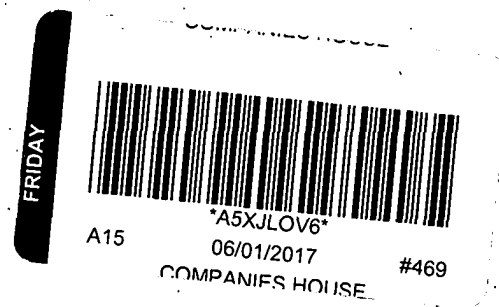


Registered number: 04636949

Lombard Medical Technologies Limited
Annual report and financial statements
for the year ended 31 December 2015



Lombard Medical Technologies Limited

Annual report and financial statements for the year ended 31 December 2015

	Page
Company Information	1
Strategic report for the year ended 31 December 2015	2
Directors' report for the year ended 31 December 2015	5
Independent auditors' report to the members of Lombard Medical Technologies Limited	8
Statement of total comprehensive loss for the year ended 31 December 2015	11
Statement of financial position as at 31 December 2015	12
Statement of changes in equity for the year ended 31 December 2015	13
Notes to the financial statements for the year ended 31 December 2015	14

Lombard Medical Technologies Limited

Company Information

DIRECTORS

S Hubbert
W Kullback
P Phillips

COMPANY SECRETARY

W Kullback

REGISTERED NUMBER

04636949

REGISTERED OFFICE

Lombard Medical House
4 Trident Park
Basil Hill Road
Didcot, Oxfordshire
OX11 7HJ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading, Berkshire
RG1 3JH

Lombard Medical Technologies Limited

Strategic report for the year ended 31 December 2015

The directors present the strategic report on Lombard Medical Technologies Limited (the "Company") for the year ended 31 December 2015.

These financial statements are the first that the Company has prepared following the adoption of Financial Reporting Standard 101 'Reduced Disclosure Framework'. Further details can be found in the accounting policies on page 14.

Review of the business

The Company is a holding company of a group of companies specialising in developing, manufacturing, and marketing endovascular stent-grafts used in the repair of aortic aneurysms. The Company recharges corporate costs to its subsidiary investments.

Up until 30 April 2014, the Company was the ultimate parent undertaking of the Group. On 30 April 2014 the Group effected a change of domicile pursuant to which Lombard Medical Technologies plc became a wholly-owned subsidiary of Lombard Medical, Inc., a new Cayman Islands domiciled holding company. The existing shares in Lombard Medical Technologies plc were exchanged for new shares in Lombard Medical, Inc. under a UK High Court approved Scheme of Arrangement. Following the Scheme of Arrangement, the trading in shares of Lombard Medical Technologies plc on the London Stock Exchange's AIM market was cancelled and Lombard Medical Technologies plc re-registered as a private company, Lombard Medical Technologies Limited.

Results

The audited financial statements for the year ended 31 December 2015 are set out on pages 11 to 28. The Company incurred a loss for the financial year of £62.6 million (2014: £1.6 million) and had net assets of £18.5 million (2014: £81.1 million). The large increase in loss for the current year relates to a £61.7 million provision taken against the value of amounts due from Group undertakings, primarily related to the market capitalisation of the Group and the transaction value of the recent acquisition of the Group's closest competitor which does not support the amount due. The provision of £61.7 million has been recognised within exceptional administrative expenses.

Future developments

The Company is expected to continue to act as an intermediary holding company and invest in its subsidiaries.

Principal Risks and Uncertainties

The Company faces a number of risks and uncertainties. The main risks have been identified as follows:

Funding

The Company relies on funding from its parent company, Lombard Medical, Inc. If it fails to obtain such funding in the future the Company may need to scale back operations and seek additional sources of funding.

Lombard Medical Technologies Limited

Strategic report for the year ended 31 December 2015 (continued)

Financing

The Company is dependent on its immediate parent, Lombard Medical Inc., for financial support. Without this ongoing support, the company will be unable to continue as a going concern for the 12 months from the date of approval of these financial statements.

