $5,378,000 - tax effect $1,291,000).

10. Loss per share

	2014	2013
	US$000	US$000
Loss for the year attributable to equity shareholders	**(1,309)**	(847)
Loss per share		
Basic and diluted (US cents per share)		
From continuing operations	**(17.03)**	(67.43)
From discontinued operations	**(10.06)**	49.90
	(27.09)	(17.53)
	Shares	Shares
Issued ordinary shares at start of the year	**4,832,778**	4,832,778
Issued ordinary shares at end of the year	**4,832,778**	4,832,778
Weighted average number of shares in issue for the year	**4,832,778**	4,832,778

The diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33. There was no dilution in respect of the prior year.

11. Intangible assets

	Development costs US$000	Intellectual property US$000	Total US$000
Gross carrying amount			
At 1 April 2012	-	4,947	4,947
Exchange differences		16	16
Additions during year	-	72	72
At 31 March 2013	-	5,035	5,035
Exchange differences	-	(552)	(552)
Additions during year	319	120	439
At 31 March 2014	**319**	**4,603**	**4,922**
Amortisation and impairment			
At 1 April 2012	-	2,935	2,935
Exchange differences	-	10	10
Charge for the year	-	250	250
At 31 March 2013	-	3,195	3,195
Exchange differences		(375)	(375)
Charge for the year	11	230	241
At 31 March 2014	**11**	**3,050**	**3,061**
Net book value			
At 31 March 2013	-	1,840	1,840
At 31 March 2014	**308**	**1,553**	**1,861**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

12. Property, plant and equipment

	Property improvements	Plant & equipment	Total
	US$000	**US$000**	**US$000**
Cost / deemed cost			
At 1 April 2012	535	139	674
Additions	-	11	11
Disposals / written off in year	(535)	(145)	(680)
At 31 March 2013	-	5	5
Additions	-	-	-
Disposals / written off in year	-	(5)	(5)
At 31 March 2014	-	-	-
Depreciation			
At 1 April 2012	41	12	53
Charge for the year	68	16	84
Disposals / written off in year	(109)	(27)	(136)
At 31 March 2013	-	1	1
Charge for the year	-	-	-
Disposals / written off in year	-	(1)	(1)
At 31 March 2014	-	-	-
Net book value			
At 31 March 2013	-	4	4
At 31 March 2014	**-**	**-**	**-**

The property improvements and the plant & equipment located in the USA facility were sold to St Jude Medical as part of the negotiated settlement during the year ended 31 March 2013.

13. Inventories

	2014	2013
	US$000	US$000
Raw materials	**-**	-
Finished goods	**46**	-
	46	-

In 2014 a total of $43,000 of inventories was included in the income statement as an expense (2013: $1,001,000). There was no amount resulting from writedowns of inventories in either 2014 or 2013. There were no reversals of previous writedowns that were recognised in the income statement in either 2014 or 2013.

14. Financial instruments

Risk management
The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and a change of control redemption premium. 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

	2014	2013
	US$000	US$000
Financial assets – loans and receivables		
Cash and cash equivalents	642	987
Trade and other receivables	701	1,820
	1,343	2,807
Financial liabilities		
Liabilities at amortised cost	(306)	(406)
Fair value through profit or loss	(193)	(134)
	(499)	(540)

All amounts are short-term (all payable within six months) with the exception of other payables greater than one year 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 along with the UK parent company whose functional currency is Sterling. Entities generally do not hold financial instruments in a currency other than their own functional currency, other than the UK parent company which has a trade receivable denominated in US dollars.

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

	2014	2013
	US$000	US$000
Sterling	370	823
US dollars	272	142
Australian dollars	-	22
	642	987

The Group holds its cash balances in a mixture of Sterling and US dollars. As the Group reports in US dollars, there is no translation risk in respect of such balances. Based on year-end balances held in Sterling, a 10% movement in the $ / £ exchange rate would have had a $27,000 impact on net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Interest rate risk
The Group finances its operations through equity fundraising and does not currently carry any borrowings, following the repayment of the loan notes during the year ended 31 March 2013. The cash balances and short term deposits are held at both fixed and floating rates as follows:

	Interest rate %	2014 US$000	Interest rate %	2013 US$000
Cash	**0%**	**453**	0%	816
Short-term deposits	**0.55%**	**189**	0.50%	171
		642		987

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 $2,000 (2013: $3,000), 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 other than the amount due from one third party where provision has been made in line with an agreed settlement following a mediation and arbitration process. The management do not consider that there is any concentration of risk within either trade or other receivables, other than the amounts due from one third party. The maximum exposure to credit risk on trade and other receivables is considered to be $698,000 (2013: $1,762,000).

