Deltex
medical group plc

Report & Accounts 2015

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Highlights

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- US revenues up 41% at £1.5m
  - US probe revenues up 33% to £1.3m (23% in local currency)
  - Number of US platform accounts increased from six to 17 in 2015 with three more added to date in 2016
  - Further step-up in growth in Q1 2016 with US probe revenues up >50%
- International probe revenues up 27% at £1.4m; 41% volume increase with adverse euro movement: continued growth in Q1 2016
- UK revenues down £1m with probe sales reduced by 21% (£0.7m): continued falls in Q1 2016 (*circa* 20% on an underlying basis)
- Compared to Q4 2015 cash costs reduced by over £100,000 a month to date in 2016 before additional US costs, to support expansion of *circa* £30,000 a month

Statutory results

- Revenue flat at £6.4m (2015: £6.5m)
- Gross margins at 63% (2015: 70%) reflecting investment in long term improvements
- Operating loss £3.5m (2015: £3.0m)
- Cash of £0.6m: £3.0m (after expenses) raised in Q1 2016 to repay £1m convertible loan and provide additional working capital

Nigel Keen, Chairman of Deltex Medical, commented:

"Deltex made significant progress in 2015 despite continuing difficulties in the UK. Total export sales were approximately 20% ahead with over 40% growth in the USA, which has become our key territory for development. Whilst trading in the UK will continue to be challenging, we expect this overseas success to drive overall group growth going forward.

We are focused on increasing the number of US platform accounts, with the consequent probe revenue run-rate, and on improving margins, reducing overheads and adding incremental revenue streams in the business as a whole. Successful implementation of these key tasks will deliver the operating cash required for us to continue to grow our business from our own internally generated resources."

Chairman's Statement

Deltex Medical's vision

Deltex Medical's (Deltex) goal is to build a major business that generates substantial returns for its shareholders by providing medical technologies which help doctors deliver better outcomes for their patients while lowering the costs of care.

Clinical and economic need established

Deltex has established that there is a clinical and economic need for our oesophageal Doppler monitoring ('ODM') technology. ODM uses ultrasound to measure blood flows in the central circulation of patients and allows doctors to fine tune the circulation at times of potential crisis and is increasingly being recognised as a standard of care for patients undergoing major surgery and for critically ill patients. Advanced haemodynamic management is also now becoming widely accepted as an important new medical modality. Deltex is focused on maximising value from the opportunities presented as advanced haemodynamic management is adopted into routine clinical practice around the world.

Deltex is the only advanced haemodynamic management company to have built a robust evidence base proving the clinical and economic benefits of its core technology. ODM is becoming adopted widely in high risk surgery and we have established strong positions for ODM in those markets which are more developed for advanced haemodynamic management.

Deltex has added a second major haemodynamic management technology to complement and supplement its ODM offering. The CardioQ-ODM+ monitor now offers doctors the two best established technologies: ODM and Pulse Pressure Waveform Analysis ('PPWA').

We are currently evaluating further technologies with potential incremental consumable revenue streams for integration into our monitor platform, including suprasternal Doppler ultrasound, and a second non-invasive technology. It is intended that these new technologies will be primarily launched on our existing platform and then made available with the new monitor platform we are developing. This new platform would be the first purpose built multi-modal haemodynamic 'workstation' and is currently scheduled for initial release in the second half of 2017. These additional technologies will allow Deltex to target wider groups of potential patients and clinicians.

Our product development strategy will enable Deltex to serve the emerging market for advanced haemodynamic management, allowing doctors to choose the inputs, parameters and treatment strategies most appropriate to the individual patient's circumstances. Deltex will offer a clinician the opportunity to procure any of these advanced haemodynamic monitoring solutions from a single supplier.

Financing

Since the year end we have re-financed an existing £1m convertible loan by issue of £1.125m of new convertible loan notes and raised an additional £1.9m after expenses from the issue of new equity. This additional finance of £2.0m after repayment of the loan, allows us to pursue both our US expansion plans and our product development programme, both of which have been progressing satisfactorily.

The Company's cash utilisation has been greater than expected largely as a result of a decline in our sales in the UK. This decline started in 2014 following unexpected changes to implementation of a Government/NHS plan to roll out ODM fully at pace and scale. While the Company has plans in place to seek to reverse these trends, the Board has taken a conservative view of future UK prospects when reviewing its financing plans going forward.