Lombard Medical Inc's forecasts show that it can continue as a going concern, and continue to support its subsidiaries, for a period of 12 months from the date of approval of these financial statements. This is based on management's expectations regarding product sales, cost structure, current cash burn rate and operating assumptions. Furthermore, management is seeking funding from a number of external sources, including debt and equity finance and strategic partnerships, expects that this will result in the securing of sufficient funds to enable Lombard Medical Inc. to be able to fund its subsidiaries for the next 12 months.

The financial statements of the Company have therefore been prepared on a going concern basis, because the directors have a reasonable expectation that Lombard Medical, Inc. will be able to continue to fund the Company for a period of no less than 12 months from the date of approval of these financial statements.

However, the aforementioned additional funding is not committed as at the date of these financial statements, and were it not to be secured, Lombard Medical Inc. would deplete its cash reserves by February 2017 and be unable to fund its subsidiaries. The Company would not therefore be a going concern.

These conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Financial risk management

The Company is exposed to a number of financial risks; the Group's finance department has policies and procedures to manage credit risk, foreign exchange risk and liquidity risk and circumstances where it would be appropriate to use financial instruments to manage these. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

Credit risk

The Company's principal financial assets are cash and short-term cash equivalents. Risk is minimised through the Group's investment policy restricting the investment of surplus cash to interest bearing deposits principally held with major UK banking groups.

Liquidity risk

Liquidity risk is discussed in the financing note above as well as the going concern note in the Directors' Report on page 5.

Foreign exchange risk

The Company's functional currency is Pounds Sterling (GBP). However, during the year the Company had exposure to other currencies, principally Euros (EUR) and US Dollars (USD). The Company's policy is to maintain natural hedges, where possible, by matching cash balances and receipts with planned expenditure.

Lombard Medical Technologies Limited

Strategic report for the year ended 31 December 2015 (continued)

Key Performance Indicators (KPIs)

The directors of Lombard Medical Technologies Limited do not primarily focus on their management of the activities of the Company on a legal entity basis. Instead business performance is monitored, assessed and managed on a Group basis. Therefore the Company's directors do not set KPIs at a legal entity level, and as a result such KPIs are not presented for Lombard Medical Technologies Limited.

By order of the board



William Kullback
Director and Company secretary
15 December 2016

Lombard Medical Technologies Limited

Directors' report for the year ended 31 December 2015

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2015.

The Company is a wholly-owned subsidiary of Lombard Medical Inc. and is included in the consolidated financial statements of Lombard Medical Inc. which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

Principal activity

The Group's principal activities are the design and development of endovascular stent grafts, their manufacture, and commercialisation either directly through the Group's own sales force or through a network of local distributors supported by clinical specialists from the Group.

As a holding company, the Company's principal activity is the investment in its subsidiary undertakings.

Lombard Medical Technologies Limited is a private limited company incorporated in the United Kingdom under the Companies Act, and it is domiciled within the United Kingdom. Lombard Medical, Inc. is the ultimate parent of the Group to which the Company belongs.

Review of business and future developments

The audited financial statements for the year ended 31 December 2015 are set out on pages 11 to 28. The Company incurred a loss for the financial year of £62.6 million (2014: £1.6 million). A review of the key operational highlights and future developments can be found in the Strategic Report on page 2.

Dividends

The directors do not recommend the payment of a dividend (2014: £nil).

Going concern

The Company is dependent on its immediate parent, Lombard Medical Inc., for financial support. Without this ongoing support, the company will be unable to continue as a going concern for the 12 months from the date of approval of these financial statements.

Lombard Medical Inc's forecasts show that it can continue as a going concern, and continue to support its subsidiaries, for a period of 12 months from the date of approval of these financial statements. This is based on management's expectations regarding product sales, cost structure, current cash burn rate and operating assumptions. Furthermore, management is seeking funding from a number of external sources, including debt and equity finance and strategic partnerships, expects that this will result in the securing of sufficient funds to enable Lombard Medical Inc. to be able to fund its subsidiaries for the next 12 months.

