AorTech
annual report

AorTech International plc
Annual Report & Accounts
For the year to
31 March 2011

AorTech

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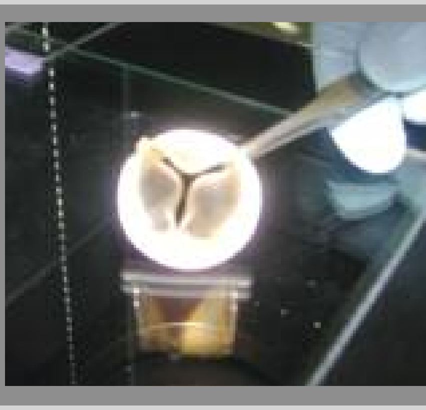
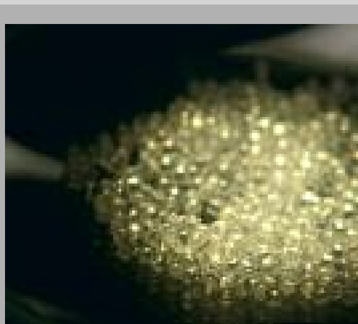
AorTech's **POLYMER HEART VALVE TECHNOLOGY** has demonstrated durability and hemodynamic performance equivalent or better to that of the current gold standard replacement heart valves.
Additionally we believe that this technology could bring significant benefits to the traditional and minimally invasive valve markets.



One of the difficulties experienced in **MEDICAL DEVICE CONSTRUCTION** is creating a good bond between silicone rubbers and other materials. AorTech has developed technology which creates a bond between the Elast-Eon™ and silicone rubbers that is very strong i.e., the silicone rubber fails mechanically before the Elast-Eon™ delaminates.

ENGINEERS AND DESIGNERS SELECT ELAST-EON™ BIOMATERIALS to improve medical device performance, reduce costs and improve component performance. The AorTech team assist medical device manufacturers exploit greater design freedom to create differentiated medical devices.



highlights

January 2011_AorTech Enters Orthopaedic Market with Polymer Licence and Manufacturing Deal; December 17 2010_AorTech Polymers Significantly Improve Reliability Performance for Pacemaker Products; December 13 2010_AorTech Announces Commencement of Human Use of its Header and Lead Insulation Technology in a Neurostimulation Implant; August 19 2010_AorTech Chief Scientific Officer presents Lecture at Medical Grade Polymers Conference; May 24 2010_AorTech Announces Technology and License Agreement for its Elast-Eon™ polymers as an integral part of a drug delivery platform for urological catheters;

contents

chairman's statement

Financial Review

I am pleased to report to you that the year ended 31 March 2011 was another period of advancement for the Group.

Results and Key Performance Indicators

Group revenue for the year to 31 March 2011 was £1.6m, thereby reflecting an increase from the £1.4m recorded in the twelve months to 31 March 2010. Licensing fees, royalties, bulk material and components are reflected in this year's reported revenues. Operating expenses increased by £757,000 from £3,727,000 in the corresponding period last year to £4,484,000, reflecting an exceptional impairment charge of £455,000 and the considerable strengthening of the Australian Dollar, being the currency of the manufacturing cost base, against both the Pound Sterling currency of the financial results reporting and the sales revenues in US Dollars. This exceptional impairment charge relates to the residual assets in Australia with no further use following the relocation of manufacturing operations to the USA referred to below. As a consequence, the loss before taxation was increased from £1.9m in the previous year to £2.5m.

The cash position as at 31 March 2011 was £1.4m, being some £1.5m less than on the corresponding day in 2010. I would emphasise, however, that our cash position is expected to improve during the course of this year as a result of recently completed restructuring of certain customer licences which will result in additional licence revenue of US$4.2m in the financial year to 31 March 2012.

Operational Review

The Group has experienced a very dynamic, but on the whole, positive recent history in the events that lead up to this Statement.

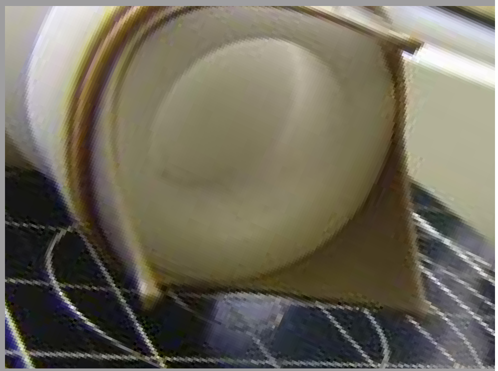
During the first half of 2011, it became increasingly clear that the business was losing out on commercial opportunities with existing and potential customers based in the US because of its distant factory location in Australia. This was a significant factor impacting the medium to long term business outlook of the Group: our customers had indicated this to us directly. Additionally, as a consequence of the significant 2-year fall of the US Dollar against the Australian Dollar and the resultant loss of certain new business opportunities, subsequent to the year end in 2011 the Group decided to put into action a strategic plan developed during the previous year. In the 5 years since the commencement of the commercial phase of the business on July 24 of 2006 with the first human implant of a device constructed from Elast-Eon™ polymer, the pro rata expense of running the Australian factory had doubled against the US Dollar, the primary currency of the Group's sales receipts.

In mid-2010, Management had developed a two-stage plan for the relocation of the Group's factory from Melbourne, Australia to the Minneapolis / St. Paul area in the United States.

As stated above, the two primary factors driving this strategy were the significant appreciation of the Australian Dollar against the US Dollar and the proximity of the business to our customers.

The original plan was to first move the location-sensitive component business and follow this up at a later date with a cost-driven consolidation of the polymer business in the same location. After careful consideration of these factors earlier this year, subsequent to the year end the Group executed its plan in one step and moved expediently to restructure certain licences to produce the funds necessary to move the majority of factory operations from Australia to the US. One-time, non-dilutive revenues from this restructuring amounted to US$4.2m of which US$1.8m was used to finance the move of the factory and certain employees. This process is ongoing but as of the time of writing it is on schedule and on budget. The Group plans to produce its first batch of polymer in the new US factory during the final quarter of 2011.

New business initiatives that have commenced since the announcement of the move to the USA provide a strong indication that this analysis was correct and that the move will bring tangible benefits in the short to medium term.



The customer reaction to this move has been universally positive. New licences in Blood Glucose monitoring and Plastic Surgery (breast implants) have been accelerated by this move. Additionally existing accounts are being further developed from basic polymer supply agreements into added value component business. Many of our customers prefer that AorTech produces their components but in the past the engineering intensity of these component business development programmes and the logistics associated with the requirement for frequent and recurring routine delivery of products precluded our ability to effectively develop these opportunities from Australia.

With the acceleration of the polymer and component businesses and an anticipated significant reduction in operating expenses associated with the new Minnesota factory, Management projects that 2012 will be a year of cash generation, and thereafter, the highly leverageable characteristics of our business, coupled with new accounts, should result in a stable business capable of generating returns for shareholders.

In the past, I have spoken of the commercial development of the Group's heart valve technology portfolio. While we remain optimistic regarding the potential for this technology, the continued improvement of biological heart valve clinical outcomes alongside the rapidly growing market for trans-catheter heart valves is causing us to reconsider our strategy in this space. We expect our technology to continue to move ahead into the commercial phase but it is increasingly likely that the trans-catheter application and the surgical manifestation of this technology will target different markets.

In addition to the aortic percutaneous heart valve ('PHV'), our mitral repairs licensee continues to make progress and is projecting human use of this royalty-bearing application before the end of calendar year 2012.

