AorTech International Plc.

UNAUDITED INTERIM RESULTS 2015

For the six months ended
30 September 2015

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AorTech
INTERNATIONAL PLC

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CHAIRMAN'S STATEMENT

Trading in the half year to 30 September 2015 was in line with the Board's expectations.
Revenues for the period were $380,000 and administrative costs amounted to $365,000, resulting in the Company achieving a profit at the EBITDA level.

However, after charging $163,000 for amortisation of intangible assets and incurring a further $45,000 of exceptional litigation costs, the reported operating loss was $193,000.

Also charged to the profit and loss account is a $363,000 finance cost relating to the residual loan note interest. At the AGM in September, shareholders approved the Company's intention to approach loan note holders to convert their residual interest into ordinary shares. This charge recognises the full cost of the shares to be issued, less the provisions previously made.

Debtor Recovery

We mentioned in the year end accounts that the last $300,000 of a long standing debtor was being recovered by monthly payments. Up to the period end, all payments had been received on the due date. Since the end of September, no payments have been received and steps are being taken to ensure full recovery of the final balance of $150,000 together with our costs of recovery. No provision has been made against this debt.

We are currently owed in excess of $300,000 by one of our licensees; a provision of $100k has been made in the accounts and legal counsel has been retained to recover all sums due.

These matters are disappointing and will, as a result, impact on the timing and potentially the values of cash flows going forward.

Maguire Litigation

A great deal of time and effort is still having to be committed by the Directors in pursuing the US litigation against AorTech's former CEO and related parties. The case is in the pre-trial discovery phase in which AorTech is able to gather the evidence to support its allegations. The Directors intend to continue to vigorously pursue this action in order to protect the Company and shareholders from the actions of Maguire and other related parties.

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CHAIRMAN'S STATEMENT *(continued)*

Heart Valve

I set out a brief history and analysis of the Heart Valve project in the Annual Report and Accounts. Current commercial bioprosthetic and mechanical heart valves are compromised by either their durability or need for long term anticoagulation. Creating an analogue of the human valve out of polymer that has the benefits of current bioprosthetic and mechanical valves without the drawbacks has been recognised as the "Holy Grail" of heart valve technology for over 50 years.

There has been no real step change in surgical valve technology over the past 20 to 30 years, although evolutionary improvements have been made. There have been major developments in surgical techniques with the advent of catheter delivered valves (TAVI). By nature of the TAVI procedure, only bioprosthetic valves can be delivered this way and it is believed that the already limited durability of bioprosthetic valves may be further compromised by them being crushed into the narrow catheter. TAVI valves are currently only suitable for the much older patient who is unable to have open heart surgery.

Further independent review and initial consultation on the AorTech heart valve project has demonstrated that AorTech's Elast-Eon™ material is still the most appropriate polymer for making durable heart valves. The progress made in the AorTech heart valve project includes a valve design that has now completed proof of concept at clinical trials; a strong IP portfolio that comprises polymer patents; valve design and basis of manufacture; patents, significant know how and trade secrets regarding design history and manufacturing processes.

We have now identified a team of industry specialists covering the key areas of manufacturing, quality, regulatory, clinical marketing and business development expertise. The team has reviewed and bought into the potential for a polymer valve utilising AorTech's technology.

The market opportunities have been analysed for this disruptive technology as well as the surgical version of the valve being a replacement for current technology in the developed western markets. The ability to use inexpensive mass production techniques will produce a cost effective solution for developing countries where rheumatic heart disease is so prevalent and young patients require a relatively low cost valve that is both durable and avoids anticoagulation. In addition, in the area of TAVI, the valve leaflets can be incorporated into a TAVI stent and dry stored and pre-loaded in a smaller catheter, thus dramatically improving TAVI technology.

A non-binding Heads of Terms has been agreed whereby AorTech will transfer its Heart Valve technology into a new company established with the objective of replicating the testing work under regulatory conditions and which will then commercialise the valve in both surgical and TAVI uses.

The deal is contingent upon the new company raising sufficient funding in order to set up a manufacturing plant and take the heart valve through initial regulatory testing. AorTech will have a significant equity interest in the new company together with future royalty income. I will personally have a directorship in the new company and I am presently working with the team members identified to raise the necessary finance and establish a manufacturing facility. Discussions and meetings on the project have been positive to date and I would be hopeful that AorTech could make a formal announcement in due course. Should the transaction proceed, it will constitute a related party transaction under the AIM rules.