The financial statements of the Company have therefore been prepared on a going concern basis, because the directors have a reasonable expectation that Lombard Medical, Inc. will be able to continue to fund the Company for a period of no less than 12 months from the date of approval of these financial statements.

However, the aforementioned additional funding is not committed as at the date of these financial statements, and were it not to be secured, Lombard Medical Inc. would deplete its cash reserves by February 2017 and be unable to fund its subsidiaries. The Company would not therefore be a going concern.

Lombard Medical Technologies Limited

Directors' report for the year ended 31 December 2015 (continued)

Going concern (continued)

These conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Financial risk management

The company's exposure to financial risks and its policies and procedures to manage such risks are discussed in the Strategic report on page 3.

Directors

The directors who held office during the year and up to the date of the signing of the financial statements were as follows:

S Hubbert
W Kullback
P Phillips
I Ardill (Resigned 19 February 2015)
S Neathercoat (Resigned 1 April 2015)
C Rennie (Resigned 1 April 2015)

Directors' indemnities

The Company has granted a qualifying third party indemnity to each of its directors against liability in respect of proceedings brought by third parties which was in force during the financial year and remains in force as at the date of approving the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report and Director's report and 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 prepared the financial statements in accordance with applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 of the Company and of the profit or loss of the Company 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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements.

Lombard Medical Technologies Limited

Directors' report for the year ended 31 December 2015 (continued)

Directors' responsibilities statement (continued)

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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each has taken all steps that each ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



William Kullback

Director & Company Secretary

15 December 2016

Lombard Medical Technologies Limited

Independent auditors' report to the members of Lombard Medical Technologies Limited

Report on the financial statements

Our opinion

In our opinion, except for the failure to produce consolidated financial statements described in the Basis for our qualified opinion paragraph below, Lombard Medical Technologies Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for our qualified opinion arising from failure to produce consolidated financial statements

As explained in note 1 to the financial statements, Lombard Medical Technologies Limited is not entitled to the exemption from the requirement to produce consolidated financial statements under section 401 of the Companies Act 2006, as it has not met all of the necessary conditions. Consequently, the Company should have produced consolidated financial statements for the parent company and its subsidiary undertakings.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the statement of total comprehensive loss for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Emphasis of matter in opinion

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is dependent on funding from its immediate parent, Lombard Medical, Inc., to be able to continue to trade. Lombard Medical, Inc. cannot continue to fund the Company if it does not secure funding that is uncommitted as at the date of approval of these financial statements.

These conditions, along with the other matters explained in note 1 to the financial statements, represent a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Lombard Medical Technologies Limited

Independent auditors' report to the members of Lombard Medical Technologies Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

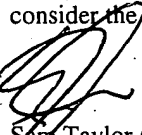
Lombard Medical Technologies Limited

Independent auditors' report to the members of Lombard Medical Technologies Limited (continued)

What an audit of financial statements involves (continued)

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

Date: 15 December 2016

Lombard Medical Technologies Limited

Statement of total comprehensive loss For the year ended 31 December 2015

	Note	Year ended 31 December	
		2015 £'000	2014 £'000
Other income – management charge		–	2,912
Administrative expenses:			
Excluding exceptional items		(820)	(4,551)
Exceptional items	4, 10	(61,713)	–
Administrative expenses including exceptional items		(62,533)	(4,551)
Operating loss	3	(62,533)	(1,639)
Finance income		25	91
Finance costs		(49)	(51)
Loss on ordinary activities before taxation		(62,557)	(1,599)
Taxation	7	–	–
Loss for the financial year		(62,557)	(1,599)
Other comprehensive income for the financial year		–	–
Total comprehensive loss for the financial year		(62,557)	(1,599)