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

Details of the amount payable at an undetermined date in the future under the change of control clause on the loan notes are given in note 17, along with further details of the terms in note 7 to the parent company financial statements.

15. Trade and other receivables

	2014 US$000	2013 US$000
Current		
Trade receivables	**388**	1,231
Other receivables	**10**	531
Prepayments	**3**	58
	401	1,820
Non-current		
Trade receivables	**300**	-

$75,000 (2013: $48,000) of net trade and other receivables were past due for payment but not impaired at 31 March 2014, of which $75,000 (2013: $39,000) was over 30 days and $25,000 (2013: $9,000) was over 90 days. Non-current Trade receivables represents that portion of amounts due from third parties during the year ending 31 March 2016.

16. Cash and cash equivalents

	2014	2013
	US$000	US$000
Cash at bank and in hand	642	987
	642	987

17. Trade and other payables

	2014	2013
	US$000	US$000
Current liabilities		
Trade payables	76	169
Accruals	230	237
	306	406
Non current liabilities		
Change of control redemption premium	193	134
	499	540

Details of the loan notes issued and redeemed in the year ended 31 March 2013, the redemption premium paid and the change of control redemption premium payable in the future can be found in note 7 of the parent company accounts. Related party disclosures are also provided in notes 7 and 12 of the parent company accounts as loan notes were issued to certain Directors. In accordance with IFRS, the Directors have included a financial liability for this derivative financial instrument totalling $193,000 (2013: $134,000) in the Group accounts at 31 March 2014, based on the market capitalisation of the Group at 31 March 2014 and an estimate by the Directors of the likelihood of the change of control and consideration of possible timescales. These estimates will be reviewed and updated every six months for the purpose of the interim and year end accounts.

The change of control redemption premium constitutes a financial instrument measured at fair value under IFRS 13 "Fair value measurement".

The fair value at each balance sheet date is calculated by reference to 15% of the market capitalisation of the Group multiplied by a discount factor to reflect the Directors' assessment of the likelihood and timing of any change of control of the Group.

The Group's market capitalisation constitutes a Level 1 input under the hierarchy in IFRS 13 (a quoted price in an active market). The discount factor is a Level 3 input (not based on observable data).The overall instrument is a level 3 input due to the significance of the discount factor.

Relevant inputs were:

	2014	2013
- market capitalisation	**$6.43m**	$4.47m
- Discount factor	**20%**	20%

A discount factor of 10% or 30% would decrease/increase the charge by $96,000.

On 5 July 2013, management decided to discontinue manufacture in line with the Group's strategy to focus on its IP business. There were no significant assets or liabilities remaining at the year end. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

18. Discontinued operations

During the year ended 31 March 2013, the Group settled a dispute with St Jude Medical, a key US customer. A consequence of that settlement was the effective transfer of the US manufacturing facility to St Jude Medical. The Directors considered, at that time, that the St Jude transaction and related asset disposal did not constitute a discontinued operation under the definition in IFRS 5.

On 1 October 2013, the Group signed an agreement with Biomerics LLC for the manufacture and distribution of our patented materials, including to our existing licencees. In the opinion of the Directors, the Biomerics transaction transformed the Group into a pure intellectual property company. As a consequence, results attributable to manufacturing activity constitute a discontinued operation, and have been presented as such in the Income Statement. Comparative figures have been adjusted accordingly.

The results of the discontinued manufacturing operations are shown in more detail below.

	Pre-exceptional items 2014 $000	Exceptional items 2014 $000	Total 2014 $000	Pre-exceptional items 2013 $000	Exceptional items 2013 $000	Total 2013 $000
Revenue	**245**	**-**	**245**	1,492	1,990	3,482
Other income	**13**	**-**	**13**	227	2,271	2,498
Cost of sales	**(211)**	**-**	**(211)**	(1,268)	(786)	(2,054)
Administrative expenses	**(537)**	**-**	**(537)**	(1,233)	(420)	(1,653)
Profit on disposal of property, plant and equipment	**4**	**-**	**4**	-	138	138
Operating (loss) / profit	**(486)**	**-**	**(486)**	(782)	3,193	2,411

19. Operating lease commitments

The Group had no commitments under non-cancellable operating leases in the United States at 31 March 2014. The commitments at 31 March 2013 related to the United States operations:

	2014 US$000	2013 US$000
The following payments are due to be made on operating lease commitments:		
Within one year	**-**	6
Two to five years	**-**	9
	-	15