Our device portfolio now also includes a peripheral vascular graft project Joint Venture in the negotiation stage and breast implant project with four definable phases.

In addition to the aortic percutaneous heart valve ('PHV'), our mitral repairs licensee continues to make progress and is projecting human use of this royalty-bearing application before the end of calendar year 2012.

Growth of the Polymer Business

Elast-Eon™, now with 5 years of clinical experience and millions of implants, is a proven material and useful for many applications. Our ECSiL™ polymer, essentially a super silicone, is in late stage evaluations for a number of demanding long-term implant applications. We expect to see the first human implantation of ECSil™ before the second half of 2012.

In general, the Elast-Eon™ clinical experience continues to be completely trouble free. Each of our licences requires notification of an adverse clinical event. There have been none. More specifically, our polymers are providing advantages for our customers' products; namely cardiac cannulae that are free from thrombus; pacemaker leads that are the most reliable in the industry; implantable sensors that can be injected without damage; urology catheters that carry anti-bacterial and anti-inflammatory agents, and biliary and prostatic stents that remain free from blockage.

Components

Our ability to provide a high strength, low profile header for neurostimulation use will provide direct financial returns in addition to attracting attention of companies in the much larger cardiac rhythm management sector. This first use of our polymers with our proprietary small part reaction injection moulding process is now moving ahead into early stage trials with a novel orthopaedic device. We believe that with our new US presence, we will be in a significantly better position to exploit our manufacturing process know-how in conjunction with our polymer technology for both low and high volume catheters, catheter over-moulding, a variety of header components and anywhere a biostable polymer needs to be effectively bonded to commonly used implant materials, including metals, ceramics and other engineered polymers.

Outlook

The physical move from Melbourne to Minneapolis has been most positively welcomed by our essential US customer base. Indeed, we can already point to additional business the move has secured, and it is expected that this will result in more business wins; the prime goal of the decision to relocate to the US. Once our move to the USA is completed we will consider whether it may be more appropriate to move our listing to a US market, also depending on economic conditions and Group performance at that point.

The new and supplementary products and commercial opportunities covered in this Statement are realistically expected to come to fruition during the current financial year. Thanks to the dedication and skill of our management and staff in the USA and Australia the first vital step is nearing completion. This paves the way for future far-reaching structural advance. Your Board therefore anticipates the future with enthusiasm and confidence.

Jon Pither
Chairman

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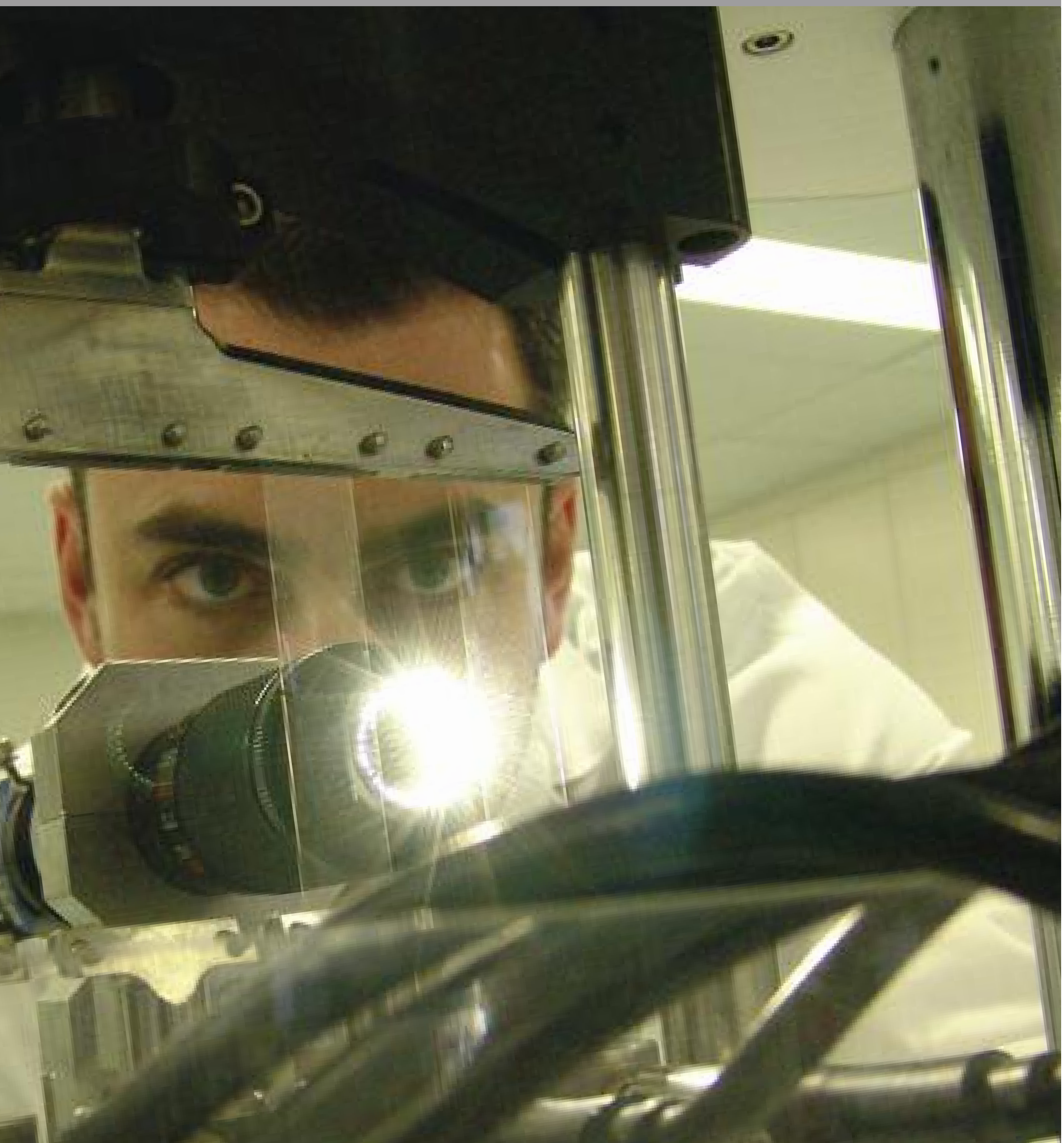

board of directors & advisors

Directors
Jon Pither non-Executive Chairman
Frank Maguire Chief Executive
Eddie McDaid non-Executive Director
Dr Stuart Rollason non-Executive Director
Gordon Wright non-Executive Director

Company Secretary
David Parsons ACIS

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

Head Office
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23 Oatlands Drive
Weybridge
Surrey KT13 9LZ

web: www.aortech.com
email: info@aortech.com

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100 Wood Street
London EC2V 7AN

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

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

Registered in Scotland, Company No.170071

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

report of the directors

The Directors present their report and the audited financial statements for the year ended 31 March 2011.

Principal Activities

The Company is the holding company of a Group whose principal activities are the development and exploitation of a range of innovative biomaterials and medical devices.

Review of Business & Future Developments

During the financial year under review the Group continued to achieve key operational milestones in the use of its core product Elast-Eon™ polymer, and to develop its new super silicone polymer product ECSil™. These milestones included the development and refinement of the materials for the medical community with the aim of providing a wide range of high performance polymers in a variety of application specific formulations and densities for use in medical devices. Looking forward, the business is increasingly utilising the co-development of Elast-Eon™ components and the manufacture of these components to drive top line revenue. The Group's specific advantage is an ability to process Elast-Eon™ and ECSil™ polymers in ways that are unique and of high value to numerous customer-based product development programmes.