Lombard Medical Technologies Limited

Statement of financial position As at 31 December 2015

	Note	As at 31 December	
		2015 £'000	2014 £'000
Assets			
Investments in subsidiary undertakings	8	2,102	2,102
Non-current assets		2,102	2,102
Current assets			
Prepayments and other receivables	9	153	134
Amounts due from subsidiary undertakings	10	22,589	80,612
Cash and cash equivalents		3,777	23,800
		26,519	104,546
Creditors: amounts falling due within one year	11	(8,249)	(23,850)
Net current assets		18,270	80,696
Total assets less current liabilities		20,372	82,798
Borrowings	12	(1,829)	(1,698)
Net assets		18,543	81,100
Equity			
Ordinary shares	13	33,106	33,106
Share premium	13	79,900	79,900
Other reserves	13	11,118	11,118
Accumulated losses		(105,581)	(43,024)
Total shareholders' funds		18,543	81,100

The financial statements on pages 11 to 28 were approved by the Board on __ December 2016 and were signed on its behalf by:



William Kullback
Director

15 December 2016

Lombard Medical Technologies Limited registered number: 04636949

Lombard Medical Technologies Limited

Statement of changes in equity For the year ended 31 December 2015

	Ordinary shares	Share premium	Other reserves	Accumulated losses	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2014	33,106	79,900	11,118	(41,755)	82,369
Total comprehensive loss for the financial year	—	—	—	(1,599)	(1,599)
Share-based compensation	—	—	—	330	330
Balance as at 31 December 2014	33,106	79,900	11,118	(43,024)	81,100
Balance as at 1 January 2015	33,106	79,900	11,118	(43,024)	81,100
Total comprehensive loss for the financial year	—	—	—	(62,557)	(62,557)
Balance as at 31 December 2015	33,106	79,900	11,118	(105,581)	18,543

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015

1 General information

Lombard Medical Technologies Limited (the "Company") is an intermediate holding company of a group of companies specialising in developing, manufacturing, and marketing endovascular stent-grafts used in the repair of aortic aneurysms.

The Company is a private limited company incorporated in the United Kingdom under the Companies Act, and it is domiciled within the United Kingdom. Lombard Medical, Inc. is the ultimate parent of the Group to which the Company belongs.

The address of the Company's registered office is Lombard Medical House, 4 Trident Park, Basil Hill Road, Didcot, Oxfordshire OX11 7HJ. The Company's registered number is 04636949.

2 Summary of principal accounting policies

The principal accounting policies adopted by the Company in the preparation of these financial statements are set out below and have been consistently applied throughout the period unless otherwise stated.

Basis of preparation

The financial statements of Lombard Medical Technologies Limited have been prepared under the historical cost convention and in accordance the Companies Act of 2006 as applicable to companies using Financial Reporting Standard 101 – 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council. The financial statements are presented in Pounds Sterling (£), which is also the Company's functional currency.

Lombard Medical Technologies Limited is not entitled to the exemption from the requirement to produce consolidated financial statements under section 401 of the Companies Act 2006, as it has not met all of the necessary conditions. Consequently, the Company should have produced consolidated financial statements for the parent company and its subsidiary undertakings.

Changes in accounting policies

This is the first year in which the financial statements of the Company have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 1 January 2014. An explanation of the transition is included in note 18 of these financial statements. In applying FRS 101 for the first time the Company has applied early the amendments to FRS 101 which permits a first-time adopter not to present an opening balance sheet at the beginning of the earliest comparative period presented.

Parent company

These financial statements are separate financial statements. Details of the ultimate parent of the Group, Lombard Medical, Inc. ("LM Inc."), in whose consolidated financial statements the Company is included are publicly available. See note 17 for details of the ultimate parent company.

Disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the following:

- Paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The requirements of IAS 7 'Statement of Cash Flows';

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Summary of principal accounting policies (continued)

Disclosure exemptions (continued)

- The requirements IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Critical accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities as well as income and expenses in the financial statements provided.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The actual outcome is not expected to differ significantly from the estimates and assumptions made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or the period of revision and future periods if this revision affects both current and future periods.

Going concern

The Company is dependent on its immediate parent, Lombard Medical Inc., for financial support. Without this ongoing support, the company will be unable to continue as a going concern for the 12 months from the date of approval of these financial statements.