20. Share based payments

The Group has an approved share option plan for the benefit of employees resident in the UK and Executive Directors. All share options are denominated in Sterling and converted for disclosure purposes at £1 = $1.67 at 31 March 2014 (£1 = $1.52 at 31 March 2013). There were no options in issue at 31 March 2014 (31 March 2013: 12,000 options)

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

	2014 WAEP		2013 WAEP	
	Number	**US$**	Number	US$
Outstanding at the beginning of the year	12,000	$3.80	12,600	$4.03
Forfeited during the year	(12,000)	$3.80	(600)	$4.48
Outstanding at the year end	-	-	12,000	$3.80
Exercisable at the year end	-	-	12,000	$3.80

The Group has an unapproved share option plan for the benefit of other employees. All share options are denominated in Sterling and converted for disclosure purposes at £1 = $1.67 at 31 March 2014 (£1 = $1.52 at 31 March 2013).

Options in issue	Exercise Price (US$)	Exercise period on or before:
10,000	5.42	1 September 2016
20,000	5.00	15 December 2021
4,000	6.05	16 February 2022

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

	2014 WAEP		2013 WAEP	
	Number	**US$**	Number	US$
Outstanding at the beginning of the year	**291,000**	**$3.99**	367,000	$4.33
Forfeited during the year	**(257,000)**	**$4.26**	(76,000)	$4.62
Outstanding at the year end	**34,000**	**$5.25**	291,000	$3.99
Exercisable at the year end	**10,000**	**$5.42**	266,000	$4.68

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

The fair value of options granted after 7 November 2002 but not vested at 1 April 2006 has been arrived at using an appropriate Black Scholes 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 of share price 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
01.09.06	3	01.09.09	5.42	4.61%	6.06	63%	118	10,000
16.12.11	3	16.12.14	5.00	4.00%	4.55	31%	52	20,000
17.02.12	3	17.02.15	6.05	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 (2013: 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.

21. Share capital

	Shares Number	Nominal Value US$000	Premium net of costs US$000	Total US$000
In issue at 1 April 2013	4,832,778	18,351	3,555	21,906
In issue at **31 March 2014**	4,832,778	20,144	3,901	24,045

At an EGM of Members held on 20 August 2007, the Company's authorised share capital was increased from £14,000,000 (US$27,762,000) comprising 5,600,000 Ordinary shares of £2.50 (US$4.96) each to £17,500,000 (US$34,702,500), comprising 7,000,000 shares of £2.50 (US$4.96) each.

Capital management objectives are set out in the Strategic Report on page 8.

22. Contingent liabilities

There were no contingent liabilities at 31 March 2014 or at 31 March 2013.

INDEPENDENT AUDITOR'S REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

We have audited the parent company financial statements of AorTech International Plc for the year ended 31 March 2014 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, 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 Financial Reporting Council'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 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS *(continued)*

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.

PARENT COMPANY FINANCIAL STATEMENTS

Other matter

We have reported separately on the Group financial statements of AorTech International Plc for the year ended 31 March 2014.

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

15 August 2014

PARENT COMPANY BALANCE SHEET

	Notes	31 March 2014	31 March 2013
		£000	£000
Fixed assets			
Intangible assets	**3**	**3,540**	3,815
Investment in subsidiary undertakings	**4**	**-**	-
		3,540	3,815
Current assets			
Debtors – amounts falling due within one year	**5**	**231**	519
Debtors – amounts falling due after one year	**5**	**180**	-
Cash at bank		**366**	542
		777	1,061
Creditors: amounts falling due within one year	**6**	**(117)**	(83)
Net current assets		**660**	978
Total assets less current liabilities		**4,200**	4,793
Creditors: amounts falling due after more than one year	**7**	**(580)**	(442)
Net assets		**3,620**	4,351
Capital and reserves			
Called up share capital	**8**	**12,082**	12,082
Share premium account	**10**	**2,340**	2,340
Profit and loss account	**10**	**(10,802)**	(10,071)
Equity shareholders' funds	**10**	**3,620**	4,351

The parent company financial statements were approved by the Board on 15 August 2014 and were signed on its behalf by

W D Brown, Chairman

R W Mitchell, Director

Company number SC170071

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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

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, 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. The recoverability of these balances is reassessed at each balance sheet date, with an impairment provision recorded when considered necessary.