During the year costs of £1,333,000 (2010: £1,121,000) were charged to the Income Statement as development expenditure. The consolidated Income Statement is set out on page 23 indicating the Group's loss for the financial year of £2,501,000 (2010: £1,923,000) which will be added to the deficit on reserves.

On a Group basis the business review and future prospects are contained within the Chairman's Statement. The Directors consider the Group financial key performance indicators to be revenue growth, control of operating expenses and the pre tax result. These are summarised within the financial review section of the Chairman's Statement. In addition the Directors consider the Group non financial key performance indicators to be the development of new application areas for its polymer products including components and devices, trials and human use of the polymer heart valve and the signing of new licence agreements. These are summarised in the operational highlights section of the Chairman's Statement.

On 16 June 2011 the Group announced the relocation of the Group's primary manufacturing operations from Melbourne, Australia to the Minneapolis/St Paul area in the USA. The total cost of this strategically important move is expected to be US$1.8m, which will be fully funded from payments that the Group will receive following the restructuring of certain customer licences (amounting to US$4.2m) and the sale of certain highly depreciated capital assets (amounting to US$0.3m). The surplus funds will enable production to be commenced at the US facility, provide cash for working capital purposes and provide a solid base upon which to grow the component business, with the emphasis on accelerating a number of pacemaker, header and other reaction injection moulding projects. Given the main market for the Group's products is the USA, the relocating during 2011 of the manufacturing operation from Melbourne, Australia to Rogers, Minnesota is expected to result both in significant cost savings and increased market awareness and penetration.

The Directors consider the principal risks and uncertainties facing the Group at this stage of its development to be as follows: small customer base generating revenues; retention of key management and personnel; reliability of products in the event of undetected faults after shipment; any adverse results which may arise during development phases; product liability risks; competitive markets with changing technology and evolving industry standards, foreign currency movements and delays in commencing production in the new US facility. All of the above risks and uncertainties are considered fundamental to the achievement of the Group's strategy and are being actively managed at Board level, along with the internal control environment detailed on page 17 below.

No dividends have been paid or proposed for the years ended 31 March 2011 and 31 March 2010.

Directors & Their Interests

At 31 March 2011 the Chairman of the Company was J Pither; the Executive Director was F Maguire and the non-Executive Directors were E McDaid, Dr S Rollason and G Wright. No other Director served during the year ended 31 March 2011.

At each Annual General Meeting one third of the Directors shall be subject to retirement by rotation. E McDaid 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 2011 and 31 March 2010 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2011 Number of shares	31 March 2010 Number of shares
J Pither	15,050	15,050
F Maguire	81,050	81,050
E McDaid	363,383	333,383
S Rollason	11,825	11,825
G Wright	335,107	305,107

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 July 2011 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Chase Nominees Limited*	1,064,435	22.03%
Mr Edward McDaid	363,383	7.52%
Credit Agricole Cheuvreux International Limited 3439	347,500	7.19%
Caricature Investments Limited**	335,107	6.93%
The Bank of New York (Nominees) Limited DBV303	270,987	5.61%
Mr Roy Mitchell and Mrs P Mitchell	260,963	5.40%
The Bank of New York (Nominees) Limited 585665	157,000	3.25%

* the holding of Chase Nominees Limited includes 891,861 shares held by Bluehone Investors LLP as fund manager of Active Capital Trust plc which accounts for 18.45% of the Company's issued share capital. Dr S Rollason is also a Director of Bluehone Investors LLP. Dr S Rollason owned 11,825 shares in the Company at 1 July 2011.

**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 1 July 2011 was 35.0%.

Employees

The Group places considerable value on the involvement of its employees and they are regularly briefed on the Group's activities through consultative meetings.

Equal opportunities are given to all employees regardless of their gender, colour, race, religion or ethnic origin.

Applications for employment from disabled persons are always considered fully bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Market Risk

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

Currency Risk

The Group is exposed to translation and transaction foreign exchange risk. The majority of the Group's sales are to customers in the United States. These sales are priced and invoiced in US dollars. The Group policy is to try and match the timing of the settling of these sales and purchase invoices so as to eliminate, as far as possible, currency exposures. The move of operations from Australia to the United States since the year end will assist in managing this risk.

The tables below show the extent to which the Group has residual financial assets and liabilities. Foreign exchange differences on retranslation of these assets and liabilities are taken to profit or loss of the Group, other than in respect of the retranslation of foreign subsidiary balances arising on consolidation which are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

	Net foreign currency monetary assets			
	Australian dollar	Euro	US dollar	Total
	£000	£000	£000	£000
2011				
Sterling	**1,290**	**11**	**58**	**1,359**
2010				
Sterling	2,794	11	32	2,837

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably.

Interest Rate Risk

The Group finances its operations through retained cash reserves.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2011 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
	£000	£000	£000	£000
Financial assets				
Cash	1,138	156	87	1,381
Trade receivables	-	-	834	834
	1,138	156	921	2,215
Financial liabilities				
Trade payables	-	-	160	160
	-	-	160	160

Credit Risk

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

Capital Management Objectives

The Directors' capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders. The parent and subsidiary companies' Boards meet regularly to review performance and discuss future opportunities and threats with the aim of optimising sustainable returns and minimising risk.

Payables Payment Policy

The Group's current policy concerning the payment of the majority of its trade payables is to follow the 'Better Payment Practice Code' issued by the Better Payment Practice Group. For other suppliers, the Group policy is to:

a) Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
b) Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
c) Pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payables for revenue and capital supplies of goods and services without exception.

Wherever possible UK subsidiaries follow the same policy and the overseas subsidiaries are encouraged to adopt a similar policy applying local best practice. The Company's average payables payment period at 31 March 2011 was 13 days (2010: 30 days).

Charitable & Political Donations

During the year the Group made no charitable or political donations (2010: nil).

Annual General Meeting

The notice convening the Annual General Meeting for 2:00pm on Thursday, 8 September 2011 in the Mansfield Suite of the Renaissance London Chancery Court Hotel, 252 High Holborn, London, WC1V 7EN is set out on page 53. There are a number of resolutions to be passed and further information in relation to these resolutions is set out below.

Resolutions 1 to 6

Resolution 1 provides for the approval of the Company's financial statements for the year ended 31 March 2011.

Resolution 2 provides for approval of the Report of the Remuneration Committee for the year ended 31 March 2011. 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 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 except in connection with the employee share schemes.

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 SCO170071
Weybridge

28 July 2011

RECOMMENDATION:
An explanation of the resolutions to be proposed is set out on pages 13 and 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.

statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

In so far as the Directors are aware:

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

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

Auditor

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

By Order of the board:

J C D Parsons
Company Secretary
Weybridge

28 July 2011

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 2011, comprised one Executive and three non-Executive Directors and a non-Executive Chairman. All Directors are able to take independent advice in furtherance of their duties if necessary.

accountability & audit

The Board includes a detailed review of the performance of the Group in the Chairman's Statement on pages 4 to 8. Reading this alongside the Report of the Directors on pages 10 to 14 the Board seeks to present a balanced and understandable assessment of the Group's position and prospects.

Internal Control

The Board has formalised the review and reporting of the main internal controls within the business. In previous periods, the Directors commissioned a risk review exercise in the course of which the key risk factors facing the Group were identified. These areas included regulatory, research and development, commercial, human resources and information technology. The Board will continue to review the system of internal controls within the Group.

