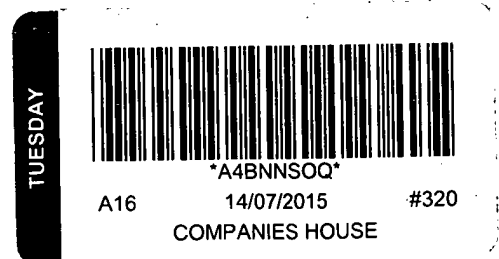


Registered number: 04636949

**Lombard Medical Technologies Limited  
(formerly Lombard Medical Technologies Plc)**

**Annual report and financial statements  
for the year ended 31 December 2014**



## **Annual report and financial statements for the year ended 31 December 2014**

### **Contents**

	<b>Page</b>
Strategic Report .....	3
Directors' report.....	4
Independent auditors' report to the members of Lombard Medical Limited.....	7
Statement of comprehensive income for the year ended 31 December 2014.....	9
Balance sheet as at 31 December 2014.....	10
Cash flow statement for the year ended 31 December 2014 .....	11
Statement of changes in equity for the year ended 31 December 2014.....	12
Notes to the financial statement.....	13

# Strategic Report

The directors present their strategic report on the company for the year ended 31 December 2014.

## 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.

During the year the Company incurred significant costs relating to the group restructure. These are shown in note 4.

## Results

The Statement of Comprehensive Income for the year is set out on page 9. The Company's loss for the financial year was £1.6 million (2013: £0.7 million).

## Future Developments

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

## Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risk of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are provided on pages 4 to 23 of the Annual Report and 20-F of Lombard Medical, Inc, which does not form part of this report.

## Key Performance Indicators (KPIs)

Lombard Medical Technologies Limited does not have any trading or operational activities. For this reason, the Company's directors do not set KPIs for this entity.

On behalf of the board



Simon Hubbert  
Director  
7 July 2015

## Directors' Report

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

### Principal Activities

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°.

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

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

### Results and Dividends

The Statement of Comprehensive Income is set out on page 9. The Company's loss and total comprehensive expense for the year was £1.6 million (2013: £0.7 million). The Directors do not recommend the payment of a dividend (2013: £nil).

### Political and Charitable Donations

The Company made no political or charitable donations during the year (2013 £nil).

### Directors

The directors of the company during 2014 and up to the date of signing the financial statements, unless otherwise stated, were as follows:

- Raymond Cohen (resigned on 12 May 2014)
- Simon Hubbert
- Ian Ardill (resigned 19 February 2015)
- Bill Kullback (appointed 8 December 2014)
- Peter Phillips
- Timothy Haines (resigned 12 May 2014)
- Simon Neathercoat (resigned 1 April 2015)
- Craig Rennie (resigned 1 April 2015)
- Martin Rothman (resigned 28 February 2014)
- John Rush (resigned 12 May 2014)

### Corporate and Social Responsibility

#### *Environment*

The Company 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 note 14 to the financial statements.

### Future Developments

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

## **Directors' Report (continued)**

### **Payment Policy**

It is the Company'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 7 days' (2013: 24 days') purchases outstanding at 31 December 2014, based on amounts invoiced by suppliers during the year.

### **Going Concern**

The Company incurred a loss for the year. However, the financial statements have been prepared on the going concern basis, as Lombard Medical, Inc. which funds the company, has confirmed that it will continue to provide sufficient facilities to meet the company's obligations for at least a further year.

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 12 months from the date of signing of the financial statements. On 24 April 2015 the Group received \$11 million loan funding as part of a \$26 million secured loan facility with Oxford Finance LLC. The Group has the option of drawing another \$10 million after achieving specified revenue milestones, with a final \$5 million becoming available after reaching additional revenue targets. This funding will extend the Group's cash resources beyond Q2 2016. The Company's management therefore believes that the Company has sufficient available funds to continue as a going concern.

### **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.

### **Share Price**

The Company's Scheme of Arrangement became effective on 30 April 2014 and the quotation of the Company's shares on AIM was cancelled on the same day. Prior to this, trading of the Company's shares on AIM was suspended on 24 April 2014. The mid-market share price derived from the London Stock Exchange Daily Official List, was 189 pence on 24 April 2014.

The closing mid-market price ranged from 159 pence to 215 pence during the period from 1 January to 24 April 2014. The average closing mid-market share price for this period was 189 pence.

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Strategic Report, Directors' 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 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 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; and
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements.

