Registered number: 04636949

Lombard Medical Technologies Limited
(formerly Lombard Medical Technologies Plc)

Annual report and financial statements for the year ended 31 December 2013

Strategic Report

The directors present their strategic report on the company for the year ended 31 December 2013.

Review of the business

2013 was a particularly significant year in Lombard Medical's history with the US Food and Drug Administration ("FDA") approval of Aorfix for the endovascular aortic repair of abdominal aortic aneurysms granted in February 2013. The approval includes a unique label indication for the treatment of patients with angulations at the neck of the aneurysm up to and including 90 degrees. This gives Aorfix the broadest label for such a device on the US market, and makes it the only endovascular stent graft approved for use in high angle (>60 degrees) cases, providing a strong platform for growth in the world's largest EVAR market. The worldwide EVAR market was estimated to be approximately $1.4 billion in 2013, with the U.S. market estimated at approximately $680 million.

During the period, in June 2013, the Company also received US FDA approval for Aorflex, the Company's next generation delivery system. Aorfix was officially launched in the US at the 40th Annual Symposium on Vascular and Endovascular Issues (VEITH Symposium) in New York in November 2013. The Aorfix stent-graft has been successfully used to treat patients in the US since the FDA approval.

We generated revenue of £4.5 million in the year ended 31 December 2013 (2012: £3.9 million), with £0.3 million attributable to the US post launch. We saw sales growth in our Main EU Markets, our Rest of World Distributor Markets and a decline in our revenue generated from the OEM business based in Prestwick, Scotland. On December 20, 2013 we completed the divestiture of this business for £0.6 million.

We reported an operating loss of £12.8 million in the year ended 31 December 2013 (2012: £8.2 million). This was primarily caused by increases in sales and marketing expenses in the US following FDA approval of Aorfix in February 2013 and a 2013 share option charge of resulting from changes made to the performance criteria in June 2013.

As of 31 December 2013, we had cash and cash equivalents of £24.8 million. We achieved this cash position primarily through the receipt of £34.4 million from equity fundraisings during the year ended 31 December 2013.

Aorfix Regulatory Approval in the US and launch

As part of the US launch, we are focusing on the 300 higher volume US centers, where approximately 50% of the EVAR procedures in the US are performed. Our US commercial headquarters have been moved to Irvine, California. Our US sales and marketing team have significant experience in the healthcare industry and in vascular sales and marketing in particular. We have recruited and trained a field sales force of 20 individuals, including two regional managers. The sales representatives come from a large pool of experienced sales representatives and have received in-depth training in the Aorfix implant and the procedure itself. We intend to more than double the size of our direct sales force in the US by the end of 2014.

The initial step in our US roll-out of Aorfix consists of training physicians seeking to use Aorfix and we have trained 244 physicians between July and December 2013.

RoW Aorfix Update

Through our relationship with our exclusive Japanese distribution partner, Medico's Hirata Inc, we are confident of securing Aorfix approval in Japan in 2014, which will allow us to access the second largest single market for this device. Medico's Hirata remains in dialogue with the Pharmaceuticals and Medical Devices Agency (PMDA) to achieve this. Medico's Hirata is a leading supplier of vascular products in Japan. Through its existing and established sales force, the Company believes it will be able to maximize the potential of Aorfix in this important and growing market, which in 2013 was estimated to account for approximately $140m or 10% of the global EVAR market.

Strategic Report (continued)

Manufacturing update
To meet growing demand for Aorfix in the US, address growing sales in Europe and be ready for the anticipated regulatory approval of Aorfix in Japan in 2014, we announced the expansion of our manufacturing facilities in Didcot by c.10,000 square feet to approximately 32,000 square feet in October 2013. This expansion involves the construction of a new cleanroom and materials handling space and will allow us to meet Aorfix demand for the global market for the foreseeable future.

New product development
Delivery System
We are developing new versions of the Aorfix stent-graft delivery system to allow physicians to use Aorfix to treat patients with narrow access vessels through a low profile design that reduces vessel trauma and to reposition the top of the graft to further enhance physician accuracy in placing the stent-graft. We intend to work closely with the regulatory bodies in the US and the European Union to plan the optimal route to market.

Thoracic Stent-Graft
We are also developing a stent-graft system to treat thoracic aortic aneurysms ("TAAs"). We have built prototype TEVAR devices and we expect these designs to demonstrate benefits in treating the severe curvature of the aortic arch in a similar manner to the benefits demonstrated by Aorfix in treating angulated AAAs.

Aorfix Size Range
We have made significant progress toward expanding the size range of Aorfix, thereby addressing the needs of patients with AAAs with aortic neck diameters either too large or too small for the current product size range. Based on published clinical data, this expanded patient group could represent a significant incremental market opportunity. We are working on the strategy to support regulatory approval of the most widely used combinations of sizes in the expanded size range. Currently, in Europe, larger sizes of Aorfix can be made to a physician's special prescription and patients have already been treated with custom made Aorfix devices.

Principal Risks and Uncertainties
The management of the business and the execution of the Group's strategy are subject to a number of risks and uncertainties.

The Board has implemented processes to identify risks, to assess them and to ensure that reasonable mitigation plans are in place. The principal risks and uncertainties identified that could have a material impact on the Group are set out below.

Manufacturing
The Group may encounter problems in its manufacturing process which may restrict commercial quantities of product that can be made. To mitigate this risk the Company appoints experienced managers in key areas and engages consultants where necessary to advise on specific manufacturing and regulatory issues.

Development
Product development projects and associated clinical trials may encounter delays or fail to achieve their endpoints. The Group seeks to mitigate this risk as far as possible through detailed planning and by closely monitoring development projects to identify potential issues as early as possible.

Regulatory
Regulatory bodies around the world have different requirements for the approval of medical devices. This may result in the restriction of indication, denial or approval or demands for additional data. The Group seeks to mitigate this risk by appointing managers and/or consultants experienced in the requirements of the specific regulatory bodies from which the Company is seeking approval.

Strategic Report (continued)

Market Competitors

Although the Group believes that its products have design features that make them competitive against the known competition, a new competitor product may be brought to the market that is more effective or economically viable than that developed by the Group. The Group monitors market developments, as far as possible, in order to take account of competitor advances in its design of new products.

Financial Resources

The Group may not be able to raise the finance that it may require in the future. If it fails to obtain such funding the Group may need to delay or scale back some of its development projects and/or commercialisation plans.

By order of the board

Ian Ardill
Director
26 June 2014

Directors' Report

The Directors present their report and the audited financial statements of the Company and Group for the year ended 31 December 2013. On 30 April 2014 the Company changed its name to Lombard Medical Technologies Limited

Principal Activities and Business Review
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 Lombard Medical.

The principal product, the Aorfix™ AAA stent graft has European CE Mark and US FDA approval for use in patients with high-angle-neck aneurysms of up to 90°.

A review of the results for the year and of future developments in the business is given in the Strategic Review which forms part of this Annual Report.

The Company's principal activity is the investment in its subsidiary undertakings.

Results
The Consolidated Statement of Comprehensive Income is set out on page11. The Group's loss and total comprehensive expense for the year was £12.3 million (2012: £8.3 million).