Lombard Medical Inc's forecasts show that it can continue as a going concern, and continue to support its subsidiaries, for a period of 12 months from the date of approval of these financial statements. This is based on management's expectations regarding product sales, cost structure, current cash burn rate and operating assumptions. Furthermore, management is seeking funding from a number of external sources, including debt and equity finance and strategic partnerships, expects that this will result in the securing of sufficient funds to enable Lombard Medical Inc. to be able to fund its subsidiaries for the next 12 months.

The financial statements of the Company have therefore been prepared on a going concern basis, because the directors have a reasonable expectation that Lombard Medical, Inc. will be able to continue to fund the Company for a period of no less than 12 months from the date of approval of these financial statements.

However, the aforementioned additional funding is not committed as at the date of these financial statements, and were it not to be secured, Lombard Medical Inc. would deplete its cash reserves by February 2017 and be unable to fund its subsidiaries. The Company would not therefore be a going concern.

These conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of total comprehensive loss.

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Summary of principal accounting policies (continued)

Operating leases

Payments arising under operating leases are charged to the statement of comprehensive loss account as incurred. The Company has no finance leases.

Taxation

Income tax is recognised or provided at amounts expected to be recovered or paid using the tax rates and tax laws that have been enacted or substantively enacted at the year-end date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Investments in subsidiaries

In the Company's financial statements investments are carried at historic cost less any provision for impairment. Such investments include both investments in shares issued by the subsidiary undertaking and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. Losses relating to impairment are immediately recognised in the Company's Statement of comprehensive loss.

Prepayments and other receivables

Prepayments include costs paid relating to subsequent financial periods and are measured at cost.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Receivables are assessed for indicators of impairment at each balance sheet date. Receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the receivables have been affected. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive loss account. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Summary of principal accounting policies (continued)

Borrowings

The conversion option of a convertible instrument is assessed to determine if it meets the definition of equity. Where the conversion meets the definition of equity, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible instrument. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option; this is recognized and included in shareholders' equity. Where the conversion option of a convertible instrument is not assessed to meet the definition of equity, the conversion option is a derivative and the residual amount is the liability.

Capital debt instruments are included at fair value and measured at amortized cost. Costs associated with the issue of capital debt instruments offset against the proceeds of the instrument.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are taken to the share premium account and shown in equity as a deduction from the proceeds.

3 Operating loss

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2015 £'000	2014 £'000
Foreign exchange loss/(gain)	649	(10)
Operating lease rentals		
– Land and buildings	241	208
Share-based compensation expense	–	330
Fees payable to the Company's auditors and its associates for the audit of the parent company	–	75
Fees payable to the Company's auditors and its associates for other services		
– The Audit of the company's subsidiaries	–	15
– Audit related assurance services	–	500
– Tax advisory service	–	11
– Tax compliance services	24	15
– Non audit services	42	80
	66	696

Commencing in the year ended 31 December 2015, the fee payable to the auditors for the audit of the Group is borne by the ultimate parent, Lombard Medical, Inc., and no recharge is made.

During the year ended 31 December 2015, £139,000 (2014: £nil) of operating costs associated with the Company's land and buildings were recharged to one of its subsidiaries, Lombard Medical Limited.

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

4 Exceptional item

An exceptional loss of £61,713,000 has been recorded in the Statement of comprehensive loss for the impairment of the amount due from Lombard Medical Limited. This has arisen from a review of the amounts due from Group undertakings given the overall market capitalization of the Group. See note 10 for further information.

5 Employees and staff costs

The average monthly number of employees employed by the Company (including executive directors) during the year analysed by activity, was as follows:

By activity:	2015 Number	2014 Number
Administration	3	2
	3	2

The aggregate remuneration comprised as follows:

	2015 £'000	2014 £'000
Wages and salaries including restructuring costs	–	675
Social security costs	–	98
Other pension costs	–	44
Share-based compensation expense	–	75
Adjustment for prior year estimate of restructuring costs	–	–
	–	892

Up until 30 April 2014, the Company was the ultimate parent undertaking of the Group. Subsequent to the Group's NASDAQ Initial Public Offering, the cost of the employees and directors of the Company was borne by the ultimate parent of the Group, Lombard Medical, Inc.