## **Directors' Report (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.

### **Annual General Meeting**

Following the Scheme of Arrangement which became effective on 30 April 2014, 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.

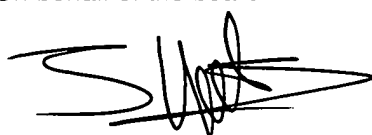
### **Independent Auditors**

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

### **Post Balance Sheet Events**

There were no post balance sheet events.

On behalf of the board



**Simon Hubbert**

Director

7 July 2015

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

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Lombard Medical Technologies Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

Lombard Medical Technologies Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Statement of Comprehensive Income for the year then ended;
- the Cash flow statement 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 applicable law and IFRSs as adopted by the European Union.

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.

### **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, 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.

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

### **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 and 6, 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**

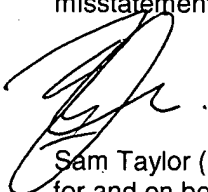
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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 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.



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

7 July 2015



## Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Other income – management charge		2,912	2,329
Administrative expenses	4	(4,551)	(2,864)
<b>Operating loss</b>	<b>3</b>	<b>(1,639)</b>	<b>(535)</b>
Finance income	5	91	103
Finance costs	6	(51)	(287)
<b>Loss before taxation</b>		<b>(1,599)</b>	<b>(719)</b>
Taxation	9	-	(24)
<b>Loss and total comprehensive expense for the year</b>		<b>(1,599)</b>	<b>(743)</b>

All amounts relate to continuing operations.

The accompanying notes on pages 13 to 27 are an integral part of these financial statements.

## Balance Sheet

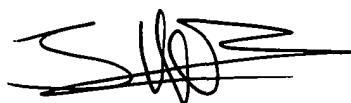
as at 31 December 2014

Company registration number: 04636949

	Note	2014 £'000	2013 £'000
<b>Assets</b>			
Investments in subsidiary undertakings	10	82,714	60,882
<b>Non-current assets</b>		<b>82,714</b>	<b>60,882</b>
Trade and other receivables	11	134	783
Cash and cash equivalents		23,800	23,539
<b>Current assets</b>		<b>23,934</b>	<b>24,322</b>
<b>Total assets</b>		<b>106,648</b>	<b>85,204</b>
<b>Liabilities</b>			
Trade and other payables	12	(412)	(1,285)
<b>Current liabilities</b>		<b>(412)</b>	<b>(1,285)</b>
Borrowings	13	(25,136)	(1,550)
<b>Non-current liabilities</b>		<b>(25,136)</b>	<b>(1,550)</b>
<b>Total liabilities</b>		<b>(25,548)</b>	<b>(2,835)</b>
<b>Net assets</b>		<b>81,100</b>	<b>82,369</b>
<b>Equity</b>			
Called up share capital	15	33,106	33,106
Share premium account	15	79,900	79,900
Other reserves	15	11,118	11,118
Accumulated loss		(43,024)	(41,755)
<b>Total equity</b>		<b>81,100</b>	<b>82,369</b>

The accompanying notes on pages 13 to 27 are an integral part of these financial statements.

The financial statements on pages 9 to 27 were approved by the Board of Directors on 7 July 2015 and were signed on its behalf by:



**Simon Hubbert**  
Director

## Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	(1,544)	450
Interest paid		–	(103)
<b>Net cash generated from operating activities</b>		<b>(1,544)</b>	<b>347</b>
<b>Cash flows from investing activities</b>			
Advances to and investment in subsidiary undertakings		(21,832)	(14,855)
Interest received		101	78
<b>Net cash flows used in investing activities</b>		<b>(21,731)</b>	<b>(14,777)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of convertible loan notes		–	1,655
Funding from parent undertaking		23,438	–
Proceeds from issue of ordinary shares		–	35,754
Share issue expenses		–	(1,388)
<b>Net cash flows from financing activities</b>		<b>23,438</b>	<b>36,021</b>
<b>Increase in cash and cash equivalents</b>		<b>163</b>	<b>21,591</b>
Cash and cash equivalents at beginning of year		23,539	2,088
Effects of exchange rates on cash and cash equivalents		98	(140)
<b>Cash and cash equivalents at end of year</b>		<b>23,800</b>	<b>23,539</b>

The accompanying notes on pages 13 to 27 are an integral part of these financial statements.