The Board of Directors is responsible for the Group's system of financial controls. However, it should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The principal elements of the system include:

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

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

Audit Committee

The Audit Committee, comprising the non-Executive Directors and chaired by E McDaid, meets at least twice per year and 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.

Audit independence

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

The Audit Committee has determined that, due to the substantial changes occurring in respect of the nature and structure of the Group's business, and in particular the relocation of the primary manufacturing operations of the Group from Melbourne, Australia to the Minneapolis / St Paul area in the United States, it would be in the interests of audit quality that the current audit engagement partner should continue in his role for the audits of the 2011 and 2012 accounts. The Audit Committee is satisfied that by the application of safeguards, the extension does not undermine the objectivity and independence of the auditor.

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

Going Concern

After considering the year end cash position, making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans, including the costs and impact of relocating the Group's manufacturing operations from Australia to the USA, for a period of at least 12 months from the date of signing these financial statements, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has more than sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider that the adoption of the 'going concern' basis in preparing the Group financial statements is appropriate.

report of the remuneration committee

This report has been prepared largely in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, which introduced new statutory requirements for the disclosure of Directors' remuneration in respect of periods commencing on or after 6 April 2008. The report also meets the relevant requirements of the AIM Rules and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. In accordance with best practice, notwithstanding that these regulations do not apply to AIM companies, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

Remuneration Committee

The Remuneration Committee comprises the non-Executive Directors as follows:

Dr S Rollason (Chairman)
E McDaid
J Pither
G Wright

As appropriate, the Committee may invite the Chief Executive to participate in some of its discussions. No Director plays a part in any discussion about his own remuneration.

The Committee is responsible for determining the terms and conditions of employment of Executive Directors. It is also responsible for considering management recommendations for remuneration and employment terms of the Group's staff, including incentive arrangements for bonus payments and grants of share options.

The constitution and operation of the Committee is in compliance with the provisions of the Combined Code 2008 on Corporate Governance. When setting its remuneration policy the Committee gives full consideration to the provisions and principles of the Combined Code. In setting the policy it considers a number of factors including:

- The basic salaries and benefits available to executive Directors and senior management of comparable companies.
- The need to attract and retain Directors and senior management of an appropriate calibre.
- The need to ensure Executive Directors' and senior management's commitment to the future success of the Group by means of incentive schemes.

Remuneration of non-Executive Directors

The remuneration of the non-Executive Directors is determined by the Board with reference to the annual survey of independent Directors carried out by Independent Remuneration Solutions.

The non-Executive Directors do not receive any pension or other benefits from the Company, nor do they participate in any of the bonus schemes.

The non-Executive Directors have service agreements, which are reviewed by the Board annually, and they are also included in the one third of Directors subject to retirement by rotation at each Annual General Meeting.

Remuneration of Executive Director

The Executive Director has a service contract, which can be terminated on one year's notice by either party. The Remuneration Committee will review each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances, taking care to ensure that poor performance is not rewarded. The most recent executed contract for the Executive Director was for F Maguire on 6 December 2002. The Company's remuneration policy for Executive Directors is to:

- Have regard to the individual's experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality.
- Link individual remuneration packages to the Group's long term performance through the award of share options and bonus schemes.
- Provide post retirement benefits through defined contribution pension schemes.
- Provide employment related benefits including the provision of a company car, life assurance, medical insurance and insurance relating to the individual's duties.

Salaries and Benefits

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

Performance Related Bonuses

An annual performance related bonus scheme is operated by the Group. Under the scheme bonuses are payable to Executive Directors subject to terms laid down by the Remuneration Committee from time to time.

Share Options

The Company operates an Approved Share Option Scheme and an Unapproved Share Option Scheme.

Only Executive Directors and employees of the Group resident in the UK are eligible to participate in the Share Option Scheme, which has been approved by HM Revenue and Customs under the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988.

Any person who at the date of grant is approved by the Board is entitled to participate in the Unapproved Share Option Scheme.

The award of options under both schemes is at the discretion of the Remuneration Committee.

The options issued to date under both schemes will only be exercisable if the average mid market closing price of the Company's shares on the five business days prior to the date of exercise exceeds the option price by 15% or more and after the elapse of three years from the date of grant of the option.

Pensions

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

Directors' Emoluments - audited

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

	Salary & fees £	Benefits in kind £	Pension contributions £	2011 Total £	2010 Total £
Executive					
F Maguire	191,311	7,200	15,000	213,511	255,016
Non-executive					
J Pither (Chairman)	30,000	-	-	30,000	30,000
Dr S Rollason	21,000	-	-	21,000	18,000
E McDaid	30,000	-	-	30,000	22,000
G Wright	18,000	-	-	18,000	18,000
	290,311	7,200	15,000	312,511	343,016

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

J Pither is employed by Surrey Management Services Limited ('Surrey') in the provision of services to the Company. All of the emoluments of J Pither above are represented by payments made by the Company to Surrey in respect of those services.

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

Directors' Interests In Shares

The interests of Directors in shares of the Company are included in the Report of the Directors on page 11.

Directors' Interests In Share Options

The details of options held by Directors are set out below:

	Number of options					
	At 1 April 2010	Granted/ (expired) during year	At 31 March 2011	Exercise price	Date from which exercisable	Expiry date
(i) Approved Share Option Scheme						
F Maguire	12,000	-	12,000	£2.50	11/07/2005	11/07/2012
(ii) Unapproved Share Option Scheme						
F Maguire	7,000	-	7,000	£2.50	11/07/2005	10/07/2012
	19,000	-	19,000	£2.80	08/08/2005	07/08/2012
	25,000	-	25,000	£2.50	14/07/2006	13/07/2013
	200,000	-	200,000	£2.50	30/06/2007	29/06/2014
J Pither	20,000	-	20,000	£3.25	01/09/2009	01/09/2016
J Pither	-	5,000	5,000	£2.50	16/06/2013	15/06/2020
Dr S Rollason	13,000	-	13,000	£3.25	01/09/2009	01/09/2016
Dr S Rollason	-	5,000	5,000	£2.50	16/06/2013	15/06/2020

The range in the mid market price of the Company's shares during the year ended 31 March 2011 was from £2.20 to £1.355. The mid market price on 31 March 2011 was £1.94.

On behalf of the Board,

Dr Stuart Rollason
Chairman of the Remuneration Committee
28 July 2011

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 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Parent Company financial statements of AorTech International Plc for the year ended 31 March 2011.