Research and Development
During the year, the Group incurred £4.5 million (2012: £4.6 million) in continuing development of its product portfolio. These costs were expensed in accordance with the Company's accounting policy.

Employees
The Company has consistently sought to recruit and retain the best employees.

In order to ensure that employees are fully conversant with both manufacturing techniques and industry standards, in-house training courses are held at regular intervals. Other more specific training is achieved by sending employees on external training courses.

To aid in retention, a benefits package encompassing death in service, long-term disability and medical insurance, together with a contributory pension scheme, is offered to all employees, in addition to salary and participation in the bonus scheme.

Key Performance Indicators
The Board regularly reviews the Group's performance, comparing the actual income statement, balance sheet cash balance and sales performance against budget and forecasts.

Political and Charitable Donations
The Group made no political or charitable donations during the year (2012 £nil).

Directors' Report (continued)

Directors

The directors of the company during 2013 and up to the date of signing the financial statements were as follows:

Raymond Cohen (appointed on 9 July 2013 and resigned on 12 May 2014)
Simon Hubbert
Ian Ardill
Peter Phillips
Timothy Haines (resigned 12 May 2014)
Thomas Casdagli (resigned 23 May 2013)
Simon Neathercoat
Craig Rennie
Martin Rothman (resigned 28 February 2014)
John Rush (resigned 12 May 2014)

Corporate and Social Responsibility

Environment

The Group is committed to complying with environmental legislation and minimising the impact of its activities on the environment. The Group considers that its activities have low environmental impact.

Financial Risk Management

Details of the Group's policies are included in note17 to the financial statements.

Health and Safety

The Group has established a Health and Safety Committee to review health and safety standards within the Group on an ongoing basis. Policies and procedures are documented.

Payment Policy

It is the Group's policy to agree terms of settlement with its suppliers, which are appropriate for the markets in which they operate and to abide by such terms where suppliers have met their obligations. The Company had 48 days' (2012: 70 days') purchases outstanding at 31 December 2013, based on amounts invoiced by suppliers during the year.

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 remains in force as at the date of approving the Directors' report.

Share Price

The mid-market share price derived from the London Stock Exchange Daily Official List, was 180 pence on 31 December 2013.

The closing mid-market price ranged from 161 pence to 239 pence during the period from 1 January to 31 December 2013. The average closing mid-market share price for this period was 188 pence.

Directors' Report (continued)

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company 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 of the group and the company and of the profit or loss of the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 the group 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 under Section 418 of the Companies Act, 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.

Annual General Meeting

Following the Scheme of Arrangement which became effective on 30 April 2014 and the cancellation of trading of the Company's shares on AIM and the reregistration of the Company as a private company, there will be no further AGMs held.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

Going Concern

Statements regarding the adoption of the going concern basis for the preparation of the financial statements have been made in note 1 to the Financial Statements.

Directors' Report (continued)

Post Balance Sheet Events

During April 2014, the Group was reorganised, under a Court approved scheme of arrangement, so that the Company became a directly and wholly owned subsidiary of Lombard Medical, Inc., a company registered in the Cayman Islands. On 25 April 2014, Lombard Medical, Inc. announced the pricing of its initial public offering on the NASDAQ Global Market of 5,000,000 ordinary shares at a price to the public of $11 per share, raising $55 million. On the same day, shares in the Lombard Medical, Inc. commenced trading on the NASDAQ Global Market and the Company's shares were suspended from trading on AIM, with cancellation of the AIM listing occurring on 30 April 2014.

By order of the Board

Ian Ardill
Company Secretary
26 June 2014

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

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2013 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Lombard Medical Technologies Limited, comprise:

- the consolidated and company balance sheets as at 31 December 2013;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements 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 their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 group's and 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.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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 7, 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 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.

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

26 June 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Revenue	3	4,452	3,889
Cost of sales		(2,760)	(2,489)
Gross profit		**1,692**	**1,400**
Selling, marketing and distribution expenses		(6,686)	(2,792)
Research and development expenses		(4,454)	(4,598)
Administrative expenses		(3,367)	(2,252)
Total operating expenses		(14,507)	(9,642)
Operating loss	4	**(12,815)**	**(8,242)**
Finance income – interest receivable		105	23
Finance costs	5	(287)	(421)
Loss before taxation		**(12,997)**	**(8,640)**
Taxation	8	713	350
Loss and total comprehensive expense for the year		**(12,284)**	**(8,290)**
Basic and diluted loss per ordinary share (pence) from continuing operations	9	(34.2)	(41.1)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2013

Company registration number: 04636949

	Note	2013 £'000	2012 £'000
Assets			
Intangible assets	10	3,468	2,235
Property, plant and equipment	11	1,461	590
Trade and other receivables	14	317	-
Non-current assets		**5,246**	**2,825**
Inventories	13	2,037	1,959
Trade and other receivables	14	2,087	1,138
Taxation recoverable		1,299	569
Cash and cash equivalents		24,767	2,747
Current assets		**30,190**	**6,413**
Total assets		**35,436**	**9,238**
Liabilities			
Borrowings	15	-	(2,761)
Trade and other payables	16	(3,987)	(2,323)
Current liabilities		**(3,987)**	**(5,084)**
Borrowings	15	(1,550)	-
Non-current liabilities		**(1,550)**	-
Total liabilities		**(5,537)**	**(5,084)**
Net assets		**29,899**	**4,154**
Equity			
Called up share capital	18	33,106	28,189
Share premium account	18	79,900	47,451
Other reserves	18	11,118	11,437
Accumulated loss		(94,225)	(82,923)
Total equity		**29,899**	**4,154**

The accompanying notes form part of these financial statements.

The financial statements on pages 11 to 39 were approved by the Board of Directors on 26 June 2014 and were signed on its behalf by:

Ian Ardill
Chief Financial Officer

Consolidated Cash Flow Statement
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash outflow from operating activities			
Cash used in operations	20	(11,340)	(8,274)
Interest paid		(103)	(184)
(Tax paid)/research and development tax credits		(17)	931
Net cash outflow from operating activities		**(11,460)**	**(7,527)**
Cash flows from investing activities			
Interest received		79	23
Purchase of property, plant and equipment		(1,156)	(137)
Purchase of intangible assets		(1,324)	-
Net cash flows used in investing activities		**(2,401)**	**(114)**
Cash flows from financing activities			
Proceeds from issue of convertible loan notes		1,655	3,000
Convertible loan notes issue expenses		-	(157)
Proceeds from issue of ordinary shares		35,754	-
Share issue expenses		(1,388)	-
Net cash flows from financing activities		**36,021**	**2,843**
Increase/(decrease) in cash and cash equivalents		**22,160**	**(4,798)**
Cash and cash equivalents at beginning of year		**2,747**	**7,545**
Effects of exchange rates on cash and cash equivalents		(140)	-
Cash and cash equivalents at end of year		**24,767**	**2,747**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Share Capital £'000	Share Premium Account £'000	Other Reserves £'000	Accumulated loss £'000	Total Equity £'000
At 1 January 2012		**28,189**	**47,451**	**11,118**	**(74,375)**	**12,383**
Loss and total comprehensive expense for the year		–	–	–	(8,290)	(8,290)
Share-based compensation	19	–	–	–	(258)	(258)
Equity component of convertible loan notes (net of issue expenses)		–	–	319	–	319
At 31 December 2012		**28,189**	**47,451**	**11,437**	**(82,923)**	**4,154**
Loss and total comprehensive expense for the year		–	–	–	(12,284)	(12,284)
Share-based compensation	19	–	–	–	752	752
Issue of ordinary shares		4,488	31,266	–	–	35,754
Share issue expenses		–	(1,388)	–	–	(1,388)
Equity component of convertible loan notes (net of issue expenses)	15	429	2,571	(319)	230	2,911
At 31 December 2013		**33,106**	**79,900**	**11,118**	**(94,225)**	**29,899**

The accompanying notes form part of these financial statements.