## Statement of Changes in Equity

for the year ended 31 December 2014

	Note	Called up Share Capital £'000	Share Premium £'000	Other Reserves £'000	Accumulated Loss £'000	Total Equity £'000
<b>At 1 January 2013</b>		<b>28,189</b>	<b>47,451</b>	<b>11,437</b>	<b>(41,994)</b>	<b>45,083</b>
Loss and total comprehensive expense for the year		–	–	–	(743)	(743)
Share-based compensation	16	–	–	–	752	752
Issue of ordinary shares	15	4,488	31,266	–	–	35,754
Share issue expenses		–	(1,388)	–	–	(1,388)
Equity component of convertible loan notes (net of issue expenses)	13	429	2,571	(319)	230	2,911
<b>At 31 December 2013</b>		<b>33,106</b>	<b>79,900</b>	<b>11,118</b>	<b>(41,755)</b>	<b>82,369</b>
Loss and total comprehensive expense for the year		–	–	–	(1,599)	(1,599)
Share-based compensation	16	–	–	–	330	330
<b>At 31 December 2014</b>		<b>33,106</b>	<b>79,900</b>	<b>11,118</b>	<b>(43,024)</b>	<b>81,100</b>

The accompanying notes on pages 13 to 27 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1 Accounting Policies

### Basis of Preparation

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 Group's lead product, Aorfix, is used in the treatment of abdominal aortic aneurysms. The financial statements for the year ended 31 December 2014 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 loss for the year ended 31 December 2014 is £1,599,000 (2013: £743,000 loss).

The financial statements have been prepared on the historical cost basis, revised for use of fair values where required by applicable IFRS. In preparing these financial statements, the directors have taken advantage of the exemption available under IFRS 10, Consolidated Financial Statements, and have not prepared consolidated financial statements. 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 Company incurred a loss for the year. However, the financial statements have been prepared on the going concern basis, as Lombard Medical, Inc. which funds the company, has confirmed that it will continue to provide sufficient facilities to meet the company's obligations for at least a further year.

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 12 months from the date of signing of the financial statements. On 24 April 2015 the Group received \$11 million loan funding as part of a \$26 million secured loan facility with Oxford Finance LLC. The Group has the option of drawing another \$10 million after achieving specified revenue milestones, with a final \$5 million becoming available after reaching additional revenue targets. This funding will extend the Group's cash resources beyond Q2 2016. The Company's management therefore believes that the Company has sufficient available funds to continue as a going concern.

### 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 estimation of share-based compensation expense and the fair value of unlisted equity investments.

### *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.

### 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.

### 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.

## Notes to the Financial Statements (continued)

### 1 Accounting Policies (continued)

#### Foreign Currencies

Monetary assets and liabilities of the Company 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 functional currencies and recorded at the rate ruling at the date of the transaction. Monetary balances, at the year-end, are translated into functional currencies at the closing rate of exchange. Exchange differences are taken to the income statement in the period in which they arise.

#### 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 Company 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 receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

#### 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 Company 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 Debt Instruments

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.

# Notes to the Financial Statements (continued)

## 1 Accounting Policies (continued)

### Financial and Capital Debt Instruments (continued)

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.

### Share-Based Payments

The Company 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. The Company has only one operating segment, as a holding company.

### Standards and Interpretations

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

- IAS 32 (Amendment), Financial instruments: presentation.
- IAS 36 (Amendment), Impairment of assets.
- IAS 39 (Amendment), Financial instruments: recognition and measurement.
- IFRIC 21, levies.
- Amendments to IFRS10, 12 and IAS 27 Investment Entities.

At the date of authorization of these consolidated accounts, 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, 2018).
- IFRS 14, Regulatory deferral accounts' (effective January 1, 2016).
- IFRS 15, Revenue from contracts with customers (effective January 1, 2017).
- IFRS 9 (Amendment), Financial instruments', regarding general hedge accounting (effective January 1, 2018).
- IFRS 11 (Amendment), Joint arrangements on acquisition of an interest in a joint operation (effective January 1, 2016).
- Amendments to IAS 16, Property, plant and equipment, and IAS 38, Intangible assets, on depreciation and amortisation (effective January 1, 2016).
- Amendments to IAS 16, Property, plant and equipment, and IAS 41, Agriculture, regarding bearer plants (effective January 1, 2016).
- IAS 27 (Amendment), Separate financial statements, on the equity method (effective January 1, 2016).
- Amendments to IFRS 10, Consolidated financial statements, and IAS 28, Investments in associates and joint ventures (effective January 1, 2016).
- IAS 19 (Amendments), Regarding defined benefit plans (effective July 1, 2014).