John Bowler
Senior Statutory Auditor

For and on behalf of

GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
East Midlands

28 July 2011

consolidated income statement

	Notes	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Revenue	3	1,570	1,362
Other income - grants received		328	306
Cost of sales		(357)	(382)
Administrative expenses		(2,187)	(2,082)
Other expenses - development expenditure		(1,333)	(1,121)
Other expenses - impairment of property, plant and equipment	11	(455)	-
Other expenses - amortisation of intangible assets	10	(152)	(142)
Operating loss	3	(2,586)	(2,059)
Finance income	7	85	136
Loss before taxation	5	(2,501)	(1,923)
Taxation	8	-	-
Loss attributable to equity holders of the parent company		(2,501)	(1,923)
Loss per share			
Basic and diluted – (pence per share)	9	(51.75)	(39.79)

consolidated
statement of comprehensive income

	Year ended 31 March 2011	Year ended 31 March 2010
Loss for the year	(2,501)	(1,923)
Other comprehensive income:		
Exchange differences on translating foreign operations	210	1,204
Income tax relating to other comprehensive income	-	-
Other comprehensive income for the year, net of tax	210	1,204
Total comprehensive income for the year, attributable to equity holders of the parent	(2,291)	(719)

consolidated balance sheet

	Notes	31 March 2011 £000	31 March 2010 £000
Assets			
Non current assets			
Intangible assets	10	1,365	1,424
Property, plant and equipment	11	216	718
Total non current assets		1,581	2,142
Current assets			
Inventories	12	146	150
Trade and other receivables	14	674	859
Cash and cash equivalents	15	1,381	2,885
Total current assets		2,201	3,894
Total assets		3,782	6,036
Liabilities			
Current liabilities			
Trade and other payables	16	(660)	(623)
Total current liabilities		(660)	(623)
Total liabilities		(660)	(623)
Net assets		3,122	5,413
Equity			
Issued capital	19	12,082	12,082
Share premium	19	2,340	2,340
Other reserve		(2,003)	(2,003)
Foreign exchange reserve		2,072	1,862
Profit and loss account		(11,369)	(8,868)
Total equity attributable to equity holders of the parent		3,122	5,413

The Group financial statements were approved by the Board on 28 July 2011 and were signed on its behalf by

J Pither, Chairman

E McDaid, Director

consolidated
cash flow statement

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Cash flows from operating activities		
Group loss after tax	(2,501)	(1,923)
Adjustments for:		
Depreciation of property, plant and equipment	226	258
Impairment of property, plant and equipment	455	-
Amortisation of intangible assets	152	142
Interest income	(85)	(136)
Deferred income released	-	(79)
Decrease in trade and other receivables	185	(423)
Decrease in inventories	4	-
Increase in trade and other payables	37	111
Net cash flow from operating activities	(1,527)	
Cash flows from investing activities		
Purchase of property, plant and equipment	(132)	(102)
Interest received	85	136
Net cash flow from investing activities	(47)	34
Net decrease in cash and cash equivalents	(1,574)	(2,016)
Foreign exchange movements on cash held in foreign currencies	70	723
Cash and cash equivalents at beginning of year	2,885	4,178
Cash and cash equivalents at end of year	1,381	2,885

consolidated
statement of changes in equity

	Share capital £000	Share premium account £000	Other reserve £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
Balance at 31 March 2009	12,082	2,340	(2,003)	658	(6,945)	6,132
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,923)	(1,923)
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	1,204	-	1,204
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,204	(1,923)	(719)
Balance at 31 March 2010	**12,082**	**2,340**	**(2,003)**	**1,862**	**(8,868)**	**5,413**
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(2,501)	(2,501)
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	210	-	210
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	210	(2,501)	(2,291)
Balance at 31 March 2011	**12,082**	**2,340**	**(2,003)**	**2,072**	**(11,369)**	**3,122**

notes
to the financial statements

1 Basis of preparation

The Group financial statements are for the year ended 31 March 2011. 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 2011.

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

After considering the year end cash position, making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans, including the costs and impact of relocating the Group's manufacturing operations from Australia to the USA, for a period of at least 12 months from the date of signing these financial statements, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has more than sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider that the adoption of the 'going concern' basis in preparing the Group financial statements is appropriate.

The accounting policies remain unchanged from the previous year except for the adoption of IFRS 3 and IAS 27 (both Revised 2008).

The Group has adopted IFRS 3 Business Combinations (Revised 2008) in its consolidated financial statements, and it has been applied prospectively. The new standard has introduced changes to the accounting requirements for business combinations, but still requires use of the purchase method. In particular, transaction costs must be expensed in the Income Statement rather than previously when these were capitalised and dealt with as part of the acquisition accounting. IFRS 3 Revised will be applied prospectively to business combinations for which the acquisition date is on or after 1 April 2010.

The Group has also adopted IAS 27 *Consolidated and Separate Financial Statement*s (Revised 2008) in its consolidated financial statements, and this has been applied prospectively, in accordance with the transitional provisions. The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. There is no immediate effect on the Group's financial statements.

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 2011 financial statements.

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

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

IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011).

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010).

Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011).

Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012).

2 Principal accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT, sales between Group companies and trade discounts, as follows:

(a) *Supply of materials, services and finished goods:* Revenue from the supply of materials and finished goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be on shipment, receipt of the goods by the customer or upon completion of the product and the product being ready for delivery, based on the specific contract terms. Revenue from the supply of services is recognised upon stage of completion of the service, based on the specific contract terms.

(b) *Licence fees:* Upfront payments in respect of licence revenues for access by third parties to the Group's technology are recognised as revenue once a third party has a binding contractual obligation to the Group based on the specific contract terms and the Group has no remaining obligations to perform.

(c) *Milestone payments:* Milestone payments are recognised once the Group's obligations for each milestone have been met and the Group has achieved a right to be paid in return for their contractual performance.

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

Government grants / assistance

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement on a diminishing value basis over the expected useful lives of the relevant assets. As such, a proportion of deferred income is shown on the balance sheet as a non current liability. Government grants which are income in nature are credited to the income statement in the same period as the related expenditure so as to match them with the related costs which they are intended to compensate, on a systematic basis.

Interest

Interest income is the interest earned on cash or cash equivalents held with the Group's bankers and recognised within the period earned, accrued on a time basis by reference to the principal outstanding and at the effective rate applicable.

Employee benefits

Defined contribution pension scheme: The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Intangible assets

(a) Patents and trademarks (intellectual property):

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

(b) Research and development:

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

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

The Group does not currently have any such internal or external development costs that qualify for capitalisation as intangible assets.

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost, including any incidental costs of acquisition, net of accumulated depreciation and any accumulated provision for impairment. No depreciation is charged until the asset is brought into use.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss. The gain or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense" in the income statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

Depreciation

Depreciation is calculated to write off the cost of all property, plant and equipment less estimated residual value by the reducing balance method where it reflects the basis of consumption of the assets over their estimated useful economic lives. The periods generally applicable are:

Leasehold property improvements:	Period of lease
Plant and equipment	2½ years
Fixtures and fittings	2½ - 5 years

Material residual value estimates are updated as required, but at least annually.

Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Individual assets or cash-generating units that include intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Leased assets

The Group has a property lease on its facility in Melbourne and an equipment lease on a photocopier/fax printer. Both leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Financial assets

Financial assets fall into the following category: Loans and receivables.

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

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An assessment for impairment is undertaken at least at each balance sheet date.

Cash and cash equivalents comprise cash on hand and demand deposits together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities fall into the following category: Financial liabilities at amortised cost

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

All financial liabilities are subsequently recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Taxation

Current tax is the tax currently payable based on taxable profit for the accounting period.

Deferred taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

Equity

Equity comprises the following:

- “Share 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 and the Group's presentational currency is Sterling.

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

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

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average of exchange rates in force at the end of each month of the reporting period. All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are reclassified from equity to profit or loss as a reclassification adjustment as part of the gain or loss on disposal.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Use of accounting estimates and judgements

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

Judgements in applying accounting policies:

(a) Capitalisation of development costs requires detailed analysis of the technical feasibility and commercial viability of the project. To date the Group has written off all such development costs because the specific criteria for capitalisation have not been met, although the Board regularly reviews this judgement in respect of specific development projects.