Company Balance Sheet

as at 31 December 2013

Company registration number: 04636949

	Note	2013 £'000	2012 £'000
Assets			
Investments in subsidiary undertakings	12	60,882	46,489
Non-current assets		**60,882**	**46,489**
Trade and other receivables	14	783	52
Cash and cash equivalents		23,539	2,088
Current assets		**24,322**	**2,140**
Total assets		**85,204**	**48,629**
Liabilities			
Borrowings	15	-	(2,761)
Trade and other payables	16	(1,285)	(785)
Current liabilities		**(1,285)**	**(3,546)**
Borrowings	15	(1,550)	-
Non-current liabilities		**(1,550)**	-
Total liabilities		**(2,835)**	**(3,546)**
Net assets		**82,369**	**45,083**
Equity			
Called up share capital	18	33,106	28,189
Share premium account	18	79,900	47,451
Other reserves	18	11,118	11,437
Accumulated loss		(41,755)	(41,994)
Total equity		**82,369**	**45,083**

The accompanying notes form part of these financial statements.

The financial statements on pages 11 to 39 were approved by the Board of Directors on 26 June 2014 and were signed on its behalf by:

Ian L Ardill

Ian Ardill
Chief Financial Officer

Company Cash Flow Statement

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operations	20	450	1,031
Interest paid		(103)	(184)
Net cash generated from operating activities		**347**	**847**
Cash flows from investing activities			
Advances to and investment in subsidiary undertakings		(14,855)	(8,670)
Interest received		78	23
Net cash flows used in investing activities		**(14,777)**	**(8,647)**
Cash flows from financing activities			
Proceeds from issue of convertible loan notes		1,655	3,000
Convertible loan notes issue expenses		–	(157)
Proceeds from issue of ordinary shares		35,754	–
Share issue expenses		(1,388)	–
Net cash flows from financing activities		**36,021**	**2,843**
Increase/(decrease) in cash and cash equivalents		**21,591**	**(4,957)**
Cash and cash equivalents at beginning of year		**2,088**	**7,045**
Effects of exchange rates on cash and cash equivalents		(140)	–
Cash and cash equivalents at end of year		**23,539**	**2,088**

The accompanying notes form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Accumulated Loss £'000	Total Equity £'000
At 1 January 2012		**28,189**	**47,451**	**11,118**	**(42,362)**	**44,396**
Profit and total comprehensive income for the year		–	–	–	626	626
Share-based compensation	19	–	–	–	(258)	(258)
Equity component of convertible loan notes (net of issue expenses)	18	–	–	319	–	319
At 31 December 2012		**28,189**	**47,451**	**11,437**	**(41,994)**	**45,083**
Loss and total comprehensive expense for the year		–	–	–	(743)	(743)
Share-based compensation	19	–	–	–	752	752
Issue of ordinary shares		4,488	31,266	-	-	35,754
Share issue expenses		-	(1,388)	-	-	(1,388)
Equity component of convertible loan notes (net of issue expenses)	15	429	2,571	(319)	230	2,911
At 31 December 2013		**33,106**	**79,900**	**11,118**	**(41,755)**	**82,369**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

Basis of Preparation

Lombard Medical Technologies Limited (the "Company" or the "Group") is a medical technology company specializing in developing, manufacturing, and marketing endovascular stent-grafts used in the repair of aortic aneurysms. The Company's lead product, Aorfix, is used in the treatment of abdominal aortic aneurysms. The financial statements for the year ended 31 December 2013 have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company is taking advantage of the exemption in s.408 of the Companies Act 2006 not to present its individual statement of comprehensive income. The Company loss for the year ended 31 December 2013 is £743,000 (2012: £626,000 profit).

The financial statements have been prepared on the historical cost basis, revised for use of fair values where required by applicable IFRS. The consolidated financial statements are presented in sterling to the nearest thousand (£000), except where otherwise indicated. The principal accounting policies adopted are set out below.

These policies have been applied consistently throughout the year except where otherwise indicated.

Basis of Preparation – Financing

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The Group obtained regulatory approval in the United States for its AorfixTM product on February 14, 2013 but still expects to absorb cash until sales reach an appropriate level. The Group's management believes that its currently available resources will provide sufficient funds to enable the Company to meet its obligations to at least 31 December 2014. Based on current forecasts the Company's management expect to have to raise additional funding prior to the period when the Group becomes cash generative through these increased sales levels. Additional funding was received in May 2014 from the Group's NASDAQ IPO and based on this the going concern basis has been adopted in the preparation of this financial information.

Basis of Consolidation

The consolidated annual financial statements comprise the financial statements of the Company and its subsidiaries at 31 December each year. The purchase method of accounting is used for the acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. An investor controls an investee when it has power over the relevant activities, exposure to variable returns from the investee and the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Critical Accounting Estimates and Assumptions

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of indefinite life intangible assets (including goodwill), the estimation of share-based compensation expense, the fair value of unlisted equity investments and the treatment of R&D expenditure in line with the relevant accounting policy.

- ***Intangible Assets – Goodwill on Acquisition***

The Group determines whether indefinite-life intangible assets are impaired on an annual basis and this requires the estimation of the value in use of the cash generating units to which the intangible assets are allocated which in turn involves estimation of future cash flows and choosing a suitable discount rate.

1 Accounting Policies (continued)

- ***Share-Based Compensation Expenses***

The estimation of share-based compensation expense requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs based on judgements relating to the probability of meeting performance conditions and the continuing participation of employees.

- ***Research and Development Expenditure***

The treatment of research and development expenditure requires an assessment of the expenditure in order to determine whether or not it is appropriate to capitalise costs and recognise as an asset on the balance sheet in accordance with IAS 38.

Revenue Recognition

Revenue represents the amount receivable from the sale of medical devices, services provided and the licensing of technology, net of trade discounts and sales-related taxes. Revenue is recognised as follows:

- ***Product Sales***

Product sales to direct customers are recognised when goods are delivered to customers and are net of any provision for estimated returns. Products provided for a particular procedure includes a range of medical devices that may not all be used; where this is the case an estimation of the number of unused devices to be returned is made and provided for. Where our sales are made through distributors, such sales are recognised on delivery to the distributor as returns of stocking orders are not generally accepted under the distributor agreements. In the case of products provided for a particular medical procedure and sold through a distributor, an estimate of the returns of unused parts is made and provided for. Sales include products used in clinical trials provided the supply is under a separate contract and payment arrangements.

