



INTERIM REPORT
AorTech International plc

UNAUDITED INTERIM RESULTS
For the six months ended
30 September 2014



CONTENTS

Chairman's statement	3 - 4
Condensed consolidated interim income statement	5
Condensed consolidated interim statement of comprehensive income	5
Condensed consolidated interim balance sheet	6
Condensed consolidated interim cash flow statement	7
Condensed consolidated interim statement of changes in equity	8
Notes to the condensed consolidated interim financial statements	9 -11
Corporate information and advisers	<i>Back Cover</i>

CHAIRMAN'S STATEMENT

I set out below a commentary on the key matters over the past six months.

UNAUDITED RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2014

During the period, total Group revenue grew from the \$71,000 achieved from continuing operations last year to \$524,000. Our Licence fee income increased by \$200,000 to \$271,000 and we also saw growth in Royalty income from \$nil to \$134,000.

Administration Costs for the period were \$340,000, a decrease from the actual spend disclosed in last years Interim Accounts of \$740,000; however some of those prior year costs related to discontinued activities.

We suffered a charge of \$212,000 in exceptional administration costs relating to the legal case being pursued against our former CEO. The operating loss has been reduced from \$373,000 in 2013 to \$215,000 and would have been broadly break even but for those litigation costs.

LITIGATION

We continue to pursue the case against our former CEO Frank Maguire. We have recognised all of the costs incurred to date and are hopeful that a proportion of these, together with 90% of all future costs, will be recoverable from our insurers. There has recently been ongoing correspondence between AorTech's attorney and the insurer's attorney to clarify and resolve certain matters that have arisen from queries raised by the insurers. We are however confident that there will be a successful outcome to these matters.

We are in continuing discussions with our insurer to extend the litigation to cover the former CEO's new business interest and certain related parties.

CHAIRMAN'S STATEMENT

Continued

BIOMERICS, LLC MANUFACTURING LICENCE

Biomerics, our manufacturing licensee, has now fully validated the manufacturing process, and materials have been supplied to customers. We previously reported that we had reimbursed Biomerics \$47,000 of the \$155,000 they had incurred on labour costs relating to the validation process. In the 6 months to 30 September 2014 a further \$96,000 had been reimbursed, leaving an outstanding balance of \$12,000.

Whilst there have been a number of enquiries from potential customers, both Biomerics and AorTech are disappointed that these have not progressed further. Biomerics have submitted a proposal to amend the terms of a supply agreement relating to one of AorTech's licensees. Biomerics and AorTech have begun discussions on this and a number of other issues relating to the contractual relationship between the two companies. It is hoped that agreement on all these issues can be reached but there can be no certainty that this will be achieved.

OTHER LICENSEES

A number of in-depth discussions have been ongoing with several licensees to resolve issues which have arisen and, in some cases, to restructure and revise licence terms. This has created an increased workload but the benefits from this should arise in future years.

The vast majority of our licensees are continuing to progress their products through the development and regulatory process with two of our licensees achieving commercialisation.

As can be seen from the financial results, there was increased income from licence and royalty fees during the period and we are hopeful that certain of our licensees will continue to achieve successful launches of their products, resulting in further increased revenue flows for AorTech.

As mentioned previously, AorTech's future success is dependent on the future success of AorTech's licensees.

CASH AND DEBTORS POSITION

Cash at 30 September 2014 was \$335,000, a decrease of \$307,000 from the 31 March 2014 balance of \$642,000.

Debtors due within one year increased from \$401,000 at 31 March 2014 to \$725,000. These include a long-standing debtor where the agreed payment schedule is being met through monthly repayments, with \$300,000 expected to be recovered within the next 12 months. In addition there is a balance of \$175,000 due which we have not provided against because a blue chip company has a secondary obligation in respect of the debt and thus we are hopeful of full recovery. The cash and working capital position of the Company is reliant upon the timely collection of the debtor book.

We continue to rigorously monitor and control overheads. As a quoted IP Company, patent and insurance costs are significant and these together with the costs associated with our stock market listing accounted for almost 50% of the Administrative expense of \$340,000.

HEART VALVE

We are actively exploring a number of areas for maximising the return for AorTech from the Heart Valve project and we will report on progress in this area as and when there is news flow.

CONCLUSION

Although there has been progress during the six months to 30 September 2014, the Board and our CEO, Eddie McDaid in particular have been faced with almost daily challenges to try and resolve a myriad of issues that have arisen, some of which are related to the tenure of the previous CEO. The litigation against the former CEO has added to the workload and has been a necessary but unwelcome distraction from focusing on the generation of income to create increased value for shareholders.

Your Board continues to meet challenges but is determined to overcome them and, together with its licensees, to achieve and deliver the necessary revenue and profitability for AorTech and its shareholders.

