AORTECH INTERNATIONAL PLC

ANNUAL REPORT AND ACCOUNTS

For the year to 31 March 2018

Registered in Scotland. Company number SC170071

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Board of Directors and Advisors

Directors

W Brown Executive Chairman
J McKenna Director of Clinical Marketing
G Wright non-Executive Director
G Berg non-Executive Director
J Ely non-Executive Director
D Richmond non-Executive Director

Company Secretary
J C D Parsons *ACIS*

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Statutory Auditor
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Registered in Scotland, Company No.SC170071

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

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

The Company on which I report today has changed beyond all recognition from the AorTech I reported on last year. A year ago, AorTech was embroiled in litigation with its former Chief Executive and, as such, the focus of the Company was on historic events. Resolving the litigation has allowed AorTech to switch focus to its very exciting future and the execution of a new business plan by a new team and partners. I discuss below the operating results for the year ended 31 March 2018, but given the transformation of the Company, the recent changes are of much more significance to its future success.

Strategy Review

In the Company's interim results announced last December, it was stated that a strategy was being considered as to how to commercialise AorTech's platform technology. This strategy is now in place following the recent oversubscribed fundraising.

In reviewing AorTech's portfolio of intellectual property ('IP'), it became very clear to the Board that the family of biostable polymers was exceptional in long-term performance and is well suited for use in blood contacting devices and particularly in the cardiovascular system. AorTech has licensed device manufacturers to use Elast-Eon™ in this area and to date over 5 million devices have been implanted which depend upon the use of Elast-Eon™ for their success. The challenge for AorTech is to achieve greater value from the benefits Elast-Eon™ brings to medical devices.

The strategy adopted is therefore to continue to pursue licensing and supply business through our manufacturing partner Biomerics LLC, to advance development of AorTech's IP portfolio by moving further up the value chain and to develop medical devices of our own design.

AorTech is now transitioning to become a medical device business with a portfolio of devices in the cardiovascular field.

Initial Product Focus

AorTech has identified two growth platforms and three key device products that can be developed utilising the key properties of the Elast-Eon™ polymer and build upon the £60 million of historic research and development expenditure. The platforms are Polymeric Heart Valves and Medical Textiles within which initial products will be cardiac patches and vascular grafts. Each product is described below:

Polymeric Heart Valves

AorTech has the opportunity to transform the global treatment of heart disease by delivering a synthetic heart valve that will be durable, so reducing the need for future replacement and should not require lifelong drug treatment. As well as these clear clinical advantages, the manufacturing costs of a synthetic valve will be considerably less than those of current valve technology making this a potentially disruptive advance in heart valve surgery. AorTech's historic investment and progress to date dramatically reduces both the time and cost of preparing a novel valve for human trial.

When it initially developed a synthetic valve, AorTech was ahead of the market, but the global heart valve market (valued at some US$5 billion) is now in need of new technology, enhancing the opportunities available to AorTech.

Medical Textiles

AorTech has identified two device categories that currently rely on abattoir-sourced animal by-products. These are pericardial patches and large bore vascular grafts. Replacing animal tissue with a world leading bio-stable polymer will reduce manufacturing costs, eliminate animal by-product sourcing risk and improve product sterilisation options and performance. The initial products to be developed are targeted to be ready for human use within two years due to the acceptance of Elast-Eon™ in long-term implants.

Patches

The currently available technology comprises either animal tissue or textile (PTFE) material. Each material is compromised by either suffering from calcification or subject to tissue ingrowth leading to adhesion. AorTech will develop an Elast-Eon™ based product that should avoid these problems and address a market that is suffering a lack of supply of animal sourced products.

Vascular Grafts

The currently available technology comprises tightly woven PTFE grafts or softer polyester grafts sealed with animal-sourced material, limiting sterilisation options. AorTech will develop new graft technology replicating current graft performance, but utilising Elast-Eon™ as a sealing agent. The graft will be made available as a direct surgical implant and as a component to other medical device companies, particularly for incorporation into valved conduits for tissue based valves that require wet sterilisation.

Business Model

The medical device industry is highly regulated and requires a significant amount of infrastructure to operate to the various standards required. Setting up a development facility with a view to manufacturing devices would require not only substantial investment in people but a lengthy time commitment in obtaining certification and establishing systems.

AorTech had previously made a strategic decision to exit polymer manufacture and the relationship with Biomerics enabled a more attractive manufacturing model to be put in place. Having found this business model to operate well, AorTech has sought to develop its business by working in partnership with well-established businesses that not only have the necessary infrastructure in place but can develop our new products more economically and faster than the Company could by setting up itself. The business model is, therefore, to keep corporate infrastructure costs to a minimum by outsourcing to experts, thus minimising risk and maximising return on investment.

Partnership Arrangements

Building upon the model adopted with Biomerics for polymer manufacture and supply, AorTech has established relationships with three Scottish-based businesses to provide the technology, people and regulatory environment to develop the new devices business. For the synthetic heart valve, we are partnering with Vascular Flow Technologies Limited ("VFT") based in Dundee. VFT is Europe's leading expert in medical imaging guided Computational Fluid Dynamics and Finite Element Analysis. Together, VFT and AorTech will optimise the heart valve design, manufacturing process and undertake the regulatory testing required to ready the valve for human trials. For the textiles-based products, AorTech is partnering with RUA Medical ("RUA") operating from two FDA-registered facilities in Ayrshire. RUA are experts in textile based implantable devices and have a strong track record of developing, commercialising and manufacturing devices. RUA will assist in bringing both the patches and grafts to market. Regulatory assistance and oversight is of critical importance and the workplan for three initial products would be a challenge for in-house resources. We will therefore be drawing upon support from Edwin Lindsay's team of 12 consultants at Compliance Solutions (Life Sciences) Limited for this key activity.

Board Changes

The new strategy and product development plans require a greater level of expertise at Board level in order to create the platform for commercial success. I am therefore delighted to welcome three recent appointments to the Board in John Ely, Geoff Berg and David Richmond. John Ely is a veteran of the heart valve industry with 7 approved cardiac surgery implant devices under his belt and for a period of seven years ran a team at the FDA that was responsible for approval of cardiovascular devices. Geoff Berg was a leading heart surgeon and having carried out over 3,000 valve implantations has the ultimate end-user experience of all the devices that AorTech is developing. David Richmond has over 14 years' expertise in medical textiles devices and founded RUA Medical; he brings substantial experience in manufacturing methods, commercialisation and product development.

John McKenna has recently moved from a non-executive role to become an executive Director. John has been at the forefront of marketing and bringing new cardiovascular products to market and is widely recognised for his contribution to the industry. As well as his in-depth device knowledge, one of John's key responsibilities will be in establishing distribution channels for AorTech's new devices and leveraging relationships particularly with the key opinion leading surgeons.

As we transition to a device company, the contacts Gordon Wright has with very senior executives at the global device companies will be invaluable. Gordon was instrumental in working alongside the founders of both St Jude Medical and ATS (now Medtronic) both to manufacture their heart valves and to launch them in Europe.

I have now become full time Executive Chairman of AorTech and am very proud of the quality of the team. I very much look forward to developing the Company with their help and guidance.

Corporate Actions
In order to finance the new strategic plans for the Company, AorTech recently undertook a fundraising exercise with the assistance of our new stockbrokers, Stockdale Securities Limited. Your Board was delighted with the level of support from both new and existing shareholders and £2.1 million was raised by way of a placing and subscription together with a further £500,000 in a heavily oversubscribed open offer. In total, therefore, £2.6 million was raised before the expenses of the issue, providing the necessary funds for the Company's next two years' development plans.