Intangible assets

Patents and trademarks (intellectual property) are included at cost less estimated residual amount and are amortised on a straight line basis over their remaining useful economic lives of 20 years, which corresponds to the lives of the individual patents. The assets were transferred from the Australian subsidiary in 2011 at an independent valuation which has been used as deemed cost for these assets in the UK. Transfers from the US subsidiary totalling £72,000 took place during year ended 31 March 2014. The costs of £196,000 incurred in validating the Company's polymers for manufacture on the Company's behalf by Biomerics LLC were capialised during the year ended 31 March 2014 and are to be amortised over 5 years.

Loan notes & Redemption Premium policy

The loan notes issued and redeemed and redemption premium thereon are considered to be a single capital instrument in accordance with FRS 4. The loan notes issued and redeemed in the year ended 31 March 2013 and the redemption premium paid in the year ended 31 March 2013 have been accounted for based on the terms of the loan note trust deed (see note 7), with the redemption premium paid expensed as a finance cost in that year.

The redemption premium payable upon a future change of control of the company is considered to be a financial liability at the year end. As such, the most appropriate accounting policy has been deemed to be to record a non-current liability at the balance sheet date based on 15% of the market capitalisation of the company at that date, with the expense recorded as a finance cost in the year. At each future balance sheet date, the carrying amount of the change of control liability will be reassessed based on the value of 15% of the market capitalisation at that date. Any difference between this amount and the previous carrying amount will be recognised within finance costs in the profit and loss account.

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 2014 was £731,000 after the reversal of an inter-company debt provision of £462,000 (2013: loss of £5,019,000 after the write-off of an inter-company debt of £4,417,000).

3. INTANGIBLE ASSETS

	Intellectual property
Cost	**£000**
At 31 March 2013	4,857
Additions during year	268
At 31 March 2014	5,125
Amortisation	
At 31 March 2013	1,042
Charge for the year	543
At 31 March 2014	1,582
Net book value	
At 31 March 2013	3,815
At 31 March 2014	3,540

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(continued)

4. FIXED ASSET INVESTMENTS

	2014	2013
	£000	£000
Investment in subsidiary undertakings		
Cost		
Historical cost	**23,159**	23,159
Provision for impairment	**(23,159)**	(23,159)
Net book value at 31 March	**-**	-

Interest in subsidiary undertakings

Name of undertaking	Country of registration or incorporation	Description of shares held	Proportion of nominal value of shares held
			%
(i) AorTech Biomaterials Limited	Scotland		100
(ii) AorTech Critical Care Limited	Scotland		92
(iii) AorTech Heart Valve Technologies Limited	Scotland		100
(iv) AorTech Biomaterials Pty Limited	Australia		100
(v) AorTech Polymers & Medical Devices, Inc	USA		100
(vi) River Clyde Marine, Inc	USA		100

The principal business activities and country of operations of the above undertakings are:
(i) A non-trading company in the UK
(ii) A dormant company in the UK
(iii) A non-trading company in the UK
(iv) Ceased operations and placed into voluntary liquidation during year ended 31 March 2013
(v) Ceased operations and placed into voluntary liquidation during year ended 31 March 2014
(vi) Research into marine applications for biostable polyurethanes

5. DEBTORS

	2014	2013
Amounts falling due within one year	**£000**	£000
Trade debtors, less provision	**225**	496
Other debtors	**5**	15
Prepayments	**1**	8
	231	519
Amounts falling due after more than one year		
Trade debtors	**180**	
Amounts owed by Group undertakings	**3,955**	4,417
Less: Provision*	**(3,955)**	(4,417)
	411	519

*A cumulative impairment charge of £3,955,000 as at 31 March 2014 (31 March 2013: £4,417,000) has been made to fully provide against the remaining amount of the inter-company loan account due as at 31 March 2014 to AorTech International plc by its American subsidiary, AorTech Polymers & Medical Devices, Inc.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£000	£000
Accruals	117	83
	117	83

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014	2013
	£000	£000
Change of control redemption premium	580	442
	580	442

On 26 October 2012 AorTech International plc created £1,250,000 of Secured Loan Notes ("the Notes") and issued £1,210,000 ($1,914,000) of the Notes to existing investors including certain Directors (or members of their families). The Notes were repayable on or before 1 October 2013. The Notes did not bear any interest but were subject to a redemption premium of 100 per cent of the nominal value of the Notes if repayment was made prior to 31 March 2013 and 150 per cent. if thereafter. The Notes attracted an additional redemption premium of 15 per cent. of the equity value on a change of control of AorTech at any time in the future, 15 per cent. of the value of a sale of any of its intellectual property rights while the Notes were outstanding, and 15 per cent. of the value of the net proceeds of any settlement of the dispute with St. Jude Medical or restructuring of the Licence and Supply Agreement with St. Jude Medical, after having taken into account the costs of settlement and the value of the notes redeemed and redemption premium paid. The Notes were secured by a floating charge over all of AorTech's assets.