6 Directors' remuneration

	2015 £'000	2014 £'000
Fees	–	97
Salary	–	430
Bonuses	–	177
Compensation for loss of office	–	106
Pension contributions	–	44
Benefits	–	24
	–	878

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

6 Directors' remuneration (continued)

From the April 2014 date of the Group's NASDAQ Initial Public Offering, the directors receive no emoluments for their services from the Company (2014: £nil). Remuneration of the directors of the Company is borne by the ultimate parent of the Group, Lombard Medical, Inc. No recharge of these costs is made to the Company. Their emoluments are shown in the financial statements of Lombard Medical, Inc.

In respect of the highest paid director, the Group paid remuneration of £nil (2014: £374,000) and pension contributions of £nil (2014: £25,000). No share options were exercised by the highest paid Director (2014: none).

7 Taxation

	2015	2014
	£'000	£'000
Current tax:		
Adjustment in respect of prior years	–	–
Tax credit in respect of current year	–	–
Total current tax	–	–

Current tax credit for the year is lower (2014: lower), than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.5%). The differences are explained below:

	2015	2014
	£'000	£'000
Loss on ordinary activities before taxation	(62,557)	(1,577)
Loss before tax for the year at 20.25% (2014: 21.5%)	(12,668)	(344)
Amounts not deductible for tax purposes	12,497	584
Losses utilized during the year	–	(240)
Losses carried forward	171	–
Tax credit	–	–

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A further corporation tax rate change was announced in the April 2016 budget to further reduce the main rate to 17% from 1 April 2020 which was substantively enacted on 6 September 2016. The Company has no deferred taxes at the balance sheet date (2014: £nil).

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

7 Taxation (continued)

Taxation losses of approximately £12,654,000 (2014: £12,483,000) are available to carry forward against future profits of the Company. The deferred taxation asset at 18% (2014: 20%) of £2,305,000 (2014: £2,497,000) has not been recognised in respect of these losses as the directors consider that realisation is, as yet, uncertain.

8 Investments in subsidiary undertakings

	£'000
Cost	
At 1 January 2015	4,663
Additions	–
At 31 December 2015	4,663
Impairment	
At 1 January 2015	2,561
Provided in the year	–
At 31 December 2015	2,561
Net book value	
At 31 December 2015	2,102
At 31 December 2014	2,102

Interests in Group undertakings

The following subsidiary undertakings have been included in the investments in subsidiary undertakings. All interests are held directly in the form of ordinary shares.

Name of undertaking	Principal area of activity	Country of incorporation
Lombard Medical Limited	Endovascular stent grafts	Great Britain
PolyBioMed Limited	Dormant	Great Britain
LionMedical Limited	Investment holding company	Great Britain
Lombard Medical Technologies, Inc.	Endovascular stent grafts	United States of America
Lombard Medical (Scotland) Ltd	Endovascular stent grafts	Great Britain
Lombard Medical Technologies GmbH	Endovascular stent grafts	Germany

All of the subsidiaries are wholly owned by the Company. The above companies operate principally in their country of incorporation. All interests are held by the Company.

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

9 Prepayments and other receivables

	31 December 2015	31 December 2014
Amounts falling due within one year:	£'000	£'000
Prepayments and accrued income	89	117
Other debtors	64	17
	153	134

10 Amounts due from subsidiary undertakings

	£'000
Cost	
At 1 January 2015	108,307
Additions	3,690
At 31 December 2015	111,997
Impairment	
At 1 January 2015	27,695
Provided in the year	61,713
At 31 December 2015	89,408
Net book value	
At 31 December 2015	22,589
At 31 December 2014	80,612

Amounts due from subsidiary undertakings are unsecured, interest free and are repayable upon demand.

Given the Group's current market capitalization, the Company evaluated the amount due to the Company from Lombard Medical Limited for impairment. Based on the analysis performed by management, the Company took a provision against the amount due from Lombard Medical Limited in the amount of £61,713,000 (2014: £nil) to the Statement of total comprehensive loss as an exceptional item.