Litigation Settlement
During the year, we were pleased to settle the Company's long-running dispute with its former Chief Executive and related parties. AorTech fortunately had the proceeds from an insurance policy to finance 90 per cent of the costs incurred up to a policy limit of £2 million. Due to litigation tactics, the case was very long-running and AorTech was close to the expiry of the cover available, which could have resulted in AorTech being unable to continue to prosecute the case, and the risks to our IP associated with that. Having to play the hand we had been dealt, I am pleased that we were able to announce that "the parties have amicably resolved their dispute and the terms of settlement have been incorporated into a confidential settlement agreement." The confidentiality terms limit our ability to fully disclose the terms of the settlement. However, we are satisfied with the outcome and our ongoing IP position. Under Exceptional items in the Consolidated income statement, a net receipt of $339,000 has been disclosed. This relates to the dispute settlement, but is after making reimbursements to our insurer; settling additional fees with our attorneys and other advisers, and making payments incurred on a contingency basis to current and past Board members for considerable time commitments during the course of the litigation process.

Results and Shareholder Reporting
Revenues from polymer licence and royalty activities were lower at $538,000 (2017: $614,000), due to the $76,000 reduction in accrued revenues on the polymer supply contract where we recognised $76,000 less than the licensee paid to AorTech. Administrative expenses of $629,000 were incurred during the year. However within this amount were exchange rate charges as a result of translating Intangible Assets with a Sterling holding cost into the reporting currency of US$. Adjusting for these differences, the Company was broadly break even before amortisation of Intangible Assets. An exceptional profit of $339,000 was reported as a result of the settlement of the long-running litigation. Cash at the year end increased from $114,000 to $591,000 demonstrating cash generation even allowing for the proceeds from litigation. The Board is not recommending the payment of a dividend.

These accounts have been prepared in US$ which is a historical throwback to the time when almost all revenue and expenditure was dollar-denominated. With the new business model and development of devices in the UK, it would only confuse the reader and management to continue to report in US$ so in the future AorTech will revert to reporting its annual results in Sterling.

Other future changes to Corporate Reporting relate to the Corporate Governance regime. AorTech did not subscribe to any particular governance code, but now that the business has been restructured and the Board enhanced, the adoption of a recognised code is now a positive tool in developing strong relationships with our shareholder base. Therefore in line with AIM Notice 50, I am happy to report that from 28 September 2018, the Board proposes to adopt the recommendations set out in the QCA Corporate Governance Code for small and mid-sized quoted companies published by the Quoted Companies Alliance in full and will comply or explain in detail any departure from that code and the reasons for doing so.

Outlook
The past year has been transformational. Historic disputes having been resolved has enabled a new strategy and business model to be adopted and a succesful fundraising completed. A re-invigorated Board is now in place and world class business partners working to develop exciting new medical devices. The current year will be one of investment in product development and closely managing each project to ensure the best return on that investment.

Bill Brown
Executive Chairman

19 July 2018

STRATEGIC REPORT

OPERATING AND FINANCIAL REVIEW

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS
The consolidated Income Statement is set out on page 23 indicating the Group's loss for the financial year of US$44,000 (2017: loss of US$237,000) which will be deducted from the reserves.

On a Group basis, the business review and future prospects are contained within the Chairman's Statement on pages 4, 5 and 6. The Directors consider the Group's financial key performance indicators to be revenue growth, control of operating expenses and the pre tax result. In addition the Directors consider the Group's non financial key performance indicators to be the successful utilisation of patents and know-how by existing licensees and the signing of new licence agreements.

PRINCIPAL RISKS AND UNCERTAINTIES
The Directors consider the principal risks and uncertainties facing the Group at this stage of its development to be as follows: the success rate of several key customers utilising our products in various medical device fields; small customer base generating revenues; retention of key management; any adverse results which may arise during development and regulatory phases; product liability risks; competitive markets with changing technology and evolving industry standards. All of the above risks and uncertainties are considered fundamental to the achievement of the Group's strategy as an IP focussed business and are being actively managed at Board level. Along with the internal control environment process as detailed on page 12, mitigation of these risks include: regular review of new market opportunities; active management of licensees; review of Board skills and remuneration packages (as explained in the Remuneration Report) and appropriate structuring of licence agreements to mitigate product liability risk.

No dividends have been paid or proposed for the years ended 31 March 2018 and 31 March 2017.

FINANCIAL RISKS
The financial risks faced by the Group are as follows:

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

CURRENCY RISK
The Group is exposed to translation and transaction foreign exchange risk. The majority of the Group's sales are to customers in the United States. These sales are priced and invoiced in US dollars. The Group policy is to try to match the timing of the settling of these sales and purchase invoices so as to eliminate, as far as possible, currency exposures.

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

	US$000
2018	
US Dollars	**22**
2017	
US Dollars	69

STRATEGIC REPORT

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

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

The interest rate exposure of the financial assets and liabilities of the Group as at 31 March 2018 is shown in the table below. The table includes trade receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

	Interest rate			
	Fixed	Floating	Zero	Total
	US$000	US$000	US$000	US$000
Financial assets				
Cash and cash equivalents	-	-	591	591
Trade and other receivables	-	-	188	188
	-	-	779	779
Financial liabilities				
Liabilities at amortised cost	-	-	95	95
Fair value through profit or loss	-	-	-	-
	-	-	95	95

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

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

J C D Parsons *ACIS*

Company Secretary
AorTech International plc
Company number SC170071
Weybridge

GOVERNANCE

Corporate Governance

Historically, AorTech did not comply with the UK Corporate Governance Code but sought to draw upon best practice. The past year has been one of significant change for AorTech; historic litigation has been satisfactorily concluded, a new strategy developed, a fund raise successfully completed to finance the strategy and a strengthening of the Board with three recent appointments.

These recent changes are a new chapter in AorTech's development with the objective of delivering long term shareholder value. As such, I believe the adoption of the QCA Corporate Governance Code will assist AorTech in communicating with shareholders to help promote confidence and trust. The Board is therefore seeking to adopt the QCA code with effect from September 2018. This adoption will lead to further disclosures being made in the Company's website (www.aortech.net) as well as in the Annual Report and Accounts.

Ethical Values and Behaviours

AorTech operates in the medical device field where human life is dependent upon its products. As such, sound ethical values and behaviours are not only an asset to the Company but a requirement under the regulatory standards under which our products are required to be designed, tested and manufactured. AorTech is still a very small company so the actions of its executives are highly visible and reflect directly upon the Company. The Company operates through a number of partnerships and we seek to work with other businesses that portray similar business ethics and values and have the capabilities of operating under strict regulatory environments.

Strategy

In December 2017, we announced to shareholders that the Board had conducted a thorough review of the Company's IP and where it fits into the medical device market. At that time we were considering a detailed strategic plan to allow AorTech to commercialise its platform technology. The result of that plan culminated in the recent successful fund raising together with the appointment of new Directors to the Board to execute the strategy.

AorTech's platform technology is a family of bio-stable polymers with world class characteristics -™ Elast-Eon™. These polymers have been in human use for well over 10 years and over 5 million patients have been implanted with long term devices which are enabled by Elast-Eon™.

AorTech's strategy is to maximize value from its IP portfolio by developing cardiovascular medical device products while maintaining a low cost/risk business model. As part of this strategy, the Company has entered into a development and manufacturing agreement with RUA Medical, a medical textiles manufacturer, and into a development contract with Vascular Flow Technologies Limited, a medical device development company. If successfully developed and approved by the relevant regulatory authorities, the Company proposes to employ a lean sales and marketing strategy for its products, a distribution model to provide access to hospital markets and OEM sales of devices to other medical device companies.