- ***Royalty and Licence Income***

Income arising from a licence agreement is recognised when receivable under the terms of a contract and when all related obligations have been fulfilled. Royalty income is recognised on a received basis and represents income earned as a percentage of product sales in accordance with the terms of the relevant agreement.

Cost of sales

Cost of sales includes all costs relating to the manufacture of the medical devices.

Research & Development Expenditure

Research expenditure is charged to the statement of comprehensive income in the period in which it is incurred. The Group considers that the regulatory, technical and market uncertainties inherent in the development and commercialisation of new products mean that development costs incurred to date have not yet met the relevant capitalisation criteria and so should not be capitalised as intangible assets and consequently expenditure on research and development has been expensed as incurred.

Goodwill

Goodwill recognised under UK GAAP prior to 1 January 2006 is stated at net book value at that date. Goodwill arising on the acquisition of subsidiary or associate undertakings and business subsequent to 1 January 2006, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised. Goodwill is not amortised but is reviewed for impairment annually.

Intangible Assets – Intellectual Property and Licences

Separately acquired intellectual property and licence fee payments made to third parties are recognised at cost. Intangible assets are amortised on a straight-line basis over the expected useful life of the patents on the related products or processes. The economic life used for this purpose is ten years.
Intangible assets recognised for licence payments are amortised over a straight-line basis over the licence agreement period. The carrying value of intangible assets is reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

Intangible Assets – Software

Software is recognised at cost and amortized on a straight-line basis over the expected useful life. The economic life used for this purpose is three years.

1 Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset over its expected useful life as follows:

Plant and equipment	three to ten years

Impairment of Assets

The carrying values of non-current assets are reviewed for impairment where there is an indication that the assets might be impaired. First-year and annual impairment reviews are conducted for acquired goodwill. Impairment is determined by reference to the higher of net realisable value and value in use, which is measured by reference to discounted cash flows. Any provision for impairment is charged in the statement of comprehensive income for the year. Non-financial assets other than goodwill which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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. These include investments in the form of interest-free loans which have no fixed repayment terms and have been provided to the subsidiary undertakings as an additional source of long-term capital. Losses relating to impairment are immediately recognised in the Company's statement of comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand together with short-term highly liquid investments that are readily convertible to cash.

Financial assets – investments

Financial assets available for sale are stated at fair value where this can be determined by reference to an active market. Investments in unlisted equity instruments are measured at cost, less any provision for impairment in value, as their fair value cannot be reliably measured. Losses relating to impairment are immediately recognised as an expense in the statement of comprehensive income.

Foreign Currencies

Group undertakings have functional currencies of the US dollar and the Euro that are different to the Group's presentational currency of sterling.

Monetary assets and liabilities of subsidiary undertakings in foreign currencies are translated at the closing rates of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves and, where material, are reported in the statement of changes in equity. Transactions denominated in foreign currencies are translated into sterling and recorded at the rate ruling at the date of the transaction. Monetary balances, at the year-end, are translated into sterling at the closing rate of exchange. Exchange differences are taken to the statement of comprehensive income in the period in which they arise.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Costs in respect of operating leases are charged on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure including production overheads. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

1 Accounting Policies (continued)

Trade and Other Receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as remote.

Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Pensions

The Group operates a defined contribution pension scheme for some of its employees. Contributions payable during the year are charged to the statement of comprehensive income.

Taxation

Taxation on the profit or loss for the year comprises current and deferred tax including tax on capital gains. Current tax is the expected tax payable, or recoverable, on the taxable profit/loss and any adjustment to tax payable or receivable in respect of prior years. Research and development tax credits resulting from the utilisation of research and development losses to reclaim payroll taxes are recognised when it is probable they will be received.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised to the extent that it is possible that future taxable profits will be available against which the temporary differences can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis. Deferred tax is measured on an undiscounted basis and at the tax rates expected to apply in the period in which the asset or liability is settled. It is recognised in the statement of comprehensive income except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Financial and Capital Instruments

The fair value of the liability portion of a convertible instrument is determined using a market interest rate for an equivalent non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option; this is recognised and included in shareholder's equity.

Capital instruments are included at cost, adjusted for discount accretion or premium amortisation. Interest/appropriations thereon and the premium or discount, where relevant, is taken to the statement of comprehensive income so as to produce a constant rate of return over the period to the date of expected redemption. Finance costs associated with the issue of capital instruments are capitalised/taken to the share premium account and written off to the statement of comprehensive income over the period to the expected date of redemption.

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.

1 Accounting Policies (continued)

Share-Based Payments

The Group operates a number of executive share option schemes and has issued a warrant instrument in lieu of professional fees related to the placing of preference shares. In accordance with IFRS 2, the cost of equity-settled transactions is measured by reference to their fair value at the date at which they are granted, with fair value determined using the Black-Scholes model. The cost of equity-settled transactions is recognised over the period until the award vests. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied. Modified options are measured at fair value on the date of modification and the difference between fair value of the original option on that date and the modified fair value is recognized over the vesting period of the modified option. At each reporting date, the cumulative expense recognised for equity-based transactions reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors at that date, will ultimately vest.

Segmental reporting

Operating segments are reported on a basis consistent with the internal reporting used by the chief operating decision makers. These have been identified as the Executive Management team which makes operating decisions.

Standards and Interpretations

In preparing the consolidated financial statements for the current year the Group has adopted the following new IFRS, amendments to IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, which have not had a significant effect on the results or net assets of the Group or Company:

- *IAS 1 (Amendment), Financial statement presentation.*
- *IAS 12, Income taxes.*
- *IAS 19, Employee benefits.*
- *IFRS 1 (Amendment), Presentation of financial statements.*
- *IFRS 7 (Amendment), Financial instruments: disclosures.*
- *IFRS 11, Joint arrangements.*
- *IFRS 12, Disclosures of interests in other entities.*
- *IFRS 13, Fair value measurement.*
- *IAS 27 (Revised 2011), Separate financial statements.*
- *IAS 28 (Revised 2011), Associates and joint ventures.*

At the date of authorization of these consolidated financial statements, the following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- *IFRS 9, Financial instruments (effective January 1, 2015).*
- *IFRS 10, Consolidated financial statements (effective January 1, 2014).*
- *IAS 32 (Amendment), Financial instruments: presentation (effective January 1, 2014).*
- *IAS 36 (Amendment), Impairment of assets (effective January 1, 2014).*
- *IAS 39 (Amendment), Financial instruments: recognition and measurement (effective January 1, 2014).*
- *Amendments to IFRS10, 12 and IAS 27 Investment Entities (effective January 1, 2014).*

Under present circumstances, none of these is expected to have a material impact on the Group or Company's financial statements.

2 General Information

As at 31 December, the Company was a public limited company listed on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 4 Trident Park, Didcot, Oxfordshire OX11 7HJ.

3 Segmental Information

The Group is engaged in a single business activity of cardiovascular devices and medical fabrics and the Group does not have multiple operating segments. The Group's cardiovascular devices and medical fabrics business consists of the development and commercialization of these products. The Executive Management team is the Group's chief operating decision-making body, as defined by IFRS 8, and all significant operating decisions are taken by the Executive Management team. In assessing performance, the Executive Management team reviews financial information on an integrated basis for the Group as a whole, substantially in the form of, and on the same basis as, the Group's IFRS financial statements.