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

11 Creditors: amounts falling due within one year

	31 December 2015	31 December 2014
	£'000	£'000
Trade creditors	297	21
Amounts owed to parent company	7,905	23,438
Accruals and deferred income	47	391
	8,249	23,850

Amounts owed to parent company are unsecured, interest free and are repayable upon demand.

12 Borrowings

On 28 March 2013, the Company received \$2.5 million from the total \$5.0 million convertible loan facility granted by its exclusive distribution partner in Japan, Medico's Hirata Inc. ("Medicos"). The loan accrues interest of 3% per annum, payable when the loan is repaid or converted. The loan is repayable seven years from the receipt of regulatory approval for Aorfix in Japan which was granted in August 2014. Conversion of the loan is at Medicos' discretion and will be based on the share price at the time of conversion.

At 31 December, the amount outstanding was comprised as follows:

	£'000
Liability component at 1 January 2015	1,698
Interest expense	49
Currency translation difference	82
At 31 December 2015	1,829

The convertible loan note is considered a financial liability with no equity component as there is a contractual obligation to deliver a variable number of shares at the market price if the loan note is converted. The fair value of the loan note is therefore the same whether the settlement of the obligation is made in cash or in shares at the time of repayment.

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

13 Equity

i) Called up share capital

	2015 Number of shares 000s	2015 Nominal value £'000	2014 Number of shares 000s	2014 Nominal value £'000
Allotted, called up and fully paid				
Ordinary shares of 20p each	44,743	8,949	44,743	8,949
A Deferred shares of 0.862 pence each	373,857	3,223	373,857	3,223
B Deferred shares of 1 pence each	136,186	1,361	136,186	1,361
C Deferred shares of 0.9 pence each	2,174,695	19,573	2,174,695	19,573
		33,106		33,106

The Company is authorised to issue 2,729,481,559 total shares. On 24 April 2014, the Lombard Medical, Inc.'s, Initial Public Offering ("IPO") of shares on the NASDAQ Global market was priced. To facilitate the NASDAQ IPO, Lombard Medical, Inc., a new Cayman Islands domiciled holding company, was created and the existing shares in Lombard Medical Technologies plc were exchanged for new shares in Lombard Medical, Inc. under a UK High Court approved Scheme of Arrangement. Following the Scheme of Arrangement, the trading in shares of Lombard Medical Technologies plc on the London Stock Exchange's AIM market was cancelled and Lombard Medical Technologies plc reregistered as a private company, Lombard Medical Technologies Limited. When the Scheme of Arrangement became effective, Lombard Medical Technologies plc's 44,743,187 ordinary shares of 20 pence each were exchanged for 11,185,965 ordinary shares of \$0.01 each in Lombard Medical, Inc., as part of 4 for 1 share exchange.

ii) Share premium

The share premium account consists of the proceeds from the issuance of shares in excess of their par value less associated issue costs.

iii) Other reserves

The other reserves account arose on the conversion of convertible preference shares to ordinary shares and represents the difference between the fair value of the preference shares and the nominal value of the ordinary shares issued.

14 Related party transactions

As permitted by FRS 101, related party transactions with wholly-owned members of the Lombard Medical, Inc. Group have not been disclosed.

There have been no transactions with other related parties.

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

15 Financial commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £'000	2014 £'000
No later than one year	241	122
Later than one year and not later than five years	137	–
	378	122

The Company had no capital commitments at 31 December 2015 or 2014.

16 Share options

Until the NASDAQ IPO, the Company's Directors, officers, employees and certain former employees and former Directors held options under the Lombard Medical Technologies Limited Share Option Plan (2005), known as the "2005 Plan", to subscribe for ordinary shares in the Company. Following the NASDAQ IPO, options held under the 2005 plan, were exchanged in a 4 for 1 exchange for options in Lombard Medical, Inc.