Directors

The Company is controlled by the Board of Directors which, at 31 March 2018, comprised one Executive (Bill Brown) and two Independent non-Executive Directors (Gordon Wright and John McKenna). All Directors are able to take independent advice in furtherance of their duties if necessary.

On 8 June, 2018, Bill Brown became full time Executive Chairman and John McKenna became a part-time executive Director contracted to 67.5 days per annum. On the same date, three additional non executive Directors, John Ely, Geoff Berg and David Richmond were appointed. Each new Director is considered independent and will provide a minimum of one day per month.

Bill Brown (Chairman). Bill was appointed to the Board on 21 October 2011 and became Chairman on 3 July 2012. Bill is a chartered accountant with over 30 years' experience in advising and investing in high growth smaller companies. Has floated several companies and has significant experience in fund raisings, corporate deals and restructurings. He launched the first dedicated fund for AIM and was instrumental in the growth and internationalisation of AIM as a member and Chairman of the AIM Advisory Committee. He joined the Aortech Board in late 2011 and, having conducted a strategic review, concluded that despite the Company having outstanding technology, its business model would not succeed. Since then, the historic problems have been addressed and a strategy developed to monetise the core technology. In addition to conducting and negotiating the resolution of the recent legal dispute, Bill has dealt with the licensing, commercial and IP issues gaining a detailed understanding of all of the Company's projects and opportunities.

John McKenna is a leading marketing expert in the field of cardiovascular devices. With over 30 years' experience in cardiothoracic surgery, he has helped develop and launched a number of successful devices, including heart valves, large vessel grafts and stents. John has worked for a number of leading medical companies, including Pfizer, Vascutek (Terumo) and CryoLife, and has contacts with both leading heart surgeons and senior executives at the major device companies. John rejoined the AorTech Board in late 2016, and has helped develop the product strategy based on his analysis of competing products and current market need from the industry. He has established European-wide distribution networks for medical devices and OEM supply agreements, particularly in heart valve related products.

Gordon Wright has an extensive knowledge of the cardiovascular field having been involved in healthcare companies for over 30 years. Gordon is one of the co-founders of AorTech as well as a number of other medical device businesses. He was principal shareholder and managing director of BioMedical Systems Limited from 1979 to 1988 which developed and manufactured the Bioflo tissue valve, and of Ecosse Medical Limited from 1985 to 1988 which manufactured catheters for open heart surgery and PVC tubing for heart and lung machines. Both these successful companies were sold in 1988 to 3M Health Care Limited. Gordon further worked alongside the founders of St Jude Medical and ATS (now Medtronic) initially to manufacture their heart valves and to launch them in Europe, and he retains high level contacts in all the major device companies and with many leading heart surgeons. Gordon has been on the Board since November 2005, but is considered by the Board to be independent.

John Ely (NED). John is a recognised expert in cardiovascular devices and spent 7 years at the FDA, where he was responsible for a team that approved cardiovascular medical devices, including heart valves. In industry, he has successfully managed the process of obtaining pre-market approvals for 6 heart valves, including both tissue and mechanical valves. He has also led research and development, regulatory and quality assurance teams at Baxter International Inc., Edwards Lifesciences Corporation and On-X Life Technologies, Inc. John has authored over 25 scientific papers and is the named inventor on 3 US patents. He was previously engaged as an expert witness in the area of heart valve design and development process, giving him an intimate knowledge of AorTech's heart valve project.

Geoff Berg (NED). Geoff was formerly a consultant heart surgeon at the Golden Jubilee Hospital in Glasgow where he specialised in surgical treatment of valvular heart disease and was recognised as one of the leading surgeons in mitral valve repair and replacement. He has authored a number of scientific papers on the treatment of heart disease and conducted studies into the long term performance of replacement heart valves. He has been involved in the early stage development of a number of cardiovascular devices, including a stentless animal tissue heart valve, and the launch of the only biological valved conduit. He is a recognised authority on stentless aortic valve surgery and has co-authored papers on stentless versus stented aortic valve insertions.

David Richmond (NED). David is the founder of Culzean Medical Devices Limited which trades as RUA Medical, which was re-acquired from Lombard Medical Technologies plc in December 2013 (having previously been sold to them in June 2007). RUA provides contract design, development, manufacture, assembly, retail packing and consultancy services to clients worldwide in the medical device and biotech industries from its two modern clean room facilities in Scotland.

Directors' Attendance

The table below details the formal Board, Audit Committee and Remuneration Committee meetings held during the year and the attendance at each by the Directors serving and entitled to attend.

Director	Board Held/Attended	Audit Committee Held/Attended	Remuneration Committee Held/Attended
Bill Brown	6/6	2/2	2/2
Gordon Wright	6/6	2/2	2/2
John McKenna	6/6	2/2	2/2

Nominations Committee

During the year the Company did not have a formal Nominations Committee. The Board as a whole as part of the strategy review identified the key additional skills and experience required to help facilitate the implementation of the strategy which led to the appointment of the new Directors. A Nominations Committee comprising the Chairman and all of the non executive directors has been established with effect from September 2018.

The Board recognises that it is healthy for membership of the board to be periodically refreshed and 50% of the Board are now recent appointments. The Nominations Committee will undertake a review of the effectiveness of its performance once each member has gained sufficient experience on which to judge and contribute to the evaluation of performance.

The Nominations Committee will be chaired by the Company Chairman. Meetings will be arranged as necessary. The Committee is responsible for nominating candidates (both executive and non-Executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board. Its terms of reference will be available upon request and will be placed on the Company's website.

All Directors receive induction on joining the Board covering the Group's operations, goals and strategy, and their responsibilities as directors of the Group. The Company supports the Directors in developing their knowledge and capabilities.

The Directors have established a procedure, agreed by the Board, for Directors in the furtherance of their duties to take independent professional advice, if necessary, at the Company's expense.

All Directors are subject to election by shareholders at the first opportunity after their appointment. In accordance with the Articles of Association, all Directors are required to retire by rotation and shall be eligible for re-election. The terms and conditions of appointment of the non-Executive Directors are available for inspection upon request.

The terms of reference of the Nominations Committee will be available upon request and will be placed on the Company's website.

Audit Committee

The Audit Committee, comprising the Directors and chaired by W Brown, meets at least twice per year and oversees the monitoring of the Group's internal controls, accounting policies, financial reporting and provides a forum through which the external auditor reports, as well as ensuring the auditor remains independent of the Company.

ACCOUNTABILITY AND AUDIT

The Board includes a detailed review of the performance of the Group in the Chairman's Statement on pages 4, 5 and 6. Reading this alongside the Strategic Report and the Report of the Directors on pages 7 to 8 and 15 to 17 respectively, 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.

Bill Brown
Executive Chairman

19 July 2018

GOVERNANCE

REPORT OF THE REMUNERATION COMMITTEE

This report meets the relevant requirements of the AIM Rules and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. In accordance with best practice, notwithstanding that these regulations do not apply to AIM companies, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

Remuneration Committee

At 31 March 2018 the Remuneration Committee comprised the non-Executive Directors as follows:

G Wright (Chairman)
J McKenna

As appropriate, the Committee may invite the Executive Chairman 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.

When setting its remuneration policy the Committee gives full consideration to the provisions and principles of the Code. In setting the policy it considers a number of factors including:

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

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

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

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

Remuneration of Executive Directors
The Executive Directors have a service contract, which can be terminated on twelve months' 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 contracts for the Executive Directors were for W Brown and J McKenna on 8 June 2018. The Company's remuneration policy for Executive Directors is to have regard to the individual's experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality.