Geographical Areas

Geographical analysis is based on the country in which the customer is located is as follows:

	2013 £'000	2012 £'000
Revenue by Destination		
United Kingdom	1,156	1,270
Germany	771	549
Rest of Europe	1,625	1,580
United States of America	339	44
Rest of World	561	446
	4,452	**3,889**

Revenue by Type		
Product sales	4,445	3,883
Royalty and licence income	7	6
	4,452	**3,889**

The total of non-current assets located in the United Kingdom is £4,911,000 (2012: £2,825,000) and the total of non-current assets located in other countries is £335,000 (2012: nil).

4 Operating Loss

	2013 £'000	2012 £'000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment (note 11)	275	155
Amortisation of licences (note 10)	91	40
Research and development expenditure	4,454	4,598
Foreign exchange loss	61	33
Operating lease rentals		
– Motor vehicles	87	70
– Land and buildings	222	178
– Other assets	19	5
Share-based compensation expense/(credit)	752	(258)
Gain on sale of OEM business	(418)	-
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	28	24
Fees payable to the Company's auditor and its associates for other services		
– The audit of the company's subsidiaries	32	31
– Audit related assurance services	500	-
– Tax advisory services	45	17
	605	**72**

On December 20, 2013 the company sold the trade and assets of its OEM business, which resulted in a gain on disposal of £418,000. Deferred consideration totals £600,000, which falls due in four equal annual instalments starting on the anniversary of the sale until December 20, 2017. The consideration has been discounted (see note 14).

5 Finance Costs

	2013 £'000	2012 £'000
Convertible loan notes	287	419
Other interest payable	-	2
	287	**421**

6 Directors' Emoluments

	2013 £'000	2012 £'000
Fees	204	178
Salary	466	440
Bonuses	168	135
Pension contributions	47	43
Benefits	36	32
	921	**828**

The above disclosure includes all executive and non-executive directors of the company, three of which are also included in the key management personnel disclosed in note 7.

The highest paid Director received emoluments of £288,000 (2012: £253,000) and pension contributions of £19,000 (2012: £18,000).

The remuneration of the Executive Directors is set by the Remuneration Committee.

Three (2012: Three) Directors are accruing benefits under money purchase pension schemes.

7 Employee Information

The average monthly number of people (including Executive Directors) employed by the Group and by the Company.

By activity	2013 Number	2012 Number
Manufacture	36	33
Selling, marketing and distribution	34	17
Research and development	27	35
Administration	14	12
	111	**97**

7 Employee Information (continued)

Staff costs for the above persons were:

	2013 £'000	2012 £'000
Wages and salaries	7,118	4,807
Social security costs	698	520
Other pensions costs	216	166
Termination cost	200	39
Share-based compensation expense/(credit)	752	(258)
	8,984	**5,274**

Key Management Compensation	2013 £'000	2012 £'000
Salaries and short-term benefits	818	823
Post-employment benefits	49	43
Share-based compensation expense	391	-
	1,258	**866**

Key Management consists of the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer and Chief Operating Officer.

8 Taxation on Loss on Ordinary Activities

The credit comprises:

	2013 £'000	2012 £'000
UK research and development claim:		
For the current year	600	575
For prior years	149	(215)
	749	360
Overseas taxation charge	(36)	(10)
Total tax credit	**713**	**350**

The UK research and development claim relates to the utilisation of UK tax losses from research and development expenditure to reclaim payroll taxes paid.

Taxation losses carried forward at the end of the year amounted to approximately £65m (2012: £57m) and the unrecognised deferred tax asset at 20% (2012: 23%) is approximately £13m (2012: £13m). No deferred tax asset has been recognised in respect of these losses as the Directors consider it is, as yet, uncertain whether the losses will be utilised. Tax losses would be utilised in future periods against trading profits. The unrecognized deferred tax asset in respect of other temporary differences is £0.4m (2012: £0.4m).

During the year there was a change in the UK main corporation tax rate to 23%, which was effective from April 1, 2013. Further reductions to the UK corporation tax rate were announced in the March 2013 Budget, which will reduce the rate to 21% by April 1, 2014 and 20% by April 1, 2015.

8 *Taxation on Loss on Ordinary Activities (continued)*

The current UK tax credit of £749,000 (2012: £360,000) is higher than the standard UK corporation rate of 23.25% (2012: 24.5%) applied to the loss for the year. The differences are explained below:

	2013 £'000	**2012 £'000**
Loss before tax for the period at 23.25% (2012: 24.5%)	(3,022)	(2,117)
Additional deduction for research and development expenditure	(758)	(721)
Amounts not deductible for tax purposes	315	17
R&D credit recoverable at a lower effective rate of 11% (2012: 11.375%)	600	738
Losses carried forward	2,265	1,508
Overseas taxation charge	36	10
Adjustments in respect of prior years	(149)	215
Tax credit for year	**(713)**	**(350)**

9 Loss per Share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares. The diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share as the exercise of share options and warrants would have the effect of reducing the loss per ordinary share and are therefore not dilutive.

The calculations for Loss per Share are set out below:

	2013	**2012**
Loss for the financial year £'000	(12,284)	(8,290)
Weighted average number of shares ('000)	35,889	20,162
Basic and diluted loss per share (pence)	**(34.2)**	**(41.1)**

The weighted average number of shares figure for 2012 reflects the 2012 share consolidation of one new ordinary share of 20 pence each for every 200 existing ordinary shares of 0.1 pence each.

10 Intangible Assets

Group	Goodwill on Acquisition £'000	Intellectual Property and Licences £'000	Software £'000	Total £'000
Cost				
At 1 January 2012	4,414	485	-	4,899
At 31 December 2012	4,414	485	-	4,899
Additions	-	1,244	80	1,324
At 31 December 2013	**4,414**	**1,729**	**80**	**6,223**
Accumulated amortisation				
At 1 January 2012	2,292	332	-	2,624
Charge for the year	-	40	-	40
At 31 December 2012	2,292	372	-	2,664
Charge for the year	-	74	17	91
At 31 December 2013	**2,292**	**446**	**17**	**2,755**
Net book value				
At 31 December 2013	**2,122**	**1,283**	**63**	**3,468**
At 31 December 2012	2,122	113	-	2,235
At 1 January 2012	2,122	153	-	2,275

License additions during the year are for a non-exclusive license granted by Medtronic for the US patent No. 6,306,141 ("Jervis" patent), which will be amortised over the remaining term of the Jervis patent of 9 years and has a net book value at December 31, 2013 of £1,208,000 (2012: nil).

The Company has no intangible assets.

Impairment Test for Goodwill on Acquisition

The recoverable amount of goodwill has been determined based on the fair value less costs of disposal calculation using valuation methods based on the Company as a whole as there is a single segment and cash generating unit. Management reviewed the Company's recent share price and applied a typical premium for control to various measures of the share price (average and volume weighted average share prices over one, three and six month periods) to derive a range of acquisition values. A percentage allowance for the selling costs was deducted from the valuations. The valuations were also compared to the target prices from the models of the Analysts following the Company, to provide further comfort as to the range. The current market value of the Company and the range of valuations, representing the recoverable amount of the Goodwill on Acquisition were significantly in excess of the carrying value of the Goodwill.