Conclusion

The business continues to make progress and our Manufacturing Licensee has a growing prospects list. We recently commissioned a detailed report from a world leading biomaterials expert to review the potential of AorTech's IP portfolio. The report is extremely positive in that the Elast-Eon™ family of materials continues to be the leading material for implantable medical devices. Your Board, in conjunction with the author of the report will be reviewing all of the recommendations contained therein. A range of opportunities have been identified which also includes the filing of additional patents to further strengthen AorTech's IP portfolio.

Your Board, despite the problems and issues which have arisen over the past two years, remain enthusiastic about the potential of Elast-Eon™, not just in the field of heart valves but also in other exciting medical device applications.

BILL BROWN, CHAIRMAN
25 November 2015

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Six months ended 30 September 2015	Note	**Unaudited Six months to 30 Sept 2015 US$000**	Unaudited Six months to 30 Sept 2014 US$000	Audited Twelve months to 31 March 2015 US$000
Revenue		**380**	524	844
Other income		**-**	-	13
Cost of sales		**-**	(46)	-
Administrative expenses		**(365)**	(340)	(776)
Exceptional administrative expenses	2	**(45)**		(204)
Other expenses - amortisation of intangible assets	7	**(163)**	(141)	(332)
Operating loss		**(193)**	(215)	(455)
Finance income / (expense)	3	**(363)**	117	129
Loss from continuing operations attributable to owners of the parent company		**(556)**	(98)	(326)
Loss from discontinued operations		**-**	-	(44)
Loss attributable to owners of the parent company		**(556)**	(98)	(370)
Taxation	4	**-**	-	-
Loss attributable to equity holders of the parent company		**(556)**	(98)	(370)
Loss per share (basic and diluted) – US cents		**(11.50)**	(2.03)	(7.66)

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 30 Sept 2015 US$000	Unaudited Six months to 30 Sept 2014 US$000	Audited Twelve months to 31 March 2015 US$000
Loss for the period	**(556)**	(98)	(370)
Other comprehensive income:			
Exchange differences on translating foreign operations	**26**	(487)	17
Income tax relating to other comprehensive income	**-**	-	-
Other comprehensive income for the period, net of tax	**26**	(487)	17
Total comprehensive income for the period, attributable to equity holders of the parent company	**(530)**	(585)	(353)

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Unaudited 30 Sept 2015 US$000	Unaudited 30 Sept 2014 US$000	Audited 31 March 2015 US$000
Assets			
Non current assets			
Intangible assets	**1,519**	1,673	1,546
Trade and other receivables	**-**	150	-
Total non current assets	**1,519**	1,823	1,546
Current assets			
Trade and other receivables	**474**	725	737
Cash and cash equivalents	**459**	335	360
Total current assets	**933**	1,060	1,097
Total assets	**2,452**	2,883	2,643
Liabilities			
Current liabilities			
Trade and other payables	**(168)**	(228)	(192)
Change of control redemption premium	**(416)**	-	-
Total current liabilities	**(584)**	(228)	(192)
Non current liabilities			
Change of control redemption premium	**-**	(76)	(53)
Total non current liabilities	**-**	(76)	(53)
Total liabilities	**(584)**	(304)	(245)
Net assets	**1,868**	2,579	2,398
Equity			
Issued capital	**18,260**	19,597	17,937
Share premium	**3,537**	3,796	3,474
Other reserve	**(3,028)**	(3,249)	(2,974)
Foreign exchange reserve	**5,770**	4,278	6,076
Profit and loss account	**(22,671)**	(21,843)	(22,115)
Total equity attributable to equity holders of the parent company	**1,868**	2,579	2,398

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CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2015 US$000	**Six months to 30 Sept 2014 US$000**	Twelve months to 31 March 2015 US$000
Cash flows from operating activities			
Group loss after tax	**(556)**	(98)	(326)
Adjustments for:			
Amortisation of intangible assets	**163**	141	332
Finance expense / (income)	**363**	(117)	(129)
Decrease / (increase) in trade and other receivables	**263**	(174)	36
Decrease in inventories	**-**	46	-
Decrease in trade and other payables	**(24)**	(78)	(254)
Net cash flow from continuing operations	**209**	(280)	(341)
Net cash flow from discontinued operations	**-**	-	2
Net cash flow from operating activities	**209**	(280)	(339)
Cash flows from investing activities			
Purchase of intangible assets	**(110)**	(20)	-
Net cash flow from continuing investing activities	**(110)**	(20)	-
Net cash flow from discontinued investing activities	**-**	-	-
Net cash flow from investing activities	**(110)**	(20)	-
Net increase / (decrease) in cash and cash equivalents	**99**	(300)	(339)
Foreign exchange movements on cash held in foreign currencies	**-**	(7)	57
Cash and cash equivalents at beginning of period	**360**	642	642
Cash and cash equivalents at end of period	**459**	335	360