Bill Brown
Chairman

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Six months ended 30 September 2014	Note	Unaudited Six months to 30 Sept 2014 US\$000	Unaudited Six months to 30 Sept 2013 US\$000	Audited Twelve months to 31 March 2014 US\$000
Revenue		524	71	418
Other income		-	-	1
Cost of sales		(46)	(48)	-
Administrative expenses		(340)	(284)	(859)
Exceptional administrative expenses	2	(212)	-	(83)
Other expenses - amortisation of intangible assets		(141)	(112)	(241)
Operating loss		(215)	(373)	(764)
Finance income / (expense)	3	117	(47)	(59)
Loss from continuing operations attributable to owners of the parent company		(98)	(420)	(823)
Loss from discontinued operations	4	-	(300)	(486)
Loss attributable to owners of the parent company		(98)	(720)	(1,309)
Taxation		-	-	-
Loss attributable to equity holders of the parent company		(98)	(720)	(1,309)
Loss per share (basic and diluted) – US cents		(2.03)	(14.90)	(27.09)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 30 Sept 2014 US\$000	Unaudited Six months to 30 Sept 2013 US\$000	Audited Twelve months to 31 March 2014 US\$000
Loss for the period	(98)	(720)	(1,309)
Other comprehensive income:			
Exchange differences on translating foreign operations	(487)	(99)	(51)
Income tax relating to other comprehensive income	-	-	-
Other comprehensive income for the period, net of tax	(487)	(99)	(51)
Total comprehensive income for the period, attributable to equity holders of the parent company	(585)	(819)	(1,360)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Unaudited 30 Sept 2014 US\$000	Unaudited 30 Sept 2013 US\$000	Audited 31 March 2014 US\$000
Assets			
Non current assets			
Intangible assets	1,673	1,603	1,861
Property, plant and equipment	-	7	-
Trade and other receivables	150	-	300
Total non current assets	1,823	1,610	2,161
Current assets			
Inventories	-	56	46
Trade and other receivables	725	1,027	401
Cash and cash equivalents	335	1,023	642
Total current assets	1,060	2,106	1,089
Total assets	2,883	3,716	3,250
Liabilities			
Current liabilities			
Trade and other payables	(228)	(242)	(306)
Total current liabilities	(228)	(242)	(306)
Non current liabilities			
Change of control redemption premium	(76)	(182)	(193)
Total non current liabilities	(76)	(182)	(193)
Total liabilities	(304)	(424)	(499)
Net assets	2,579	3,292	2,751
Equity			
Issued capital	19,597	19,550	20,144
Share premium	3,796	3,786	3,901
Other reserve	(3,249)	(3,241)	(3,340)
Foreign exchange reserve	4,278	4,353	3,791
Profit and loss account	(21,843)	(21,156)	(21,745)
Total equity attributable to equity holders of the parent company	2,579	3,292	2,751

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months to 30 Sept 2014 US\$000	Unaudited Six months to 30 Sept 2013 US\$000	Audited Twelve months to 31 March 2014 US\$000
Cash flows from operating activities			
Group loss after tax	(98)	(420)	(823)
Adjustments for:			
Amortisation of intangible assets	141	112	241
Finance (income) / expense	(117)	-	59
(Increase) / decrease in trade and other receivables	(174)	(46)	102
Decrease in inventories	46	-	-
(Decrease) / increase in trade and other payables	(78)	4	69
Net cash flow from continuing operations	(280)	(350)	(352)
Net cash flow from discontinued operations	-	315	312
Net cash flow from operating activities	(280)	(35)	(40)
Cash flows from investing activities			
Purchase of intangible assets	(20)	(62)	(439)
Net cash flow from continuing investing activities	(20)	(62)	(439)
Net cash flow from discontinued investing activities	-	(3)	-
Net cash flow from investing activities	(20)	(65)	(439)
Net decrease in cash and cash equivalents	(300)	(100)	(479)
Foreign exchange movements on cash held in foreign currencies	(7)	136	134
Cash and cash equivalents at beginning of period	642	987	987
Cash and cash equivalents at end of period	335	1,023	642

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Share capital US\$000	Share premium account US\$000	Other reserve US\$000	Foreign exchange reserve US\$000	Profit and loss account US\$000	Total equity US\$000
Balance at 1 April 2013	18,351	3,555	(3,043)	5,684	(20,436)	4,111
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(720)	(720)
Other comprehensive income						
Exchange difference on translating foreign operations	1,199	231	(198)	(1,331)	-	(99)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	1,199	231	(198)	(1,331)	(720)	(819)
Balance at 30 September 2013	19,550	3,786	(3,241)	4,353	(21,156)	3,292
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(589)	(589)
Other comprehensive income						
Exchange difference on translating foreign operations	594	115	(99)	(562)	-	48
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	594	115	(99)	(562)	(589)	(637)
Balance at 31 March 2014	20,144	3,901	(3,340)	3,791	(21,745)	2,751
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	(98)	(98)
Other comprehensive income						
Exchange difference on translating foreign operations	(547)	(105)	91	487	-	(74)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	(547)	(105)	91	487	(98)	(172)
Balance at 30 September 2014	19,597	3,796	(3,249)	4,278	(21,843)	2,579