11 Property, Plant and Equipment

Group	Plant and equipment £'000
Cost	
At 1 January 2012	1,742
Additions	137
At 31 December 2012	1,879
Additions	1,156
Disposals	(206)
At 31 December 2013	**2,829**
Accumulated depreciation	
At 1 January 2012	1,134
Charge for the year	155
At 31 December 2012	1,289
Charge for the year	275
Disposals	(196)
At 31 December 2013	**1,368**
Net book value	
At 31 December 2013	**1,461**
At 31 December 2012	590
At 1 January 2012	608

The Company has no property, plant and equipment.

12 Investments in Subsidiary Undertakings

Company	Loans to Subsidiaries £'000	Investments in Subsidiaries £'000	Total £'000
Cost			
At 1 January 2012	63,003	4,634	67,637
Additions	-	29	29
Advances	8,641	-	8,641
At 31 December 2012	71,644	4,663	76,307
Advances	14,831	-	14,831
At 31 December 2013	**86,475**	**4,663**	**91,138**
Impairment			
At 1 January 2012	27,257	2,561	29,818
Provided in the year	-	-	-
At 31 December 2012	27,257	2,561	29,818
Provided in the year	438	-	438
At 31 December 2013	**27,695**	**2,561**	**30,256**
Net book value			
At 31 December 2013	**58,780**	**2,102**	**60,882**
At 31 December 2012	44,387	2,102	46,489
At 1 January 2012	35,746	2,073	37,819

Interests in Group undertakings

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

Name of undertaking	Principal area of activity	Country of incorporation
Lombard Medical Limited	Medical implants	Great Britain
PolyBioMed Limited	Dormant from 1 December 2009	Great Britain
LionMedical Limited	Investment holding company	Great Britain
Lombard Medical Technologies, Inc.	Medical implants	USA
Lombard Medical (Scotland) Ltd	Medical fabrics	Great Britain
Lombard Medical Technologies GmbH	Medical implants	Germany

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

Impairment test for Investments in Subsidiary Undertakings and Loans to Subsidiaries
During the year Lombard Medical (Scotland) Ltd sold its OEM business. In addition, research and development activities carried out by Lombard Medical (Scotland) Ltd were recharged back to a fellow subsidiary Lombard Medical Ltd as part of a reorganisation to centrally control these activities. As a result, the Company made a provision against the loan to Lombard Medical (Scotland) Ltd.

The recoverable amount of investments in subsidiary undertakings has been determined as described in Note 10.

13 Inventories

Group	2013 £'000	2012 £'000
Raw materials	923	967
Finished goods	1,114	992
	2,037	**1,959**

Costs of inventories recognized as expenses were cost of sales £1,947,000 (2012: £1,923,000); selling, marketing and distribution expenses £349,000 (2012: £737,000) and research and development expenses £165,000 (2012: £328,000).

14 Trade and Other Receivables

	2013		2012	
	Group £'000	**Company £'000**	**Group £'000**	**Company £'000**
Amounts falling due within one year:				
Trade receivables	835	–	896	–
Other receivables	493	14	65	31
Prepayments and accrued income	1,076	769	177	21
	2,404	**783**	**1,138**	**52**
Less non-current portion: Other receivables	(317)	-	-	-
	2,087	**783**	**1,138**	**52**

Trade receivables are stated net of an impairment provision of £nil (2012: £51,000). Debtor days at the year end were 51 days (2012: 70 days). Provisions of £nil (2012: £nil) were utilised and £51,000 released (2012: £10,000 released) in the year.

All non-current receivables are due within five years from the end of the reporting period and relate to the deferred consideration from the sale of the OEM business. The fair value of other receivables are based on cashflows discounted using a rate of 12.5%. The fair values are within level 3 of the fair value hierarchy.

Trade receivables are individually assessed for impairment. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable. The customer base is split between public sector and distributors and is such that payment terms can be exceeded. It is considered that the majority of past due debt is still likely to be collected. The ageing of trade receivables including past due but not impaired is:

	2013 £'000	2012 £'000
Not past due	790	721
Past due	45	175
	835	**896**

15 Borrowings

Group and Company

Convertible loan notes with a face value of £3m were issued to Invesco, the Company's largest shareholder, on 30 March 2012. The loan notes pay interest of 8% per annum and are repayable at the Company's discretion at any time until 1 July 2013. The loan notes are repayable or convertible at the holder's discretion at any time between 1 July 2013 and 1 September 2013 or on certain other events as noted in the shareholder circular dated 9 March 2012. In the case of conversion, the conversion share price is 140 pence per share.

On 24 May 2013, as part of the placing, subscription and offer, the Company and Invesco agreed to vary the convertible loan to allow for earlier conversion, this did not impact the valuation of the note. Notice of conversion was received from Invesco on June 6, 2013. As a result, on June 17, 2013 the Company issued 2,142,857 ordinary shares of 20 pence to Invesco and retired the Convertible Loan Notes.

At 31 December 2013, the amount outstanding comprised:

	£'000
Liability component at 1 January 2013	2,761
Interest expense	253
Interest paid	(103)
Converted to equity	(2,911)
	-

The outstanding liability on the convertible loan notes was valued at a discount rate of 18%, considered a market rate for an equivalent non-convertible loan and the excess liability has been treated as an equity component and credited to other reserves. On conversion, the difference between the outstanding value and the face value was charged to accumulated losses and the equity component was transferred to accumulated losses from other reserves.

Medico's Hirata convertible loan

On 28 March 2013, the Company received $2.5m from the total $5m convertible loan facility granted by its exclusive distribution partner in Japan, Medico's Hirata Inc. The loan accrues interest of 3% per annum, payable when the loan is repaid or converted. The term is for a period of seven years from the receipt of regulatory approval for Aorfix in Japan, anticipated to be granted in 2014. Conversion of the loan is at Medico's Hirata Inc.'s discretion and will be based on the share price at the time of conversion.

At 31 December 2013, the amount outstanding comprised:

	£'000
Face value of convertible loan notes issued on 28 March 2013 ($2.5m)	1,515
Interest expense	35
	1,550

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.

16 Trade and Other Payables

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Trade payables	1,119	147	805	216
Other taxation and social security	180	-	105	-
Other payables	102	45	131	47
Accruals and deferred income	2,586	1,093	1,282	522
	3,987	**1,285**	**2,323**	**785**

Pension contributions of £26,000 (2012: £24,000) are included for the Group in other payables.

17 Financial Instruments

Capital Management
The Group considers capital to comprise the total equity and reserves. The Group's objectives are to manage capital as a primary source of funding in conjunction with the ability to remain as a going concern.

Treasury Policy

The Group has financed its operations by a mixture of shareholders' funds, bank and other borrowings and loan notes, as required. The Group's objective has been to obtain sufficient funding to meet development activities and initial commercialisation costs until the Group becomes profitable. During 2013 and for the foreseeable future the Group's objective in using financial instruments is to safeguard the principal for funds held on deposit and to minimise exchange-rate risk where appropriate.