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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 2014	**20,144**	**3,901**	**(3,340)**	**3,791**	**(21,745)**	**2,751**
Transactions with owners	-	-	-	-	-	-
Loss 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**
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(272)	(272)
Other comprehensive income						
Exchange difference on translating foreign operations	(1,660)	(322)	275	1,798	-	91
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	(1,660)	(322)	275	1,798	(272)	(181)
Balance at 31 March 2015	**17,937**	**3,474**	**(2,974)**	**6,076**	**(22,115)**	**2,398**
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(556)	(556)
Other comprehensive income						
Exchange difference on translating foreign operations	323	63	(54)	(306)	-	26
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	323	63	(54)	(306)	(556)	(530)
Balance at 30 September 2015	**18,260**	**3,537**	**(3,028)**	**5,770**	**(22,671)**	**1,868**

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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 2015, 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 2015.

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 2015. They were approved for issue by the Board of Directors on 25 November 2015.

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 interim financial statements, the Directors have formed a judgement at the time of approving the interim 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 2015 and the comparative figures for the six months ended 30 September 2014 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 2015.

These extracts do not constitute statutory accounts under section 434 of the Companies Act 2006. The financial statements for the year ended 31 March 2015, 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 2014 and 4,832,778 for the year ended 31 March 2015.

2. Exceptional administrative expenses

This comprises the exceptional administrative expense represented by the ongoing 10% 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. The finance cost recognised in the period relates to the change of control redemption premium inherent in loan notes previously issued (and since settled) by the Company. Shareholders have previously approved the Company's intention to approach loan note holders to convert their right to a further redemption premium into ordinary shares. In previous years, a judgement was made regarding the likelihood of a change of control event occurring, and the resulting liability discounted accordingly. The approach to loan note holders described above means that such a discount is no longer deemed appropriate, and these interim financial statements therefore reflect the full obligation (equivalent to 15% of the market capitalisation of the Company) at the balance sheet date. The charge to the consolidated interim income statement therefore incorporates reversal of the discount previously applied to the gross obligation.

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.

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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 2015/16 all revenue originated in the United Kingdom.

	Unaudited Six months to 30 Sept 2015 US$000	Unaudited Six months to 30 Sept 2014 US$000	Audited Twelve months to 31 March 2015 US$000
Analysis of revenue by products and services and by geographical area			
Geographical segments			
United Kingdom:			
Supply of product	**-**	119	10
Licence fees - services	**49**	271	403
Royalty revenue	**331**	134	431
	380	524	844

	Unaudited Six months to 30 Sept 2015 US$000	Unaudited Six months to 30 Sept 2014 US$000	Audited Twelve months to 31 March 2015 US$000
Analysis of result - operating loss			
Continuing operations			
United Kingdom	**(193)**	(215)	(455)
Operating loss	**(193)**	(215)	(455)
Finance (expense) / income – all UK	**(363)**	117	129
Loss on continuing operations before taxation	**(556)**	(98)	(326)
Discontinued operation			
USA	**-**	-	(44)
Loss on discontinued operations	**-**	-	(44)

6. Finance (expense) / income

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2015 US$000	Six months to 30 Sept 2014 US$000	Twelve months to 31 March 2015 US$000
Change of control redemption premium	**(363)**	117	129
	(363)	117	129

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 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**
Disposals during period	(20)	-	(20)
Exchange rate adjustment	106	(22)	84
Amortisation	(160)	(31)	(191)
At 1 April 2015	**1,323**	**223**	**1,546**
Additions during period	-	110	110
Exchange rate adjustment	25	1	26
Amortisation	(122)	(41)	(163)
At 30 September 2015	**1,226**	**293**	**1,519**

8. Interim announcement

The interim results announcement was released on 27 November 2015. A copy of this Interim Report is also available on the Company's website www.aortech.com.

Directors

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

Company Secretary

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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.

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