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

REPORT OF THE REMUNERATION COMMITTEE (continued)

Share Options
The Company previously operated an Approved Share Option Scheme and an Unapproved Share Option Scheme. These schemes were closed in 2015. The Group had not recognised any expense related to equity-settled share based payment transactions in prior years on the grounds that the charge was not material. As part of the capital raise undertaken in June 2018, a new EMI option scheme has been adopted. Details of options issued are set out below.

Pensions
The Group made no contributions to a personal or Company pension plan during the year under review, but are doing so in the current year.

Directors' Emoluments - audited
Details of individual Director's emoluments for the year are as follows:

	Salary & fees US$	Pension contributions US$	2018 Total US$	2017 Total US$
Executive				
E McDaid	-	-	-	13,132
W Brown	79,902	-	79,902	65,658
Non-Executive				
W Brown	-	-	-	7,879
E McDaid	-	-	-	19,697
G Wright	**23,971**	-	**23,971**	23,637
J McKenna	**25,968**	-	**25,968**	9,849
	129,841	-	**129,841**	139,852

E McDaid resigned as a Director on 31 October 2016. J McKenna was appointed as a Director on 31 October 2016. During the year, US$184,307 was paid to a related party consultancy operated by W Brown in respect of additional work on a litigation case which was settled during the year. This payment represented time spent over a three year period and payment was contingent upon a positive settlement of the dispute.

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

J McKenna is employed by John McKenna (1953) Ltd in the provision of services to the Company. All of the emoluments of J McKenna above are represented by payments made by the Company to John McKenna (1953) Ltd 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 13.

Directors' interests in share options
No Director held share options during the year under review. During the current year ending 31 March 2019, J McKenna was granted 469,531 share options and W Brown was granted 1,121,072 share options. These options were granted with an exercise price of 30 pence per share and can be exercised as follows: 20% after two years, 30% on achieving CE Mark for a product and 50% on the share price trading in excess of £3 a share.

On behalf of the Board

G Wright
Chairman of the Remuneration Committee

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2018.

GOING CONCERN

After considering the year end cash position and taking into account the recent £2.6 million fund raising, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to 31 December 2019 which incorporate planned investment in new product development, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

The future developments of the Group are detailed in the Chairman's Statement on pages 4, 5 and 6.

DIRECTORS AND THEIR INTERESTS

At 31 March 2018 the Chairman and Chief Executive Officer of the Company was W Brown, and the non-Executive Directors were J McKenna and G Wright.

At each Annual General Meeting one third of the Directors shall be subject to retirement by rotation. G Wright 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 2018 and 31 March 2017 in the ordinary share capital of the Company (all beneficially held) were as follows:

	31 March 2018 Number of shares	31 March 2017 Number of shares
G Wright	**308,311**	308,311
W Brown	**11,982**	11,982
J McKenna	**8,785**	8,785

J McKenna was appointed as a Director on 31 October 2016.

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 6 July 2018 exceeded 3% of the Company's issued share capital:

	Number of shares	%
Walker Crips Stockbrokers	**2,452,207**	16.70%
Miton Asset Management	**1,301,929**	8.86%
Charles Stanley Private Client Broker	**862,641**	5.87%
Hargreaves Lansdown Asset Management	**775,336**	5.28%
Interactive Investor	**764,733**	5.21%
Mr Gordon Wright	**641,645**	4.37%
Share Centre Investment Management	**597,825**	4.07%
Mr William Brown	**506,649**	3.45%
Mr Clive Titcomb	493,111	3.36%

The percentage of shares not in public hands (as defined in the AIM rules) at 6 July 2018 was 25.35%

REPORT OF THE DIRECTORS (continued)

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

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

DIRECTORS' INDEMNITY

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

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting for 11:00am on Thursday, 23 August 2018 in the offices of Kergan Stewart LLP, 163 Bath Street, Glasgow G2 4SQ is set out on page 46. There are a number of resolutions to be passed and further information in relation to these resolutions is set out below.

RESOLUTIONS 1 to 7

Resolution 1 provides for the approval of the Company's financial statements for the year ended 31 March 2018. **Resolution 2** provides for approval of the Report of the Remuneration Committee for the year ended 31 March 2018. 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. **Resolutions 4, 5 and 6** deal with the formal appointment of Geoffrey Berg, John Ely and David Richmond respectively to the Board, as required by Article 100 of the Company's Articles of Association. **Resolution 7** 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 8 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 8 the Company is seeking authority to allot shares with a nominal value of up to a maximum of £605,800.25 represented by 12,116,005 shares in the Company. The Directors intend to use this authority, which will lapse at the conclusion of the next Annual General Meeting of the Company, for the grant and exercise of Options over shares under the scheme for Directors and employees of the Company and otherwise for general corporate purposes.

Resolution 9 provides if shares are to be allotted for cash, the Companies Act 2006 requires that those shares are offered first to the existing shareholders in proportion to the number of shares they hold at the time of the offer. However, it may sometimes be in the interests of the Company for the Directors to allot shares other than to shareholders in proportion to their existing holdings. At the General Meeting held in June 2018 shareholders authorised the Board, subject to specified limits:

- to allot shares in connection with a rights issue, defined in summary as an offer of equity securities to shareholders which is open for a period decided by the Board subject to any limits or restrictions which the Board thinks are necessary or appropriate;
- to allot shares pursuant to the rules of any share scheme approved by the shareholders in general meeting; and
- 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 requires to be renewed. The Directors will be empowered by Resolution 9 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. This disapplication is limited to allotments made on the exercise of employee options, to ordinary shareholders

REPORT OF THE DIRECTORS (continued)

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 10% of the Company's issued ordinary share capital.

Resolutions 1 to 7 are termed ordinary business. Resolutions 8 and 9 are termed special business.

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

19 July 2018

RECOMMENDATION:

An explanation of the resolutions to be proposed is set out on page 16 of this document. The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Laws including FRS 101 "Reduced Disclosure Framework") and to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

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

AUDITOR

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

BY ORDER OF THE BOARD:

J C D Parsons *ACIS*
Company Secretary
Weybridge

19 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AORTECH INTERNATIONAL PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of AorTech International plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent company balance sheets, the Consolidated cash flow statement, the Consolidated and Parent company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: $23,000, which represents 1.5% of the group's total assets;
- Key audit matter was identified as intangible assets impairment; and
- We performed full scope audit procedures on the financial statements of the parent company, AorTech International plc.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
Intangible assets impairment	
There is a risk that the carrying value of intangible assets (intellectual property) may be impaired. The carrying amount of the intellectual property in the consolidated balance sheet as at 31 March 2018 was $737,000 and there is a risk that this exceeds the recoverable amount due to the Group incurring losses. Management's assessment of the net present value of the intellectual property incorporated significant judgements in assumptions, such as timing, extent and probability of future revenues and cash flows as well as applying an appropriate discount rate. We therefore identified the impairment of intangible assets as a key audit matter, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Consideration of the appropriateness of the methodology applied by management in their assessment of the recoverable amount by comparing it to the Group's accounting policy and our understanding of the business; • Checking revenue assumptions to existing contracts with clients; • Checking forecast expenses against current year expenditure levels; • Checking the mathematical accuracy of the NPV model; • Checking the appropriateness of the discount rate applied to future cash flows by benchmarking against industry trends as well as comparing with the prior year rate used for consistency; • Assessing the appropriateness of the probabilities applied to occurrence of future cash flows with reference to existing contracts with customers; • Performing sensitivity analysis on key assumptions made in the model and challenging these through consideration of the impact of alternative assumptions and comparison against results of prior years. The sensitivity analysis was performed on size, timing and probability of future cash flows and the discount rate; • Evaluating the information included in the impairment models through our knowledge of the business; and discussions with management; and • Assessing the accounting policy to check it is in accordance with the financial reporting framework The Group's accounting policy on intangible assets (including related impairment) is shown in note 2 to the financial statements and related disclosures are included in note 10. **Key observations** Based on our audit work, our testing did not identify any evidence for impairment of intangible assets to be recognised within the financial statements and we found no errors in the calculations provided by management.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	$23,000, which is 1.5**%** of the Group's total assets. This benchmark is considered the most appropriate because the principal activity of the business is exploiting the value of its intellectual property and knowhow, and so intangible assets are the key driver of revenue and cash flows for the Group. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2017 as the Group's total assets value in the current year is lower than total assets value in the prior year.	£15,000, which is 1.5% of the Company's total assets capped at 90% of the Group's materiality. This is considered most appropriate because the parent company comprises virtually all of the operations of the Group, the audit team determined that the majority of the Group materiality can be allocated to the component. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2017 as total assets value in the current year is lower than total assets value in the prior year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determine a lower level of materiality for certain areas such as Directors' remuneration and related party transactions.	We also determine a lower level of materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	$1,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£1,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business and is risk based. We took into account the size and risk profile of the Group and each component, any changes in the business and other factors when determining the level of work to be performed at each component, which included the following considerations:

- AorTech International plc was the only trading component during the year with the rest of the components being dormant. We have tailored our audit response accordingly with the Group audit team performing full scope audit procedures on the parent company. We checked that the Group consolidation workings and adjustments are appropriate. In assessing the risk of material misstatement to the Group and parent financial statements, we have considered the transactions undertaken by the Group and therefore where the focus of our audit work was required;
- We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of risks, knowledge of the business and overall assessment of the control environment. Our audit approach is consistent with that for the prior year; and
- Revenues and total assets for the Group and parent company are covered 100% through full-scope audit procedures.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the Directors.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements
As explained more fully in the Directors' responsibilities statement set out on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Paul Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

19 July 2018

Consolidated income statement

	Notes	Year ended 31 March 2018 Pre-exceptional items US$000	Exceptional items US$000	Total US$000	Year ended 31 March 2017 Pre-exceptional items US$000	Exceptional items US$000	Total US$000
Revenue	3	538	-	538	614	-	614
Other income	6	-	339	339	-	-	-
Administrative expenses		(629)	-	(629)	(571)	12	(559)
Other expenses - amortisation of intangible assets	10	(292)	-	(292)	(292)	-	(292)
Operating loss	3	(383)	339	(44)	(249)	12	(237)
Finance (expense) / income		-	-	-	-	-	-
Loss from continuing operations attributable to owners of the parent company	5	(383)	339	(44)	(249)	12	(237)
Loss attributable to owners of the parent company		(383)	339	(44)	(249)	12	(237)
Loss per share							
Basic and diluted (US cents per share)	9			(0.79)			(4.27)

Consolidated statement of comprehensive income

	Year ended 31 March 2018 US$000	Year ended 31 March 2017 US$000
Loss for the year	(44)	(237)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss		
Exchange differences	1,863	(2,329)
Items that will be reclassified subsequently to profit and loss		
Exchange differences	(1,716)	2,125
Other comprehensive income for the year, net of tax	147	(204)
Total comprehensive income for the year, attributable to owners of the parent company	103	(441)

The notes on pages 27 to 39 form part of these financial statements

Consolidated balance sheet

	Notes	31 March 2018 US$000	31 March 2017 US$000
Assets			
Non current assets			
Intangible assets	**10**	**737**	914
Total non current assets		**737**	914
Current assets			
Trade and other receivables	**12**	**188**	392
Cash and cash equivalents	**13**	**591**	114
Total current assets		**779**	506
Total assets		**1,516**	1,420
Liabilities			
Current liabilities			
Trade and other payables	**14**	**(95)**	(102)
Total current liabilities		**(95)**	(102)
Total liabilities		**(95)**	(102)
Net assets		**1,421**	1,318
Equity			
Issued capital	**16**	**16,979**	15,189
Share premium	**16**	**3,502**	3,133
Other reserve		**(2,807)**	(2,511)
Foreign exchange reserve		**7,036**	8,752
Profit and loss account		**(23,289)**	(23,245)
Total equity attributable to equity holders of the parent		**1,421**	1,318

The Consolidated financial statements were approved by the Board on 19 July 2018 and were signed on its behalf by

W Brown, Chairman

G Wright, Director

Company number SC170071

The notes on pages 27 to 39 form part of these financial statements

Consolidated cash flow statement

	Year ended 31 March 2018 US$000	Year ended 31 March 2017 US$000
Cash flows from operating activities		
Group loss after tax	**(44)**	(237)
Adjustments for:		
Amortisation of intangible assets	**292**	292
Finance expense / (income)	**-**	-
Effect of exchange rate during the year	**54**	(43)
(Increase) / decrease in trade and other receivables	**204**	(149)
Increase / (decrease) in trade and other payables	**(7)**	(63)
Net cash flow from continuing operations	**499**	(200)
Net cash flow from operating activities	**499**	(200)
Cash flows from investing activities		
Purchase of intangible assets	**(22)**	-
Net cash flow from continuing operations	**(22)**	-
Net cash flow from investing activities	**(22)**	-
Net cash flow from financing activities	**-**	-
Net increase / (decrease) in cash and cash equivalents	**477**	(200)
Cash and cash equivalents at beginning of year	**114**	314
Cash and cash equivalents at end of year	**591**	114

The notes on pages 27 to 39 form part of these financial statements

Consolidated statement of changes in equity

	Issued Share capital US$000	Share premium US$000	Other reserve US$000	Foreign exchange reserve US$000	Profit and loss account US$000	Total equity US$000
Balance at 31 March 2016	**17,426**	**3,595**	**(2,881)**	**6,627**	**(23,008)**	**1,759**
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(237)	(237)
Other comprehensive income						
Exchange difference on translating foreign operations	(2,237)	(462)	370	2,125	-	(204)
Total comprehensive income for the year	(2,237)	(462)	370	2,125	(237)	(441)
Balance at 31 March 2017	**15,189**	**3,133**	**(2,511)**	**8,752**	**(23,245)**	**1,318**
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(44)	(44)
Other comprehensive income						
Exchange difference on translating foreign operations	1,790	369	(296)	(1,716)	-	147
Total comprehensive income for the year	1,790	369	(296)	(1,716)	(44)	103
Balance at 31 March 2018	**16,979**	**3,502**	**(2,807)**	**7,036**	**(23,289)**	**1,421**

The notes on pages 27 to 39 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

General information

AorTech International plc is the ultimate parent company of the Group, whose principal activities comprise exploiting the value of its IP and know-how.

AorTech International plc is incorporated and domiciled in the UK and its registered office is c/o Kergan Stewart LLP, 163 Bath Street, Glasgow, G2 4SQ.

Basis of preparation

The Consolidated financial statements are for the year ended 31 March 2018. 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 2018.

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

The accounting policies remain unchanged from the previous year.

Going concern

After considering the year end cash position and taking into account the recent £2.6 million fund raising, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts to 31 December 2019 which incorporate planned investment in new product development, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

Changes in accounting policies

Standards, amendments and interpretations to existing standards that are not yet effective

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. None of these new standards, amendments and interpretations, based on an initial analysis are expected to have a significant impact on the Group’s financial statements based on current agreements in place and activity. The Group will continue to monitor the impact of those new standards, particularly IFRS 15 if new customer agreements are entered into or Group activity changes.

New accounting standards issued but not adopted:

IFRS 9 ‘Financial Instruments’ (2014) (effective date 1 January 2018) – the new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new “expected credit loss” model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. It is not expected that the application of this new standard will cause a material change to the Company’s performance.