The Group currently has no derivatives and it is not the Group policy to actively trade in derivatives.

Interest Rate Risk

The Group currently has outstanding loan notes with a principal of $2.5m and invests its surplus funds in money market and short-term bank deposits. In the past it has used a variety of fixed rate loans and floating rate debt as funding sources. The Group would review the balance between fixed and floating rate debt if it takes on any future debt.

Liquidity Risk

The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Group, to manage liquidity risk. The Group also ensures that sufficient funds are available on 24 hours' notice to fund the Group's immediate needs (see note 1 – Basis of Preparation).

Currency Risk

The Group is currently exposed to limited currency risk through foreign currency transactions. As the Group's level of foreign currency transactions increases the currency risk will be managed by holding foreign currency deposits and seeking to hedge significant transactional exposures.

At 31 December 2013, if the GB Pound had strengthened/weakened by 5% against the US Dollar with all other variables held constant, post-tax loss for the year would have been approximately £89,000 higher/£80,000 lower (2012: £29,000 higher/£26,000 lower), as a net result of foreign exchange gains/losses on translation of US Dollar-denominated cash and cash equivalents, foreign exchange gains/losses on translation of US Dollar-denominated trade receivables, foreign exchange losses/gains on translation of US Dollar-denominated trade payables and increased/decreased losses from the translation of the US subsidiary's post-tax loss.

At 31 December 2013, if the GB Pound had strengthened/weakened by 5% against the Euro with all other variables held constant, post-tax loss for the year would have been approximately £31,000 lower/£28,000 higher (2012: £37,000 lower/£34,000 higher), as a net result of foreign exchange gains/losses on translation of Euro-denominated cash and cash equivalents, foreign exchange gains/losses on translation of Euro-denominated trade receivables, foreign exchange losses/gains on translation of Euro-denominated trade payables and increased/decreased losses from the translation of the German subsidiary's post-tax loss.

17 Financial Instruments (continued)

Credit Risk

The Group is exposed to credit risk from two sources: its cash investments and its customers. The Group minimises the former risk by placing its cash deposits only with established financial institutions with a minimum credit rating of A- as defined by the three major credit rating agencies. It minimises the latter risk by reviewing available information on the customer and closely monitoring the payment history and the age of the debts.

Interest Rate Risk of Financial Assets

	2013 Cash at Bank and in Hand £'000	2012 Cash at Bank and in Hand £'000
Floating rate – USD	2,861	522
Floating rate – EUR	866	486
Floating rate – GBP	21,040	1,739
	24,767	**2,747**

The cash and bank balances earn interest at the prevailing short-term market interest rates.

Fair Values of Financial Assets and Financial Liabilities

The fair value of financial assets and liabilities is the same as the carrying value at the period end.

Cash deposits – the majority of the cash holdings are with two institutions which have a minimum short-term credit rating of A-, as defined by the three major credit rating agencies.

18 Equity

i) Share Capital

	2013 Number of Shares 000s	2013 Nominal Value £'000	2012 Number of Shares 000s	2012 Nominal Value £'000
Allotted, called up and fully paid				
Ordinary shares of 20 pence each	44,743	8,949	20,162	4,032
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		**28,189**

On 22 March 2013, and following the satisfaction of certain conditions, the Company issued 10,040,000 ordinary shares of 20 pence each to the investors in the second tranche of the May 2011 fundraising. The shares were priced at 140 pence each, being the lower of 140 pence (following the 2012 reverse stock split) and the prevailing market price on the day the second tranche was drawn down by the Company. Total proceeds were £14.1m before fundraising expenses.

On 17 June 2013, the Company issued 12,398,518 ordinary shares of 20 pence each to the investors in a placing, subscription and offer to qualifying participants. The shares were priced at 175 pence each, raising total proceeds of £21.7m before fundraising expenses.

Combined proceeds from issuing shares were therefore £35.8m in the year before expenses.

18 Equity (continued)

As part of the placing, subscription and offer, the Company agreed with Invesco, its largest shareholder, to a variation of the terms of the £3m of 8% Convertible Loan Notes issued on 30 March 2012. The variation allowed for the earlier conversion of the Convertible Loan Notes and notice of conversion was received from Invesco on 6 June 2013. As a result, on 17 June 2013 the Company issued 2,142,857 ordinary shares of 20 pence to Invesco and retired the Convertible Loan Notes.

On 27 March 2012, a share consolidation of one new ordinary share of 20 pence for every 200 existing ordinary shares of 0.1 pence each was approved at a general meeting of the Company.

Rights – Ordinary Shares

Voting: in a show of hands every holder has one vote and in a poll each share has one vote.

Dividends: each ordinary share has the right to receive dividends.

Return on capital: each ordinary share has the right to share in a liquidation of the Company's assets.

Rights – Deferred Shares

Voting: deferred shares do not entitle the holders to attend or vote at any general meeting of the Company.

Dividends: deferred shares do not entitle the holder to receive any dividend or other distribution.

Return on capital: on a winding up the holders of deferred shares are only entitled to the amount paid up on each deferred share after the holders of the ordinary shares have received the sum of £1m for each ordinary share.

ii) Share Premium Account

This consists of the proceeds from the issue of shares in excess of their par value less associated issue costs.

iii) Other Reserves

This 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.

19 Share Options

Options

The Company's Directors, officers, employees and certain former employees and former Directors hold options under the Lombard Medical Technologies Limited Share Option Plan (2005), known as the "2005 Plan", to subscribe for ordinary shares in the Company as shown below. The Directors' interests in these options are detailed in the Remuneration Report along with an outline of the terms and conditions attaching to the options.

The 2012 analyses of the share options have been restated to adjust for the incorrect lapse of options. In the 2012 Financial Statements, approximately one third of the outstanding share options were shown as having lapsed because the first of the vesting criteria had not been achieved. This position was incorrect because the share options have a change of control vesting criterion which extends beyond the first vesting criteria and could therefore still be achieved.

		2013		2012 (restated)
	Weighted Average Exercise Price	**Shares Under Option**	**Weighted Average Exercise Price**	**Shares Under Option**
At beginning of year	160	2,334,830	0.808	446,591,287
Options lapsed/cancelled (0.1p ordinary shares)	–	–	0.771	(7,123,541)
Options consolidated (0.1p ordinary shares)	–	–	–	(437,270,422)
Options granted (20p ordinary shares)	176	4,037,141	145	201,618
Options lapsed/cancelled (20p ordinary shares)	172	(476,265)	187	(64,112)
At end of year	**170**	**5,895,706**	**160**	**2,334,830**

19 Share Options (continued)

The outstanding options at 31 December 2013 were granted as follows:

Date of Grant	Exercise Price post consolidation (pence)	Exercise Price pre consolidation (pence)	Exercise Period	2013 Numbers	2012 Numbers
17 July 2007	4,600	23	2010–2017	-	2,005
28 January 2009	225	1.125	2012–2019	137,510	139,010
5 February 2010	208.4	1.042	2012–2020	183,510	220,377
21 June 2010	205	1.025	2012–2020	54,367	54,367
22 September 2010	200	1.000	2012–2020	-	5,000
26 August 2011	140	0.700	2012–2021	898,921	1,188,419
8 September 2011	150	0.750	2012–2021	428,971	498,832
3 October 2011	136	0.680	2012–2021	25,202	25,202
5 April 2012	145	-	2012–2022	201,618	201,618
13 June 2013	177.5	-	2013-2023	3,137,860	-
25 September 2013	168	-	2013-2023	783,004	-
6 November 2013	202	-	2013-2023	44,743	-
				5,895,706	**2,334,830**
Weighted average remaining contractual life				**8.8 years**	**8.4 years**

The options were consolidated during the year in line with the 1 for 200 share consolidation.