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

## 2 General Information

As at 31 December 2014, the Company was a private limited company incorporated and domiciled in the UK. The address of the registered office is Lombard Medical House, 4 Trident Park, Didcot, Oxfordshire OX11 7HJ.

Lombard Medical Technologies Limited (formerly Lombard Medical Technologies Plc) Annual report and financial statements for the year ended 31 December 2014

Notes to the Financial Statements (continued)

### 3 Operating Loss

	2014 £'000	2013 £'000
<b>Operating loss is stated after charging/(crediting):</b>		
Foreign exchange (gain)/loss	(10)	117
Operating lease rentals		
– Land and buildings	208	147
– Other assets	-	1
Share-based compensation expense	330	752
Fees payable to the Company's auditor and its associates for the audit of the parent company	75	60
Fees payable to the Company's auditor and its associates for other services		
– The Audit of the company's subsidiaries	15	15
– Audit related assurance services	500	-
– Tax advisory service	11	12
– Tax compliance services	15	21
– Non audit	80	30
	<b>696</b>	<b>138</b>

The fee payable to the auditor for the audit of the Lombard Medical Inc, parent is borne by the Company and no recharge is made.

Audit related services in 2014 related principally to the work performed on the U.S. Initial Public Offering of the parent entity Lombard Medical, Inc.

### 4 Exceptional Item

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate. During the year, the exceptional items as detailed below have been included in administrative expenses in the income statement.

An analysis of the amount presented as exceptional item in these financial statements is given below.

	2014 £'000	2013 £'000
Initial Public Offering expenses	2,378	-

Initial Public Offering expenses relate to expenses incurred and paid by the Company in relation to the Initial Public Offering of the parent entity Lombard Medical, Inc.



## Notes to the Financial Statements (continued)

### 5 Finance Income

	2014 £'000	2013 £'000
Interest receivable on bank deposits	91	103

### 6 Finance Costs

	2014 £'000	2013 £'000
Convertible loan notes (note 13)	51	287

### 7 Directors' Emoluments

	2014 £'000	2013 £'000
Fees	97	204
Salary	430	348
Bonuses	177	145
Compensation for loss of office	106	-
Pension contributions	44	35
Benefits	24	24
	<b>878</b>	<b>756</b>

The above disclosure includes all directors of the company, with the exception of two directors who are remunerated from fellow subsidiary companies.

The highest paid Director received emoluments of £374,000 (2013: £288,000) and pension contributions of £25,000 (2013: £19,000). No share options were exercised during the year by the highest paid Director (2013: none).

The remuneration of the Executive Directors was set by the Company's Remuneration Committee until 30 April 2014. From that date the responsibility falls to the Compensation Committee of the Company's parent company, Lombard Medical, Inc.

2 (2013: 2) Directors are accruing benefits under money purchase pension schemes.

## Notes to the Financial Statements (continued)

### 8 Employee Information

The average monthly number of people (including Executive Directors) employed by the Company was as follows.

By activity	2014 Number	2013 Number
Administration	2	2

Staff costs for the above persons were:

	2014 £'000	2013 £'000
Wages and salaries including restructuring costs	675	449
Social security costs	98	56
Pensions contributions	44	35
Share-based compensation expense	75	277
	<b>892</b>	<b>817</b>

### 9 Taxation

The charge comprises:

	2014 £'000	2013 £'000
Current tax credit for the year	-	(24)

Taxation losses carried forward at the end of the year amounted to approximately £13m (2013: £14m) and the unrecognised deferred tax asset at 20% (2013: 20%) is £2.6m (2013: £2.8m). 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.

During the year there was a change in the UK main corporation tax rate to 21%, which was effective from April 1, 2014. Further reductions to the UK corporation tax rate were announced in the March 2013 Budget, which will reduce the rate to 20% by April 1, 2015. As per the March 2015 Budget the rate is likely to remain at 20% for the foreseeable future.