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements are for the six months ended 30 September 2014, and have been prepared with regard to the requirements of IAS 34 on "Interim Financial Reporting". They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2014.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and effective at 31 March 2014. They were approved for issue by the Board of Directors on 26 November 2014.

After considering the period 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 condensed consolidated interim financial statements is appropriate.

The financial information for the six months ended 30 September 2014 and the comparative figures for the six months ended 30 September 2013 are unaudited and have been prepared on the basis of the accounting policies set out in the consolidated financial statements of the Group for the year ended 31 March 2014.

These extracts do not constitute statutory accounts under section 434 of the Companies Act 2006. The financial statements for the year ended 31 March 2014, prepared under IFRS, received an unqualified audit report, did not contain statements under sections 498(2) and 498(3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

Loss per share has been calculated on the basis of the result for the period after tax, divided by the weighted average number of ordinary shares in issue in the period of 4,832,778. The comparatives are calculated by reference to the weighted average number of ordinary shares in issue which were 4,832,778 for the period to 30 September 2013 and 4,832,778 for the year ended 31 March 2014.

2. EXCEPTIONAL ADMINISTRATIVE EXPENSES

This comprises the exceptional administrative expense represented by the cost of litigation against the Company's former CEO.

3. FINANCE INCOME / (EXPENSE)

The change of control redemption premium represents the decrease / (increase) in the premium payable to the former loan note holders in the event of a change of control of the Company. The amount payable is based upon the market capitalisation of the Company at the balance sheet date.

4. DISCONTINUED OPERATIONS

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 licensees. In the opinion of the Directors, the Biomerics transaction transformed the Group into an intellectual property holding 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Continued

5. SEGMENTAL REPORTING

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

During the first six months of financial year 2014/15 all revenue originated in the United Kingdom.

	Unaudited Six months to 30 Sept 2014 US\$000	Unaudited Six months to 30 Sept 2013 US\$000	Audited Twelve months to 31 March 2014 US\$000
Analysis of revenue by products and services and by geographical area			
Geographical segments			
United Kingdom:			
Supply of product	119	-	48
Licence fees - services	271	71	332
Royalty revenue	134	-	38
	524	71	418

	Unaudited Six months to 30 Sept 2014 US\$000	Unaudited Six months to 30 Sept 2013 US\$000	Audited Twelve months to 31 March 2014 US\$000
Analysis of result - operating loss			
Continuing operations			
United Kingdom	(215)	(373)	(764)
Operating loss	(215)	(373)	(764)
Finance income / (expense) – all UK	117	(47)	(59)
Loss on continuing operations before taxation	(98)	(420)	(823)
Discontinued operation			
USA	-	(300)	(486)
Loss on discontinued operations	-	(300)	(486)

6. FINANCE (EXPENSE) / INCOME

	Unaudited Six months to 30 Sept 2014 US\$000	Unaudited Six months to 30 Sept 2013 US\$000	Audited Twelve months to 31 March 2014 US\$000
Bank interest income / (expense)	-	1	-
Change of control redemption premium	117	(48)	(59)
	117	(47)	(59)

7. INTANGIBLE ASSETS

The following table shows the impact of additions, exchange rate adjustments and amortisation on intangible assets

	Intellectual property US\$000	Development costs US\$000	Total US\$000
At 1 April 2013	1,840	-	1,840
Additions during period	62	-	62
Exchange rate adjustment	(187)	-	(187)
Amortisation	(112)	-	(112)
At 30 September 2013	1,603	-	1,603
Additions during period	58	319	377
Exchange rate adjustment	10	-	10
Amortisation	(118)	(11)	(129)
At 1 April 2014	1,553	308	1,861
Additions during period	20	-	20
Exchange rate adjustment	(67)	-	(67)
Amortisation	(109)	(32)	(141)
At 30 September 2014	1,397	276	1,673

8. INTERIM ANNOUNCEMENT

The interim results announcement was released on 27 November 2014. A copy of this Interim Report is also available on the Company's website www.aortech.com.



CORPORATE INFORMATION AND ADVISERS

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Eddie McDaid
Roy Mitchell
Gordon Wright

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non-Executive Finance Director
non-Executive Director

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