IFRS 15 ‘Revenues from Contracts with Customers’ (change to IASB effective date 1 January 2018) – this new standard presents new requirements for the recognition of revenue, replacing IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities.

The Company has carefully assessed the new standard and considers that there is no change needed to the revenue recognition policy.

Presentational currency

The Group's revenues, profits and cash flows have historically been generated in US Dollars. These Accounts have been prepared in US$ which is a historical throwback to the time when almost all revenue and expenditure was dollar-denominated. With the new business model and development of devices in the UK, it is intended that in the future AorTech will revert to reporting its annual results in Sterling.

2. Principal accounting policies

Basis of consolidation

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

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

Revenue

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

(a) *Licence fees*: Upfront payments in respect of licence revenues for access by third parties to the Group's technology are recognised as revenue once a third party has a binding contractual obligation to the Group based on the specific contract terms and the Group has no remaining obligations to perform. Where revenue recognised is based on minimum royalty levels, such revenue is treated as being inherent in the licence, disclosed as licence fee income and recognised consistent with royalty income as detailed below.

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

Interest

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

Exceptional items

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

2. Principal accounting policies (continued)

Intangible assets

(a) Patents and trademarks (intellectual property):

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

(b) Research and development:

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

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

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

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

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

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.

Impairment testing of intangible assets

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.

2. Principal accounting policies (continued)

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Financial assets

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

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

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

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

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

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.

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

Financial liabilities at amortised cost (trade payables and accruals) are subsequently recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the income statement. Finance charges 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.

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.

2. Principal accounting policies (continued)

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

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

Equity

Equity comprises the following:

- “Issued capital” represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of cash consideration received for equity shares, net of expenses of the share issue.
- "Other reserve" represents the difference arising on consolidation between the nominal value of AorTech International Plc shares issued (£3,206,884) and the nominal value of AorTech Biomaterials Ltd (formerly AorTech Europe Ltd) 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 on consolidation and from the translation of the AorTech International Plc balance sheet into US$.
- "Profit and loss account" represents retained profits.

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) which is the UK on the basis of where the cost base of the business is. The Company’s functional currency is Sterling and the Group’s presentational currency is US Dollars.

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

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

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

2. Principal accounting policies (continued)

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. 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 recognise a deferred tax asset. At this stage the timing of future profits is insufficiently certain to warrant inclusion of a deferred tax asset.

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

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

Sources of estimation uncertainty:

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

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

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

d) Estimates as to recoverability of receivables, including future expected cash flows.

3. Segmental reporting

The principal activity of the AorTech International Plc Group currently is exploiting the value of its IP and know-how. The Group's operating segment is based on geographical location of operations.

Analysis of revenue by products and services and by geographical area	**2018** US$000	2017 US$000
On sales from United Kingdom		
Licence fees – services	**120**	125
Royalty revenue	**418**	489
	538	614

During the year ended 31 March 2018, 53.0% of the Group's revenues depended upon a single customer (2017: 28.0%). The majority of the Group's revenues are earned in the United States in both years.

	2018 **US$000**	2017 US$000
Analysis of result - operating loss		
Continuing operations		
United Kingdom	**(44)**	(237)
USA	**-**	-
Operating loss	**(44)**	(237)
Finance (expense) / income – all UK	**-**	-
Loss on continuing operations before taxation	**(44)**	(237)

The operating loss disclosure above is after charging amortisation of $292,000 (all UK) (2016: $292,000 (all UK)).

Analysis of non current assets by location	**2018** **US$000**	2017 US$000
United Kingdom	**737**	914
USA	**-**	-
	737	914

4. Remuneration of Directors and key management personnel

Key management personnel	**2018** **US$000**	2017 US$000
Emoluments – short-term employee benefits	**130**	140
Pension costs – post-employment benefits	**-**	-
	130	140

The key management personnel whose remuneration is included in the table above for the current year comprise the three current Directors. The key management personnel whose remuneration is included in the table above for the prior year comprise the three current Directors and one previous Director of the parent company.

Please see the Report of the Remuneration Committee on page 13 for full details of Directors' emoluments which have been audited.Included in the aggregate emoluments for the year ended 31 March 2018 are payments of $106,000 (2017: $83,000) made by the Company to third parties. The highest paid Director's total emoluments were $80,000 (2017: $73,000). No pension contributions were paid during either year.

5. Loss before taxation

	2018	2017
Loss before taxation has been arrived at after charging :	**US$000**	US$000
Foreign exchange differences	**86**	(24)
Amortisation of intangible assets	**292**	292
Employee benefits expense:		
Employee costs (Note 7)	**130**	143
Audit and non-audit services:		
Audit of the Accounts of the Company	**21**	28
Audit related assurance services	**3**	3
Taxation compliance services	**1**	3
All other taxation advisory services	**-**	1
All other assurance services	**2**	2

6. Other Income - Exceptional items

Other Income - Exceptional items relates to the net proceeds in relation to litigation regarding the departure of a former employee.

7. Employees

	2018	2017
	US$000	US$000
Employee costs (including Directors):		
Wages and salaries	**130**	140
Social security costs	**-**	3
	130	143

	2018	2017
The average number of employees (including Directors) during the year was made up as follows:		
	Numbers	Numbers
Administration	**3**	3
	3	3

8. Income tax expense

No current tax or deferred tax expense arises on the loss for the year (2017: $nil).

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

	2018	2017
	US$000	US$000
Loss for the year before tax	**(44)**	(237)
Loss for year multiplied by the respective standard rate of corporation tax applicable in each domain (average 19%) (2017: 20%)	**(8)**	(47)
Effects of:		
Expenses not deductible for tax purposes and other tax differences	**24**	25
Unrelieved trading losses	**(14)**	(42)
Adjust deferred tax to average rate	**(2)**	64
Tax on loss for the year	**-**	-

Unrelieved tax losses remain available to offset against future taxable profits. These losses have not been recognised as deferred tax assets within the financial statements as they do not meet the conditions required in accordance with IAS 12. Losses carried forward in the UK total $6,518,000 – tax effect is $1,108,000 (2017: $5,899,000 – tax effect $1,003,000). Losses in the USA total $nil (2017: $nil).

9. Loss per share

	2018	2017
	US$000	US$000
Loss for the year attributable to equity shareholders	**(44)**	(237)
Loss per share		
Basic and diluted (US cents per share)		
From continuing operations	**(0.79)**	(4.27)
	(0.79)	(4.27)
Shares		
Issued ordinary shares at start of the year	**5,557,695**	5,557,695
Issued ordinary shares at end of the year	**5,557,695**	5,557,695
Weighted average number of shares in issue for the year	**5,557,695**	5,557,695

10. Intangible assets

	Development costs	Intellectual property	Total
	US$000	**US$000**	**US$000**
Gross carrying amount			
At 1 April 2016	451	4,581	5,032
Additions	-	-	-
Exchange differences	(58)	(588)	(646)
At 31 March 2017	393	3,993	4,386
Additions	22	-	22
Exchange differences	46	470	516
At 31 March 2018	**461**	**4,463**	**4,924**
Amortisation and impairment			
At 1 April 2016	136	3,529	3,665
Exchange differences	(22)	(463)	(485)
Charge for the year	83	209	292
At 31 March 2017	197	3,275	3,472
Exchange differences	27	396	423
Charge for the year	83	209	292
At 31 March 2018	**307**	**3,880**	**4,187**
Net book value			
At 31 March 2017	196	718	914
At 31 March 2018	**154**	**583**	**737**

Amortisation charge is included within the Administrative expenses line on the Consolidated income statement.