The UK tax credit of £Nil (2013: £24,000 charge) is higher than the standard UK corporation rate of 21.5% (2013: 23.25%) applied to the loss for the year. The differences are explained below:

	2014 £'000	2013 £'000
Loss before tax for the year at 21.5% (2013: 23.25%)	(344)	(167)
Amounts not deductible for tax purposes	584	269
Losses utilized in the year	(240)	(102)
Group relief for consideration	-	(24)
Tax credit for year	-	(24)

## Notes to the Financial Statements (continued)

### 10 Investments in Subsidiary Undertakings

	Loans to Subsidiaries £'000	Investments in Subsidiaries £'000	Total £'000
<b>Cost</b>			
At 1 January 2013	71,644	4,663	76,307
Additions	14,831	–	14,831
At 31 December 2013	86,475	4,663	91,138
Additions	21,832	–	21,832
<b>At 31 December 2014</b>	<b>108,307</b>	<b>4,663</b>	<b>112,970</b>
<b>Impairment</b>			
At 1 January 2013	27,257	2,561	29,818
Provided in the year	438	–	438
At 31 December 2013	27,695	2,561	30,256
Provided in the year	–	–	–
<b>At 31 December 2014</b>	<b>27,695</b>	<b>2,561</b>	<b>30,256</b>
<b>Net book value</b>			
<b>At 31 December 2014</b>	<b>80,612</b>	<b>2,102</b>	<b>82,714</b>
At 31 December 2013	58,780	2,102	60,882
At 31 December 2012	44,387	2,102	46,489

Loans to subsidiaries are 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.

### 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	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.

In 2013 Lombard Medical (Scotland) Ltd sold its OEM business. In addition, in 2013 and 2014, 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.

## Notes to the Financial Statements (continued)

### 11 Trade and Other Receivables

	2014 £'000	2013 £'000
<b>Amounts falling due within one year:</b>		
Other receivables	17	14
Prepayments and accrued income	117	769
	<b>134</b>	<b>783</b>

### 12 Trade and Other Payables

	2014 £'000	2013 £'000
<b>Current liabilities</b>		
Trade payables	21	147
Other payables	-	45
Accruals and deferred income	391	1,093
	<b>412</b>	<b>1,285</b>

### 13 Borrowings

	2014 £'000	2013 £'000
Loans from 3 <sup>rd</sup> parties	1,698	1,550
Amounts due to parent undertaking	23,438	-
	<b>25,136</b>	<b>1,550</b>

#### LOANS from 3rd Parties

##### *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 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 Medico's Hirata Inc.'s discretion and will be based on the share price at the time of conversion.

At 31 December 2014, the amount outstanding comprised:

	£'000
Liability component at 1 January 2014	1,550
Interest expense	51
Currency translation difference	97
<b>Included in non-current liabilities at 31 December 2014</b>	<b>1,698</b>

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.

## Notes to the Financial Statements (continued)

### 13 Borrowings (continued)

#### *Invesco convertible loan*

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 were convertible to ordinary shares. 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 and 2014, there was no balance outstanding:

	£'000
Liability component at 1 January 2013	2,761
Interest expense	253
Interest paid	(103)
Converted to equity	(2,911)
<b>Included in non-current liabilities at 31 December 2014 and 2013</b>	<b>-</b>

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.

#### **Amounts owed to parent undertaking**

	Loans from Parent Undertaking £'000
<b>Cost</b>	
At 1 January 2013 and 31 December 2013	-
Loans	23,438
<b>At 31 December 2014</b>	<b>23,438</b>

Amounts owed to group undertakings have no fixed repayment date and interest has been waived. Although there is no fixed date of repayment the parent company has confirmed that payment will not be required for at least one year.

## Notes to the Financial Statements (continued)

### 14 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 2014 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 £1.6m 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.

The following table provides an analysis of the remaining contractually agreed cash flows including interest payable for the Company's non-derivative financial liabilities on an undiscounted basis, which therefore differs from both the carrying value and fair value

	Less than 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
<b>At 31 December 2014</b>				
Borrowings	-	-	-	25,455
Trade and other payables	306	106	-	-
	<b>306</b>	<b>106</b>	-	<b>25,455</b>
<b>At 31 December 2013</b>				
Borrowings	-	-	-	2,017
Trade and other payables	1,045	240	-	-
	<b>1,045</b>	<b>240</b>	-	<b>2,017</b>

#### Currency Risk

The Group is currently exposed to 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.

# Notes to the Financial Statements (continued)

## 14 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

	2014 Cash at Bank and in Hand £'000	2013 Cash at Bank and in Hand £'000
Floating rate – USD	13,724	2,743
Floating rate – EUR	107	203
Floating rate – GBP	9,969	20,593
	<b>23,800</b>	<b>23,539</b>

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.