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

(c) Identification of functional currencies requires analysis of the economic environments of the subsidiaries of the Group and the selection of the presentational currency must reflect the requirements of the users of those statements.

(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, as well as assessing whether any provision for impairment is necessary through the estimation of future cash flows.

Sources of estimation uncertainty:

(a) Estimates are required as to intangible asset carrying values and impairment charges.

(b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.

(c) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.

3 Segmental reporting

The principal activity of the AorTech International Plc Group currently is the development and exploitation of a range of innovative biomaterials and medical devices. This forms the Group's only operating segment.

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

Analysis of revenue by destination by products and services and by geographical area	2011 £000	2010 £000
United Kingdom		
Supply of materials and finished goods	4	29
Australia		
Supply of materials and finished goods	1	2
USA		
Supply of materials and finished goods	929	738
Milestone payments - services	628	12
Licence fees - services	6	574
Royalty revenue	2	7
	1,570	1,362

During the year ended 31 March 2011, 61.0% of the Group's revenues depended upon a single customer (2010: 77.8%)

Analysis of result - operating loss	2011 £000	2010 £000
United Kingdom	(409)	(356)
Australia	(1,675)	(1,234)
USA	(502)	(469)
	(2,586)	(2,059)

Analysis of non-current assets by location		
United Kingdom	-	-
Australia	1,581	2,142
USA	-	-
	1,581	2,142

4 Remuneration of Directors and key management personnel

Key management personnel	2011 £000	2010 £000
Emoluments – short-term employee benefits	678	743
Pension costs – post-employment benefits	52	53
	730	796

The key management personnel whose remuneration is included in the table above are a Director / Company Secretary of AorTech Biomaterials Pty Limited; two Directors, AorTech Biomaterials Pty Limited; the Vice President of Research & Development, AorTech Medical Devices (USA), Inc; the Chief Operating Officer and the five Directors of the parent company.

Please see the Report of the Remuneration Committee on pages 18 to 20 for full details of Directors' emoluments.

Included in the aggregate emoluments for the year ended 31 March 2011 are payments of £51,000 (2010: £48,000) made by the Company to third parties. The highest paid Director received total emoluments of £213,511 including pension contributions of £15,000 (2010: total emoluments of £255,016 including pension contributions of £15,000).

5 Loss before taxation

Loss before taxation has been arrived at after charging/(crediting):	2011 £000	2010 £000
Foreign exchange differences	(16)	42
Depreciation and amortisation:		
Depreciation of property, plant and equipment	226	258
Impairment of property, plant and equipment	455	-
Amortisation of intangible assets	152	142
Employee benefits expense:		
Employee costs (Note 6)	1,614	1,540
Land and buildings held under operating leases:		
Other operating leases	211	163
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group financial statements	30	25
Fees payable to the Company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	18	16
Tax services	3	3
Other services	1	1

6 Employees

	2011 £000	2010 £000
Employee costs (including Directors):		
Wages and salaries	1,491	1,430
Pension costs	123	110
	1,614	1,540

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

	Numbers	Numbers
Production	5	4
Sales	1	1
Development and quality control	14	11
Administration	12	12
	32	28

7 Finance income

	2011 £000	2010 £000
Bank interest receivable	85	136

8 Income tax expense

No current tax or deferred tax expense arises on the loss for the year.

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

	2011 £000	2010 £000
Loss for the year before tax	(2,501)	(1,923)
Loss for year multiplied by the respective standard rate of corporation tax applicable in each domain (average 28%)	(700)	(538)
Effects of:		
Depreciation for the year differs from capital allowances and other temporary differences	(11)	(14)
Expenses not deductible for tax purposes and other tax differences	261	81
Losses not utilised	605	471
Losses utilised	(155)	-
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 £3,985,000 – tax effect is £1,036,000 (2010: £4,539,000 – tax effect £1,271,000). Losses carried forward in Australia total £7,622,000 – tax effect £1,982,000 (2010: £6,457,000 – tax effect £1,808,000). Losses in the USA total £1,434,000 – tax effect £373,000 (2010: £931,000 - tax effect £261,000).

On 1 April 2010 the standard UK rate of corporation tax was 28%.

9 Loss per share

	2011 £000	2010 £000
Loss for the year attributable to equity shareholders	(2,501)	(1,923)
Loss per share		
Basic and diluted (pence per share)	(51.75)	(39.79)
	Shares	Shares
Issued ordinary shares at start of the year	4,832,778	4,832,778
Ordinary shares issued in the year	-	-
Issued ordinary shares at end of the year	4,832,778	4,832,778
Weighted average number of shares in issue for the year	4,832,778	4,832,778

The diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

10 Intangible assets

	Intellectual property £000
Valuation	
At 1 April 2009	2,286
Exchange differences	562
At 31 March 2010	2,848
Exchange differences	186
At 31 March 2011	3,034
Amortisation	
At 1 April 2009	1,029
Exchange differences	253
Charge for the year	142
At 31 March 2010	1,424
Exchange differences	93
Charge for the year	152
At 31 March 2011	1,669
Net book value	
At 1 April 2009	1,257
At 31 March 2010	1,424
At 31 March 2011	**1,365**

11 Property, plant and equipment

	Property improvements £000	Plant & equipment £000	Fixtures & fittings £000	Total £000
Cost				
At 1 April 2009	635	940	187	1,762
Additions	28	55	19	102
Exchange differences	156	231	46	433
At 31 March 2010	819	1,226	252	2,297
Additions	18	108	6	132
Exchange differences	54	80	16	150
At 31 March 2011	891	1,414	274	2,579
Depreciation				
At 1 April 2009	206	719	135	1,060
Charge for the year	108	128	22	258
Exchange differences	51	177	33	261
At 31 March 2010	365	1,024	190	1,579
Charge for the year	99	107	20	226
Impairment charge	403	-	52	455
Exchange differences	24	67	12	103
At 31 March 2011	891	1,198	274	2,363
Net book value				
At 1 April 2009	429	221	52	702
At 31 March 2010	454	202	62	718
At 31 March 2011	**-**	**216**	**-**	**216**

The property improvements and fixtures & fittings in Australia have been fully impaired as a result of the post year end transfer of manufacturing operations to the USA.

12 Inventories

	2011 £000	2010 £000
Raw materials	**98**	117
Finished goods	**48**	33
	146	150

In 2011 a total of £263,000 of inventories was included in the income statement as an expense (2010: £344,000). There was no amount resulting from writedowns of inventories in either 2011 or 2010. There were no reversals of previous writedowns that were recognised in the income statement in either 2011 or 2010.

13 Financial instruments

Risk management

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

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

Categories of financial instrument

	2011 £000	2010 £000
Financial assets – loans and receivables		
Cash and cash equivalents	1,381	2,885
Trade and other receivables	606	813
	1,987	3,698
Financial liabilities		
Liabilities at amortised cost	(653)	(531)
	(653)	(531)

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

Foreign currency risk

The Group has an Australian subsidiary whose functional currency is the Australian dollar and a US subsidiary whose functional currency is the US dollar. As noted in the Report of the Directors, the Board has taken steps to minimise foreign currency risk by the relocation of manufactuing operations to the USA from Australia.