11. Financial instruments

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

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

Categories of financial instrument

	2018	2017
	US$000	US$000
Financial assets at amortised cost– loans and receivables		
Cash and cash equivalents	**591**	114
Trade and other receivables	**188**	143
	779	257
Financial liabilities		
Liabilities at amortised cost	**(95)**	(102)
Fair value through profit or loss	**-**	-
	(95)	(102)

11. Financial instruments (continued)

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 non-trading Australian and US subsidiaries whose functional currencies are the Australian and US dollars along with the UK parent company whose functional currency is Sterling. Entities generally do not hold financial instruments in a currency other than their own functional currency, other than the UK parent company which has a trade receivable denominated in US dollars.

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

	2018	2017
	US$000	US$000
Sterling	**21**	69
US dollars	**570**	45
	591	114

The Group holds its cash balances in a mixture of Sterling and US dollars. As the Group reports in US dollars, there is translation risk in respect of such Sterling balances. Based on year-end balances held in Sterling, a 10% movement in the $ / £ exchange rate would have had a $2,000 (2017: $7,000) impact on net assets and expenses.

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

	Interest rate %	**2018 US$000**	Interest rate %	2017 US$000
Cash	**0%**	**591**	0%	109
Short-term deposits	**0.25%**	**0**	0.25%	5
		591		114

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 $nil (2017: $nil), all other variables remaining constant.

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

The Group has trade receivables resulting from sales and other receivables from provision of other services which the management consider to be of low risk other than the amounts due from two third parties where full provision has been made following a mediation and arbitration process. The management do not consider that there is any concentration of risk within either trade or other receivables, other than the amounts due from a third party. The maximum exposure to credit risk on trade and other receivables is considered to be $20,000 (2016: $30,000).

11. Financial instruments (continued)

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

12. Trade and other receivables

	2018	2017
	US$000	US$000
Current		
Trade receivables	**44**	129
Other receivables	**16**	14
Prepayments and accrued income	**128**	249
	188	392
Non-current		
Trade receivables	**-**	-

$nil (2017: $60,000) of net trade and other receivables were past due for payment but not impaired at 31 March 2018, of which $nil (2017: $nil) was over 30 days and $nil (2017: $60,000) was over 90 days. A provision of $474,000 (2017: $449,000) was recognised against trade receivables.

Included in the above is $119,000 (2017: $221,000) of accrued income.

13. Cash and cash equivalents

	2018	2017
	US$000	US$000
Cash at bank and in hand	**591**	114
	591	114

14. Trade and other payables

	2018	2017
	US$000	US$000
Current liabilities		
Trade payables	**4**	8
Accruals and deferred income	**91**	94
	95	102

Included in the above is $9,000 (2017: $8,000) of deferred income.

15. Operating lease commitments

The Group had no commitments under non-cancellable operating leases at 31 March 2018 or 31 March 2017.

16. Share capital

Ordinary shares of 5 pence each

	Shares Number	Nominal Value US$000	Premium net of costs US$000	Total US$000
In issue at 1 April 2017	5,557,695	348	258	606
In issue at 31 March 2018	**5,557,695**	**389**	**288**	**677**

Deferred shares of 245 pence each

	Shares Number	Nominal Value US$000	Premium net of costs US$000	Total US$000
In issue at 1 April 2017	4,832,778	14,841	2,875	17,716
In issue at 31 March 2018	**4,832,778**	**16,590**	**3,214**	**19,804**

At the AGM of Members held on 24 September 2015, the Members approved the Reorganisation of the Company’s share capital by sub-dividing the existing 250 pence ordinary shares into 5 pence ordinary shares and 245 pence deferred shares. The share premium attached to the existing shares has followed the new shares. The deferred shares have limited rights including no voting rights. The deferred shares are not admitted or listed on any stock exchange.

Capital management objectives are set out in the Strategic Report on page 7.

17. Contingent liabilities

There were no contingent liabilities at 31 March 2018 or at 31 March 2017.

18. Related party transactions

Related party transaction disclosures are included within the Report of the Remuneration Committee.

PARENT COMPANY FINANCIAL STATEMENTS

Parent company balance sheet

	Notes	31 March 2018	31 March 2017
		£000	£000
Assets			
Non current assets			
Intangible assets	**2**	**694**	1,283
Investment in subsidiary undertakings	**3**	**-**	-
Total non current assets		**694**	1,283
Current assets			
Trade and other receivables	**4**	**134**	312
Cash and cash equivalents		**422**	91
Total current assets		**556**	403
Total assets		**1,250**	1,686
Liabilities			
Current Liabilities			
Trade and other payables	**5**	**(69)**	(82)
Total Current Liabilities		**(69)**	(82)
Total liabilities		**(69)**	(82)
Net assets		**1,181**	1,604
Equity			
Issued capital	**6**	**12,118**	12,118
Share premium		**2,500**	2,500
Profit and loss account		**(13,437)**	(13,014)
Total equity attributable to equity holders of the parent		**1,181**	1,604

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 2018 was £423,000 (2017: loss of £556,000).

The parent company financial statements were approved by the Board on 19 July 2018 and were signed on its behalf by

W Brown, Chairman

G Wright, Director

Company number SC170071

The notes on pages 42 to 45 form part of these financial statements

PARENT COMPANY FINANCIAL STATEMENTS (continued)

Parent Company Statement of Changes in Equity

	Share capital	Share premium	Retained earnings	Total Shareholders' funds
	£000	£000	£000	£000
At 1 April 2016	12,118	2,500	(12,458)	2,160
Loss and total comprehensive income for the year	-	-	(556)	(556)
At 31 March 2017	12,118	2,500	(13,014)	1,604
Loss and total comprehensive income for the year	-	-	(423)	(423)
At 31 March 2018	12,118	2,500	(13,437)	1,181

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Statement of compliance
The financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'. The Company has elected to adopt the standard for the year ended 31 March 2018.

Basis of preparation
The Company meets the definition of a qualifying entity under FRS 101. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, share based payments, fair value measurements, comparative reconciliations for tangible and intangible assets, standards not yet effective, related party transactions with other wholly-owned members of the Group and key management personnel compensation. Equivalent disclosures are, where required, given in the Group accounts of AorTech International plc. The Group accounts of AorTech International plc are available to the public.

The financial statements have been prepared on the historical cost basis.

Going concern
The Directors have prepared a cash flow forecast up to 31 December 2020 which indicated that taking into account the recent fund raising of £2.6 million, current revenues and overheads together with planned investment in new product development, at the time of approving the financial statements that there is a reasonable expectation that the parent company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the adoption of the going concern basis in preparing the Consolidated financial statements is appropriate.

Use of key 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:

Sources of estimation uncertainty
Amortisation rates are based on estimates of the useful lives and residual values of the assets involved.

Investments
Investments held as fixed assets are stated at cost less provision for 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. The Company's functional and presentational currency is Sterling.

Transactions and balances
Transactions in foreign currencies are translated into Sterling using the spot exchange rates ruling at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (Continued)

date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

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 of prior years.

Debtors
The amounts owed by Group undertakings are in respect of long term loans and have been treated as part of the net investment in the foreign entities, and included within debtors due in greater than one year. These balances have been treated as monetary assets and retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on these loans are taken into account in arriving at the operating result. The recoverability of these balances is reassessed at each balance sheet date, with an impairment provision recorded when considered necessary.

Intangible assets
Patents and trademarks (intellectual property) are included at cost less estimated residual amount and are amortised on a straight line basis over their remaining useful economic lives of 20 years, which corresponds to the lives of the individual patents. Some of these assets were transferred from the Australian subsidiary in 2011 at an independent valuation of £4,777,000 which has been used as deemed cost for these assets in the UK. Development costs incurred in validating the Company's polymers for manufacture on the Company's behalf by Biomerics LLC are being amortised over 5 years.