The initial loan note subscriptions by W Brown and E McDaid (or members of their families) and Active Capital Trust PLC which amounted to, in aggregate, £270,000, along with the 100 per cent redemption premiums paid of £270,000, and their share of any change of control redemption premiums payable in the future were deemed related party transactions for the purposes of Rule 13 of the AIM Rules and IAS 24 / FRS 8. The Directors of AorTech (excluding W Brown and E McDaid) considered, having consulted with FinnCap Limited, that the terms of the transaction were fair and reasonable so far as shareholders are concerned.

The original sum subscribed in October 2012 for the Notes, together with an initial 100% premium due, was re-paid to the loan note holders prior to 31 March 2013. As no sale of intellectual property rights had occurred while the Notes were outstanding, no additional redemption premium under this clause was due. In addition, based on the value of the net proceeds of the settlement of the dispute with St Jude Medical, having taken into account the legal and other costs incurred, and the value of the loan notes redeemed and redemption premium paid, then no additional redemption premium was due under this clause.

On change of control of the Company whether by means of a general offer to acquire the entire issued share capital of the Company or a scheme of arrangement, or on a return of capital to shareholders as part of a winding up of the Company, an additional premium is payable to noteholders equal to 15% of the sums payable to shareholders in relation to that event. This liability to the Company continues after the Notes have been redeemed. In accordance with UK GAAP, a provision in the sum of £580,000 (2013: £442,000) for this change of control redemption premium has been made at 31 March 2014 in respect of the additional 15% premium which would become due to loan note holders, based on the market capitalisation of the Company at that date. The level of this provision will be reviewed every six months for the purpose of the interim and year end accounts.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(continued)

8. SHARE CAPITAL

See Note 21 in the Group financial statements.

9. SHARE BASED PAYMENTS

See Note 20 in the Group financial statements.

10. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	Share premium	Profit and loss account	**Total shareholders' funds**
	£000	£000	£000	**£000**
1 April 2012	12,082	2,340	(5,052)	**9,370**
Loss for the year	-	-	(5,019)	**(5,019)**
At 31 March 2013	12,082	2,340	(10,071)	**4,351**
Loss for the year	-	-	(731)	**(731)**
At 31 March 2014	**12,082**	**2,340**	**(10,802)**	3,620

11. 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 11.

12. 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. Other related party transaction disclosures are included within note 7 to the parent company accounts in respect of loan note holders and within the report of the Remuneration Committee.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the seventeenth Annual General Meeting of AorTech International Plc will be held in the offices of Kergan Stewart LLP, 163 Bath Street, Glasgow G2 4SQ on Monday, 29 September 2014 at 11:00am for the purpose of considering and if thought fit passing the following resolutions, numbers 1 to 5 as Ordinary Resolutions and number 6 as a Special Resolution:

AS ORDINARY BUSINESS

1. To receive and adopt the financial statements of the Company for the year ended 31 March 2014 together with the Strategic Report and the Reports of the Directors and Auditor thereon.
2. To approve the Report of the Remuneration Committee for the year ended 31 March 2014.
3. To re-elect Bill Brown, who is retiring by rotation.
4. To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

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

5. 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 ("Rights") 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. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the Act but without prejudice to any allotment of shares or grant of Rights already made or agreed to be made pursuant to such authorities.

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

6. That subject to the passing of Resolution 5 above as an Ordinary Resolution, 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 5 above in accordance with Section 551 of the Act as if Section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

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

NOTICE OF THE ANNUAL GENERAL MEETING
(continued)

(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. This resolution revokes and replaces all unexcercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the Act did not apply but without prejudice to any such allotment of equity securities made or agreed to be made pursuant to such authorities.

By order of the Board,

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

15 August 2014

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 27 September 2014 or by 6.00 pm two days prior to the date of any adjournment of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting. 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, West Sussex, BN99 6ZL 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 together with details as to how to change or terminate proxy appointments. A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against at a resolution. If no voting indication is given your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter put before the meeting.

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 (available at https://www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Equiniti Limited (CREST Participant ID RA19), no later than 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 15 August 2014 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 15 August 2014 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. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information,(b) the answer has already been given on a website in the form of an answer to a questions, or (c) it is undersirable in the interests of the company or the good order of the meeting that the question be answered.

9. If you have any general queries about the meeting please contact the Company Secretary at jcdavidparsons@btconnect.com or by calling on 01932 252123. 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.

14

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INTERNATIONAL PLC

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