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

	2011 £000	2010 £000
Sterling	22	48
US dollars	59	32
Australian dollars	151	163
Euros	11	11
	243	254

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

	2011 £000	2010 £000
Australian dollars	1,138	2,631
	1,138	2,631

Interest rate risk

The Group finances its operations through equity fundraising and does not currently carry any borrowings. The cash balances and short term deposits are held at both fixed and floating rates as follows:

	Interest rate %	2011 £000	Interest rate %	2010 £000
Cash	0%	87	0%	218
	0.5%	36	0.50%	36
	4.75%	120		
Short term deposits	6.05%	103	5.80%	1,002
	6.0%	38	4.75%	1,509
	5.5%	193	3.70%	120
	4.82%	129		
	4.75%	161		
	4.63%	193		
	4.57%	321		
		1,138		2,885

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 £21,000 (2010: £34,000), all other variables remaining constant.

Credit risk

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

The Group has trade receivables resulting from sales and other receivables from provision of other services which the management consider to be of low risk. The management do not consider that there is any concentration of risk within either trade or other receivables.

Liquidity risk

The Group currently holds cash balances and short term deposits in Sterling, US dollars and Australian dollars. These balances provide funding for the Group's trading activities.

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

14 Trade and other receivables

	2011 £000	2010 £000
Current assets		
Trade receivables	585	776
Other receivables	21	37
Prepayments	68	46
	674	859

Trade receivables are shown net of a provision of £250,000 to reflect uncertainty over the timing of receipt. In addition, £513,000 of net receivables were past due for payment but not impaired at 31 March 2011.

15 Cash and cash equivalents

	2011 £000	2010 £000
Cash at bank and in hand	243	254
Short term deposits	1,138	2,631
	1,381	2,885

16 Trade and other payables

	2011 £000	2010 £000
Current liabilities		
Trade payables	160	99
Other payables	270	212
Deferred income (government grants)	7	92
Accruals	223	220
	660	623

Government grants received towards capital expenditure are released to the income statement on a diminishing value basis over a period equal to the useful economic life of the assets to which they relate. On average this period is five years.

17 Operating lease commitments

The Group had the following total commitments under non-cancellable operating leases in Australia at 31 March:

	2011 £000	2010 £000
The following payments are due to be made on operating lease commitments:		
Within one year	196	192
Two to five years	19	16
	215	208

18 Share based payments

The Group has an approved share option plan for the benefit of employees resident in the UK and Executive Directors.

Options in issue	Exercise Price (£)	Exercise period on or before:
12,000	2.50	10 July 2012
600	2.95	25 July 2012

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

	2011	WAEP	2010	WAEP
	Number	£	Number	£
Outstanding at the beginning of the year	12,600	£2.52	12,600	£2.52
Outstanding at the year end	**12,600**	**£2.52**	12,600	£2.52
Exercisable at the year end	**12,600**	**£2.52**	12,600	£2.52

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

Options in issue	Exercise Price (£)	Exercise period on or before:
750	41.75	28 May 2011
7,000	2.50	10 July 2012
19,000	2.80	7 August 2012
25,000	2.50	13 July 2013
4,000	2.50	29 June 2014
200,000	2.50	29 June 2014
20,000	2.50	21 November 2014
68,000	3.25	1 September 2016
40,000	4.28	21 January 2018
7,500	2.50	23 September 2018
51,000	2.50	15 June 2020

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

	2011	WAEP	2010	WAEP
	Number	£	Number	£
Outstanding at the beginning of the year	402,000	£4.32	414,500	£4.68
Granted during the year	58,500	£2.50	-	-
Forfeited during the year	(11,200)	£7.30	(10,500)	£7.12
Expired during the year	(7,050)	£78.08	(2,000)	£56.25
Outstanding at the year end	**442,250**	**£2.82**	402,000	£4.32
Exercisable at the year end	**442,250**	**£2.82**	402,000	£4.32

The options issued to date under both schemes will only be exercisable if the average mid market closing price of the Company's shares on the five business days prior to the date of exercise exceeds the option price by 15% or more and after the elapse of three years from date of Option Grant.

The fair value of options granted after 7 November 2002 but not vested at 1 April 2006 has been arrived at using an appropriate model. The assumptions inherent in the use of this model are as follows:

- The option life is assumed to be at the end of the allowed period
- There are no vesting conditions
- No variables change during the life of the option (e.g. dividend yield)
- Volatility has been calculated over the three years prior to the balance sheet date.

Date of grant	Vesting Period (years)	Date of vesting	Exercise Price (£)	Risk-free Rate	Share price at grant (£)	Volatility of Share price	Fair value (£000)	Number outstanding
14.07.03	3	14.07.06	2.50	3.83%	1.32	63%	12	25,000
30.06.04	3	30.06.07	2.50	5.04%	1.62	63%	24	8,000
30.06.04	3	30.06.07	2.50	5.04%	1.62	63%	132	200,000
22.11.04	3	22.11.07	2.50	4.56%	1.89	63%	18	20,000
01.09.06	3	01.09.09	3.25	4.61%	3.18	63%	118	78,000
21.01.08	3	21.01.11	4.28	4.21%	4.02	45%	44	45,000
16.06.10	3	16.06.13	2.50	4.00%	1.88	36%	32	51,000

The Group has not recognised any expense related to equity-settled share based payment transactions during the year (2010: nil), on the grounds that the charge is not material. The Directors have also concluded that the cumulative position to date is also not material.

19 Share capital

	Shares Number	Nominal Value (£2.50) £000	Premium net of costs £000	Total £000
In issue at 1 April 2010	4,832,778	12,082	2,340	14,422
31 March 2010 and **31 March 2011**	4,832,778	12,082	2,340	14,422

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

Capital management objectives are set out in the Report of the Directors on page 13.

20 Contingent liabilities

There were no contingent liabilities at 31 March 2011 or at 31 March 2010.

21 Post Balance Sheet event

On 16 June 2011 the Group announced the relocation of the Group's primary manufacturing operations from Melbourne, Australia to the Minneapolis/St Paul area in the USA. The total cost of this strategically important move is expected to be US$1.8m, which will be fully funded from payments that the Group will receive following the restructuring of certain customer licences (amounting to US$4.2m) and the sale of certain highly depreciated capital assets (amounting to US$0.3m). The surplus funds will enable production to be commenced at the US facility, provide cash for working capital purposes and provide a solid base upon which to grow the component business, with the emphasis on accelerating a number of pacemaker, header and other reaction injection moulding projects.

independent auditor’s report

To the Members of AorTech International plc

We have audited the Parent Company financial statements of AorTech International Plc for the year ended 31 March 2011 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors’ Responsibilities set out on page 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 March 2011
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of AorTech International Plc for the year ended 31 March 2011.

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

28 July 2011

parent company balance sheet

	Notes	31 March 2011 £000	31 March 2010 £000
Fixed assets			
Investment in subsidiary undertakings	3	-	-
Current assets			
Debtors – amounts falling due within one year	4	10	22
Debtors – amounts falling due after one year	4	13,051	17,129
Cash at bank		20	46
		13,081	17,197
Creditors: amounts falling due within one year	5	(193)	(194)
Net assets		12,888	17,003
Capital and reserves			
Called up share capital	6	12,082	12,082
Share premium account	8	2,340	2,340
Profit and loss account	8	(1,534)	2,581
Equity shareholders' funds	8	12,888	17,003

The parent company financial statements were approved by the Board on 28 July 2011 and were signed on its behalf by

J Pither, Chairman

E McDaid, Director

1 Accounting policies

Accounting convention

The parent company financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) A summary of the material accounting policies, which have been applied consistently, is set out below. The principal accounting policies represent the most appropriate in accordance with FRS 18.