2. INTANGIBLE ASSETS

	Intellectual property	Development costs	Total
Cost	£000	£000	£000
At 31 March 2017	4,929	314	5,243
Additions for the year	16	-	16
At 31 March 2018	**4,945**	**314**	**5,259**
Amortisation			
At 31 March 2017	3,803	157	3,960
Charge for the year	543	62	605
At 31 March 2018	**4,346**	**219**	**4,565**
Net book value			
At 31 March 2017	1,126	157	1,283
At 31 March 2018	**599**	**95**	**694**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (Continued)

3. FIXED ASSET INVESTMENTS

	2018	2017
	£000	£000
Investment in subsidiary undertakings		
Cost		
Historical cost	**23,159**	23,159
Provision for impairment	**(23,159)**	(23,159)
Net book value at 31 March	**-**	-

Interest in subsidiary undertakings

Name of undertaking	Country of registration or incorporation	Description of shares held	Proportion of nominal value of shares held %
(i) AorTech Biomaterials Limited	Scotland	Ordinary £1	100
(ii) AorTech Critical Care Limited	Scotland	Ordinary £1	92
(iii) AorTech Heart Valve Technologies Limited	Scotland	Ordinary £1	100
(iv) Cortech Medical Limited	Scotland	Ordinary £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) A non-trading company in the UK
(iv) Research and experimental development on biotechnology, acquired by AorTech 22 June 2018

4. TRADE AND OTHER RECEIVABLES

	2018	2017
Current	**£000**	£000
Trade receivables	**31**	102
Other receivables	**11**	11
Prepayments and accrued income	**92**	199
	134	312
Non current		
Amounts owed by Group undertakings	**3,955**	3,955
Less: Provision*	**(3,955)**	(3,955)
	-	-

*A cumulative impairment charge of £3,955,000 as at 31 March 2018 (31 March 2017: £3,955,000) has been made to fully provide against the remaining amount of the inter-company loan account due as at 31 March 2018 to AorTech International plc by its American subsidiary, AorTech Polymers & Medical Devices, Inc. A provision of £322,000 (2017: £359,000) was recognised against trade receivables.

Included in the above is £85,000 (2017: £176,000) of accrued income.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (Continued)

5. TRADE AND OTHER PAYABLES

	2018	2017
	£000	£000
Trade payables	4	7
Accruals and deferred income	65	75
	69	82

Included in the above is £6,000 (2017: £6,000) of deferred income.

6. SHARE CAPITAL

See Note 16 in the Consolidated financial statements which details the number of shares in issue at each period end and movements in the period. The nominal value of all shares in issue at 31 March 2018 is £12,118,000 (2017: £12,118,000).

7. DIRECTORS AND EMPLOYEES

The Directors are the only employees of the parent company. Disclosure of their emoluments is given in the audited section of the Report of the Remuneration Committee on page 13.

8. RELATED PARTY TRANSACTIONS

The Company is exempt under the terms of FRS 101.8 from disclosing transactions with its wholly owned subsidiaries. There were no related party transactions during the year with non fully owned subsidiaries.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-first Annual General Meeting of AorTech International Plc will be held in the offices of Kergan Stewart LLP, 163 Bath Street, Glasgow G2 4SQ on Thursday, 23 August 2018 at 11:00am for the purpose of considering and if thought fit passing the following resolutions of whch numbers 1 to 8 will be proposed as Ordinary Resolutions and number 9 as a Special Resolution:

AS ORDINARY BUSINESS

1. To receive and adopt the financial statements of the Company for the year ended 31 March 2018 together with the Strategic Report and the Reports of the Directors and Auditor thereon.

2. To approve the Report of the Remuneration Committee for the year ended 31 March 2018.

3. To re-elect as a Director, James Gordon Wright, who is retiring by rotation.

4. To elect as a Director Geoffrey Alan Berg, who was appointed as a Director since the previous Annual General Meeting.

5. To elect as a Director John Louis Ely, who was appointed as a Director since the previous Annual General Meeting.

6. To elect as a Director David Muir Richmond, who was appointed as a Director since the previous Annual General Meeting.

7. 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:

8. That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's General Meeting held on 8 June 2018 but without prejudice to any allotment of shares or grant of rights to subscribe for or convert any security into shares in the Company, in accordance with section 551 of the Companies Act 2006 the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £605,800.25, being made up of (a) £116,246.65 (being equal to 2,324,933 Ordinary Shares of £0.05) in respect of options granted prior to, or to be granted after, the date of this Notice pursuant to the terms of any share scheme for Directors and employees of the Company and/or its subsidiaries approved by shareholders of the Company in general meeting and (b) up to £489,553.60 (being equal to 9,791,072 Ordinary Shares of £0.05); provided that, unless previously revoked, varied or extended, this authority will expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2019 or the date falling 15 months from the date of passing this resolution, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company after such expiry.

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

9 That, in substitution for all equivalent authorities and other powers granted to the Directors at the Company's General Meeting held on 8 June 2018 but without prejudice to any allotment of shares made or agreed to be made pursuant to such authorities and other powers, subject to and conditional upon the passing of Resolution 8 set out in this Notice, in accordance with section 571(1) of the Companies Act 2006 (the "Act"), the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 (1) of the Act) for cash pursuant to the authority conferred by Resolution 8 set out in this Notice, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:-

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

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

(b) 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 interest of such persons on a fixed record date are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territories or requirements of any recognised regulatory body or stock exchange in any territory; and

(c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) of this Resolution) of equity securities having a nominal amount or giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £73,433 (being equal to 1,468,660 Ordinary Shares of £0.05, representing approximately 10 per cent. of the issued ordinary share capital of the Company at the date of the Notice of meeting containing this Resolution) or, if less, 10 per cent. of the issued ordinary share capital of the Company from time to time

and such powers shall expire at whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2019 or the date falling 15 months from the date of passing this resolution but may be previously revoked, varied or extended by special resolution, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company after such expiry.

By order of the Board,

J C D Parsons *ACIS*
Company Secretary
Weybridge
Surrey KT13 9LZ

1. Members will only be entitled to attend and vote at the meeting if they are registered on the Company's register of members at 6:00pm on 21 August 2018 or by 6.00pm two days prior to the date of any adjournment of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6:00pm on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. Any member of the Company who is entitled to attend and vote at the Annual General Meeting may appoint another person or persons (whether a member or not) as their proxy or proxies to attend, speak and vote on their behalf. To be valid, Forms of Proxy must be lodged with the Company's Registrars, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6ZL not later than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting together with any documentation required. In the case of a corporation, the Form of Proxy should be executed under its common seal or signed by a duly authorised officer or attorney of the corporation. Details of how to appoint the Chairman of the Meeting or another person as your proxy or proxies using the proxy form are set out in the notes to the proxy form together with details as to how to change or terminate proxy appointments. A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against a resolution. If no voting indication is given your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter put before the meeting.

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

3. Completing and returning a Form of Proxy will not prevent any member from attending the meeting in person and voting should they so wish. Any member or his proxy attending the meeting has a right to ask any question at the meeting relating to the business of the meeting.

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

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

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

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

6. As at noon on 19 July 2018 the Company's issued share capital comprised 14,686,608 ordinary shares of £0.05 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 20 July 2018 is 14,686,608.

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

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

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

8. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9. If you have any general queries about the meeting please contact the Company Secretary at info@aortech.net or by calling on 01932 252123. You may not use any electronic address provided either in this notice of meeting or any related documents (including the Form of Proxy) to communicate for any purposes other than those expressly stated.