## 15 Equity

### i) Called Up Share Capital

	2014 Number of Shares 000s	2014 Nominal Value £'000	2013 Number of Shares 000s	2013 Nominal Value £'000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 20 pence 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
		<b>33,106</b>		<b>33,106</b>

On 24 April 2014, the Lombard Medical, Inc's, Initial Public Offering 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.

## Notes to the Financial Statements (continued)

### 15 Equity (continued)

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 prior year before expenses.

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.

#### ***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.



## Notes to the Financial Statements (continued)

### 16 Share Options

#### 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 as shown below.

	2014		2013	
	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price	Shares Under Option
At beginning of year	170	5,895,706	160	2,334,830
Options lapsed/cancelled (20p ordinary shares)	(170)	(5,895,706)	-	-
Options granted (20p ordinary shares)	-	-	176	4,037,141
Options lapsed/cancelled (20p ordinary shares)	-	-	172	(476,265)
<b>At end of year</b>	-	-	<b>170</b>	<b>5,895,706</b>

Following the NASDAQ IPO, options held under the 2005 plan, were exchanged in a 4 for 1 exchange for options in Lombard Medical, Inc.

The outstanding options at 31 December 2014 were granted as follows:

Date of Grant	Exercise Price post consolidation (pence)	Exercise Price pre consolidation (pence)	Exercise Period	2014 Numbers	2013 Numbers
17 July 2007	4,600	23	2010–2017	-	-
28 January 2009	225	1.125	2012–2019	-	137,510
5 February 2010	208.4	1.042	2012–2020	-	183,510
21 June 2010	205	1.025	2012–2020	-	54,367
22 September 2010	200	1.000	2012–2020	-	-
26 August 2011	140	0.700	2012–2021	-	898,921
8 September 2011	150	0.750	2012–2021	-	428,971
3 October 2011	136	0.680	2012–2021	-	25,202
5 April 2012	145	-	2012–2022	-	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
					<b>5,895,706</b>
<b>Weighted average remaining contractual life</b>				-	<b>8.4 years</b>

## Notes to the Financial Statements (continued)

### 16 Share Options (continued)

The fair value of the options was determined using the Black-Scholes pricing model. The share-based compensation expense for the year is £330,000 (2013: £752,000 credit). No options were granted by the Company in the year. The main assumptions used in the fair value calculations for options granted in the prior year are noted in the table below;

2005 Plan	Year of grant	
	2014	2013
Weighted average share price of grants during the year	-	176p
Expected volatility	-	19 – 27%
Option life	-	Ten years
Expected dividends	-	Nil
Risk-free interest rate	-	0.41-1.1%
Weighted average fair value of share options issued during the year	-	32p
Estimated life to exercise	-	1.4 to 3.8 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.

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

	2014 £'000	2013 £'000
Loss before taxation	(1,599)	(719)
Share-based compensation expense	330	752
Impairment provision	-	438
Net finance (income)/expense	(40)	185
Decrease/(increase) in receivables	638	(706)
(Decrease) /increase in payables	(873)	500
<b>Net cash generated in operating activities</b>	<b>(1,544)</b>	<b>450</b>

## Notes to the Financial Statements (continued)

### 18 Related Party Disclosures

#### 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 paid interest of 8% per annum and were repayable at the Company's discretion at any time until 1 July 2013. The loan notes were 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 was 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 £nil (2013: £103,000) was paid during the year and the remaining principal of the loan at the year end was £nil (2013: £nil).

#### Subsidiary Undertakings

Group personnel, corporate and certain premises costs are incurred by the Company, recharges of £2,912,000 (2013: £2,329,000) were made to the subsidiaries.

The subsidiaries are held by the Company as investments and are funded by loans from the Company 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. Movements in the year are analysed in Note 10.

### 19 Financial Commitments and Contingent Liabilities

At 31 December 2014, the Company was committed to make the following aggregate minimum payments in respect of non-cancellable operating leases:

	2014		2013	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
No later than one year	122	-	213	-
Later than one year and no later than five years	-	-	122	-
	122	-	335	-

### 20 Capital Commitments

The Company had no capital commitments at 31 December 2014 or 2013.

### 21 Post Balance Sheet Events

There were no post balance sheet events.

### 22 Ultimate Controlling Party

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

The results of the company are reported within the consolidated financial statements of Lombard Medical, Inc. Copies of these 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](http://www.lombardmedical.com).