Going concern

After considering the year end cash position, making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has more than sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider that the adoption of the 'going concern' basis in preparing the Company's financial statements is appropriate.

Investments

Investments held as fixed assets are stated at the lower of cost and net realisable value, less provision for any impairment. In the opinion of the Directors the value of such investments is not less than that shown at the balance sheet date.

Deferred tax

Deferred tax is recognised (on an undiscounted basis) on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Share based payments

All share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements. All goods and services received in exchange for the grant of any share based payment are measured at their fair values. Where employees are rewarded using share based payments the fair values of their services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (e.g. profitability and sales growth targets).

All equity settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to 'other reserves'.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

Debtors

The amounts owed by Group undertakings are in respect of long term loans and have been treated as part of the net investment in the foreign entities, and included within debtors due in greater than one year. 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.

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 2011 was £5,079,000 (2010: £355,000) after an impairment charge of £4,670,000 in respect of amounts owed by group undertakings but before foreign exchange credits of £964,000 (2010: £3,168,000).

3 Fixed Asset Investments

	31 March 2011 £000	31 March 2010 £000
Investment in subsidiary undertakings		
Cost		
Historical cost	23,159	23,159
Provision for impairment	(23,159)	(23,159)
Net book value at 31 March	-	-

Interest in subsidiary undertakings

	Name of undertaking	Country of registration or incorporation	Description of shares held	Proportion of nominal value of shares held %
(i)	AorTech Biomaterials Limited	Scotland	Ordinary £1	100
(ii)	AorTech Critical Care Limited	Scotland	Ordinary £1	92
(iii)	AorTech Biomaterials Pty Limited	Australia	Ordinary Aus. $1	100
(iv)	AorTech Medical Devices (USA), Inc	USA	Common US $1	100

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

(i) A non-trading company in the UK
(ii) A dormant company in the UK
(iii) The development of new biostable polyurethanes operating principally in Australia
(iv) Marketing in the Americas

4 Debtors

	2011 £000	2010 £000
Amounts falling due within one year		
Other debtors	9	15
Prepayments	1	7
	10	22
Amounts falling due after more than one year		
Amounts owed by Group undertakings*	13,051	17,129
	13,061	17,151

* AorTech International Plc has agreed not to seek repayment of the amount owing by its subsidiary AorTech Biomaterials Pty Limited within 12 months of the balance sheet date. An impairment charge of £4,670,000 has been made against the amount outstanding.

5 Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	-	6
Accruals	193	188
	193	194

6 Share Capital

See Note 19 in the Group financial statements.

7 Share based payments

See Note 18 in the Group financial statements.

8 Statement of movement in Shareholders' Funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total shareholders' funds £000
1 April 2009	12,082	2,340	(232)	14,190
Profit for the year	-	-	2,813	2,813
At 31 March 2010	12,082	2,340	2,581	17,003
Loss for the year	-	-	(4,115)	(4,115)
At 31 March 2011	12,082	2,340	(1,534)	12,888

9 Directors and Employees

The Directors are the only employees of the parent company. Disclosure of their emoluments is given in the Report of the Remuneration Committee on pages 18 to 20.

10 Related Party Transactions

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

11 Post Balance Sheet Event

On 16 June 2011 the Group announced the relocation of the Group's primary manufacturing operations from Melbourne, Australia to the Minneapolis/St Paul area in the USA. The total cost of this strategically important move is expected to be US$1.8m, which will be fully funded from payments that the Group will receive following the restructuring of certain customer licences (amounting to US$4.2m) and the sale of certain highly depreciated capital assets (amounting to US$0.3m). The surplus funds will enable production to be commenced at the US facility, provide cash for working capital purposes and provide a solid base upon which to grow the component business, with the emphasis on accelerating a number of pacemaker, header and other reaction injection moulding projects.

notice of the annual general meeting

Notice is hereby given that the fourteenth Annual General Meeting of AorTech International Plc will be held in the Mansfield Suite of the Renaissance London Chancery Court Hotel, 252 High Holborn, London, WC1V 7EN on Thursday, 8 September 2011 at 2:00 pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the financial statements of the Company for the year ended 31 March 2011 together with the Reports of the Directors and Auditor thereon.

2. To approve the Report of the Remuneration Committee for the year ended 31 March 2011.

3. To re-elect Mr Edward McDaid, 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. That the Directors be hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of said Section 551) up to an aggregate nominal amount of £4,027,315 which authority will expire at the conclusion of the next Annual General Meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would, or might, require relevant securities to be allotted after such expiry and the Directors may allot such securities in pursuance of such offer or agreement as if the authority so conferred had not expired.

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

6. That subject to the passing of Resolution 5 above as an Ordinary Resolution, in substitution for any existing power under Section 571 of the Act, the Directors be and are hereby empowered until the conclusion of the next Annual General Meeting of the Company ("the period of the Section 571 power"), pursuant to Section 571 of the Act to allot equity securities (as defined by Section 560 of the Act) pursuant to the authority granted by Resolution 5 above in accordance with Section 551 of the Act as if Section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

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

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities consisting of or related to Ordinary shares up to an aggregate nominal amount of £604,097, or if less, five percent of the issued Ordinary share capital of the Company from time to time but so that this power shall allow the Company to make an offer or enter into an agreement before the expiry of the period of the Section 571 power which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred thereby had not expired.

By order of the Board,

J C D Parsons
Company Secretary
Oatlands Drive,
Weybridge
Surrey KT13 9LZ
28 July 2011

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 6.00 pm on 6 September 2011 or by 6.00 pm two days prior to the date of any adjournment of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. Any member of the Company who is entitled to attend and vote at the Annual General Meeting may appoint another person or persons (whether a member or not) as their proxy to attend, speak and vote on their behalf. To be valid, Forms of Proxy must be lodged with the Company's Registrars, Equiniti Limited, P O Box 4630, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6QQ not later than 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 using the proxy form are set out in the notes to the proxy form.

3. Completing and returning a Form of Proxy will not prevent any member from attending the meeting in person and voting should they so wish.

4. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

5. As at noon on 1 July 2011 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 1 July 2011 is 4,832,778.

6. The following documents will be available at the registered office of the Company on any weekday (except Saturday) during normal business hours from the date of this notice until the date of the Annual General Meeting:

(a) A copy of the service agreements for the Executive Directors.
(b) A copy of the letters of appointment for the Non-Executive Directors.
(c) The Memorandum and Articles of Association of the Company.

These documents will also be available for inspection during the Annual General Meeting and for at least fifteen minutes before it begins.

By order of the Board,

J C D Parsons
Company Secretary
Oatlands Drive
Weybridge
Surrey KT13 9LZ
28 July 2011

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AorTech
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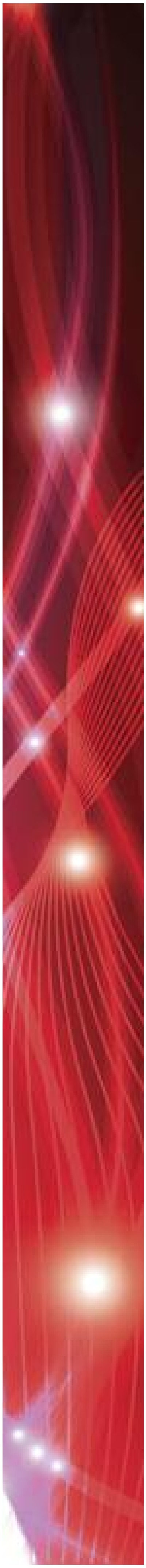

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