None (2012: 2,005) of the outstanding options were exercisable at 31 December 2013 at a weighted average exercise price of nil (2012: 4,600 pence).

Due to FDA approval for Aorfix being received later than anticipated, the previous performance conditions were deemed to be no longer achievable. As a result, in June 2013 the performance conditions for the existing outstanding options were amended by the remuneration committee, following consultation with the Company's major shareholders, to reflect the Company's current and future business plans, these performance conditions are based on the achievement by the company of a majority of budgeted revenue in each of the financial years 2013 to 2015.

The majority of the outstanding options will vest in three equal installments based on the achievement by the Company of a majority of budgeted revenue in each of 2013, 2014 and 2015. The 2013 performance condition was achieved and the first third will vest on April 1, 2014.

The Board has discretion to amend the performance conditions if events occur which cause the Board to consider that any of the terms of the Exercise Condition have become unfair or impractical, provided such discretion is exercised fairly and reasonably and provided that any terms which are so amended or relaxed are not more difficult to satisfy than the existing terms.

The fair value of the options was determined using the Black-Scholes pricing model in 2013 and Hull-White in prior years. The share-based compensation expense for the year is £752,000 (2012: £258,000 credit). The main assumptions used in the fair value calculations are noted in the tables below;

19 Share Options (continued)

	Year of grant	
2005 Plan	**2013**	**2012**
Weighted average share price of grants during the year	176p	145p
Expected volatility	19 – 27%	46%
Option life	Ten years	Ten years
Expected dividends	Nil	Nil
Risk-free interest rate	0.41-1.1%	1.36%
Weighted average fair value of share options issued during the year	32p	48p
Estimated life to exercise	1.4 to 3.8 years	8.3 to 8.5 years

Expected volatility has been calculated by reference to the Company's historic share price and industry norms. The risk-free interest rate is calculated by reference to UK government bonds. Expectation of the cancellation of options has been considered in determining the fair value expense charge in the statement of comprehensive income.

20 Reconciliation of Loss before Taxation to Net Cash Outflow from Operating Activities

Group	2013 £'000	2012 £'000
Loss before taxation	(12,997)	(8,640)
Depreciation and amortisation of licences	366	195
Share-based compensation credit/(expense)	752	(258)
Net finance expense/(income)	182	398
(Increase)decrease in inventories	(78)	353
(Increase)/decrease in receivables	(1,229)	327
Increase/(decrease) in payables	1,664	(649)
Net cash used in operating activities	**(11,340)**	**(8,274)**

Company	2013 £'000	2012 £'000
(Loss)/profit before taxation	(719)	626
Share-based compensation expense/(credit)	752	(258)
Impairment provision	438	–
Net finance income	185	398
(Increase)/decrease in receivables	(706)	47
Increase/(decrease) in payables	500	218
Net cash generated in operating activities	**450**	**1,031**

21 Related Party Disclosures

Fundraising

Timothy Haines had an interest in the VC Subscription Agreement as a Director of Abingworth LLP ('Abingworth'). On 22 March 2013 Abingworth subscribed for 3,200,000 ordinary shares of 20 pence each, as part of the second tranche of the May 2011 fundraising. The shares were priced at 140 pence each, being the lower of 140 pence and the prevailing market price on the day the second tranche was drawn down by the Company. Subsequently, Abingworth subscribed for 2,270,440 ordinary shares at a price of 175 pence as part of the placing on 17 June 2013.

On 22 March 2013, other Directors of the Company subscribed for 22,000 ordinary shares of 20 pence, as part of the second tranche of the May 2011 fundraising. Subsequently, other Directors of the Company subscribed for 41,428 ordinary shares at a price of 175 pence as part of the placing on 17 June 2013.

Borrowings

Convertible loan notes with a face value of £3m were issued to Invesco, the Company's largest shareholder (holding 39.5% of the Company's shares), on 30 March 2012. The loan notes pay interest of 8% per annum and are repayable at the Company's discretion at any time until 1 July 2013. The loan notes are repayable or convertible at the holder's discretion at any time between 1 July 2013 and 1 September 2013 or on certain other events as noted in the shareholder circular dated 9 March 2012. In the case of conversion, the conversion share price is 140 pence per share.

On 24 May 2013, as part of the placing, subscription and offer, the Company and Invesco agreed to vary the convertible loan to allow for earlier conversion, this did not impact the valuation of the note. Notice of conversion was received from Invesco on June 6, 2013. As a result, on June 17, 2013 the Company issued 2,142,857 ordinary shares of 20 pence to Invesco and retired the Convertible Loan Notes.

Interest of £103,000 (2012: £184,000) was paid during the year and the remaining principal of the loan at the year end was £nil (2012: £3,000,000).

Subsidiary Undertakings

Group personnel, corporate and certain premises costs are incurred by the Company, recharges of £2,279,000 (2012: £2,354,000) were made to the subsidiaries.

The subsidiaries are funded by loans from the Company and no interest has thus far been charged. Movements in the year are analysed in Note 12.

22 Financial Commitments and Contingent Liabilities

At 31 December 2012, the Group was committed to make the following aggregate minimum payments in respect of non-cancellable operating leases:

	2013		2012	
	Land and Buildings £'000	**Other £'000**	**Land and Buildings £'000**	**Other £'000**
No later than one year	255	100	171	15
Later than one year and no later than five years	273	37	237	50
	528	**137**	**408**	**65**

23 Capital Commitments

At 31 December 2013, the Group had capital commitments of £47,000 (2012: £149,000). The Company had no capital commitments at 31 December 2012 or 2013.

24 Post Balance Sheet Events

During April 2014, the Group was reorganised, under a Court approved scheme of arrangement, so that the Company became a directly and wholly owned subsidiary of Lombard Medical, Inc., a company registered in the Cayman Islands. On 25 April 2014, Lombard Medical, Inc. announced the pricing of its initial public offering on the NASDAQ Global Market of 5,000,000 ordinary shares at a price to the public of $11 per share, raising $55 million. On the same day, shares in the Lombard Medical, Inc. commenced trading on the NASDAQ Global Market and the Company's shares were suspended from trading on AIM, with cancellation of the AIM listing occurring on 30 April 2014.

25 Ultimate Controlling Party

As at 31 December 2013, the Directors consider that there is no one ultimate controlling party of the Company. Following the Company's scheme of arrangement which became effective on 30 April 2014, the ultimate controlling party is considered to be Lombard Medical, Inc., a company registered in the Cayman Islands and now the company's ultimate parent company.