	2015		2014	
	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price	Shares Under Option
At beginning of year	–	–	170	5,895,706
Options lapsed/cancelled (20p ordinary shares)	–	–	(170)	(5,895,706)
Options granted (20p ordinary shares)	–	–	–	–
Options lapsed/cancelled (20p ordinary shares)	–	–	–	–
At end of year	–	–	–	–

As all outstanding options of the Group are related to the ultimate parent, Lombard Medical, Inc., share-based compensation option expense for the Company for 2015 was £nil (2014: £330,000).

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

17 Ultimate parent undertaking and controlling party

The immediate parent undertaking and ultimate controlling party and the smallest and largest Group to consolidate these financial statements is Lombard Medical, Inc., a company registered in the Cayman Islands. Copies of Lombard Medical, Inc. consolidated financial statements can be obtained from the Company secretary at Lombard Medical House, 4 Trident Park, Didcot, Oxfordshire, OX11 7HJ or on the website at www.lombardmedical.com.

18 Transition to FRS 101

The Company has adopted FRS 101 for the first time having previously applied UK GAAP that was effective before periods commencing on or after 1 January 2015. The date of transition to FRS 101 was 1 January 2014.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. The impact on the Statement of financial position at 31 December 2014 consists of noncurrent investments in subsidiary undertakings of £80,612,000 (1 January 2014: £58,321,000) reclassified to current amounts due from group undertakings. There were no transitional adjustments to the Statement of total comprehensive income or the Statement of changes in equity.

The effects of the change in accounting policies on the Statement of financial position is shown in the following tables:

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

18 Transition to FRS 101 (continued)

Impact of change in accounting policy on the Statement of financial position as at 1 January 2014

	UK GAAP £'000	FRS 101 Reclassification £'000	FRS 101 £'000
Assets			
Investments in subsidiary undertakings	60,882	(58,321)	2,561
Non-current assets	60,882	(58,321)	2,561
Current assets			
Trade and other receivables	783	–	783
Amounts due from subsidiary undertakings	–	58,321	58,321
Cash and cash equivalents	23,539	–	23,800
	24,322	58,321	82,643
Creditors: amounts falling due within one year	(1,285)	–	(1,285)
Net current assets	23,037	58,321	81,358
Total assets less current liabilities	83,919	–	83,919
Borrowings	(1,285)	–	(1,285)
Net assets	82,369	–	82,369
Equity			
Ordinary shares	33,106	–	33,106
Share premium	79,900	–	79,900
Other reserves	11,118	–	11,118
Accumulated losses	(41,755)	–	(41,755)
Total shareholders' funds	82,369	–	82,369

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

18 Transition to FRS 101 (continued)

Impact of change in accounting policy on the Statement of financial position as at 31 December 2014

	UK GAAP £'000	FRS 101 Reclassification £'000	FRS 101 £'000
Assets			
Investments in subsidiary undertakings	82,714	(80,612)	2,102
Non-current assets	82,714	(80,612)	2,102
Current assets			
Trade and other receivables	134	–	134
Amounts due from subsidiary undertakings	–	80,612	80,612
Cash and cash equivalents	23,800	–	23,800
	23,934	80,612	104,546
Creditors: amounts falling due within one year	(412)	–	(412)
Net current assets	23,522	80,612	104,134
Total assets less current liabilities	106,236	–	106,236
Borrowings	(25,136)	–	(25,136)
Net assets	81,100	–	81,100
Equity			
Ordinary shares	33,106	–	33,106
Share premium	79,900	–	79,900
Other reserves	11,118	–	11,118
Accumulated losses	(43,024)	–	(43,024)
Total shareholders' funds	81,100	–	81,100

Lombard Medical Technologies Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

19 Events after the reporting period

On 23 June 2016, a referendum was held in which the citizens of the United Kingdom voted to leave the European Union. The result of the referendum has raised numerous uncertainties, including the timing of when the United Kingdom may begin the official process of withdrawal and the commencement of negotiations with the European Union regarding the terms of the withdrawal. Given the current status, it is not possible to determine the outcome of any uncertainties, but management will continue to monitor developments closely.