Export progress offset by adverse UK market performance

Growing clinical acceptance and encouraging traction for our products in the USA, France and other overseas markets during 2015 was offset by a second year of declines in UK ODM sales due to the combined effects of the NHS response to its financial challenges and as the NHS has shifted its focus from realising the proven financial savings available from using medical technologies such as ODM to reducing its spend on variable costs. US sales were up £443,000 (41%), with £332,000 of the growth coming from probe sales. International sales were up £92,000 (5%) in total, with probes sales up £292,000 (27%) despite adverse currency movements impacting our sales to Europe. UK ODM sales were down £952,000 (26%) before a net £315,000 increase in revenues from UK sales of third party products. Overall Group revenues were broadly flat at £6.4m (2014: £6.5m). Operating losses increased by £0.5m to £3.5m (2014: £3.0m). Cash at the end of the year was £0.6m (2014: £2.9m).

UK business: focus on maximising cash returns

In response to the NHS shifting its focus to expenditure reduction, Deltex restructured its UK business in the first half of 2015 to reduce costs and start to build a portfolio of third party products aimed at the anaesthesia and critical care markets. As a result, we were able to mitigate to some extent the loss of £0.9m of high margin ODM sales. Cash generated (defined as revenue after direct costs) from the UK sales operation in 2015 was £0.7m after exceptional costs of £0.2m (2014: cash generated of £1.3m).

In the second half of 2015 the Board undertook a thorough review of its activities in a number of NHS hospitals. This review identified a number of areas of weakness as well as some strengths and its findings have guided our sales, marketing and clinical support plans for 2016. In particular, we are continuing to build on the strong and broad base of clinical support for ODM as a standard of care, to re-emphasise the strength of the ODM evidence base both in terms of patient benefit and technology differentiation and to focus our resources on those hospitals committed to supporting their clinicians to implement our products at scale.

As our home market, the UK is the first to be offered new haemodynamic monitoring products: we have started to roll-out our new wider beam “TruFlow” probes; we have plans to launch new displays, parameters and signal acquisition consumables over the course of 2016, subject to satisfactory completion of trials of these. In addition we are adding two new third party products to our offering and have a pipeline of complementary products under evaluation. We are making promising progress in establishing new, digitally supported, marketing strategies enabling clinicians to comply with their own patient treatment protocols and expect to start to roll these out through supportive clinical networks over the course of 2016.

Expansion programmes on track in US and other overseas markets

Our US expansion programme remains on track. We have trebled our US sales and clinical support team over the last 24 months and now have a degree of critical mass with six of the eight largest areas of the USA by population, covered by our teams. We have started the work necessary to add teams in the remaining two areas, Texas and Florida, once we have developed a pipeline capable of supporting the additional overhead required to service these new territories. Other than these new territories, we believe we can build the US business through the next phase of its growth by layering in additional staff to support demand from the existing territories. The immediate objective for the US business is to increase the probe sales run-rate past a level where it covers the regular monthly field staff costs and we are on track to do that in the coming months.

Despite the progress made in the USA, France remains our largest export market by volume and we saw growth in sales to our French distributor of over 20% on average for the third year in succession.

The spread of clinical acceptance of ODM in particular and advanced haemodynamic management in general, is reflected in the growing numbers of countries publishing clinical guidelines. Countries such as Spain, Turkey, Poland, the Netherlands and South Korea have now published or are developing clinical and/or reimbursement guidelines for fluid management in addition to those already published in the UK and France.

Prospects

Deltex made significant progress in 2015 despite continuing difficulties in the UK. Total export sales were approximately 20% ahead with over 40% growth in the USA, which has become our key territory for development. Whilst trading in the UK will continue to be challenging, we expect this overseas success to drive overall group growth going forward.

We are focused on increasing the number of US platform accounts,with the consequent probe revenue run-rate, and on improving margins, reducing overheads and adding incremental revenue streams in the business as a whole. Successful implementation of these key tasks will deliver the operating cash required for us to continue to grow our business from our own internally generated resources.

Nigel Keen
Chairman

11 April 2016

Operating Review

Pro-forma results

	Full Year 2015 £'000	Full Year 2014 £'000
Consumable revenue		
Probes	**5,230**	5,271
Other	**259**	–
Total consumables revenue	**5,489**	5,271
Cost of sales - consumables	**(1,634)**	(1,287)
Gross profit consumables	**3,855**	3,984
Monitor and sundry income		
Sundry (expense)/income *	**(6)**	45*
Net monitor income less costs **	**(15)**	517
	(21)	562
Cash Costs	**(6,716)**	(6,223)
Loss before non-cash and US market development costs and exceptional items	**(2,882)**	(1,677)
Non-cash costs	**(253)**	(872)
Loss before US market development costs and exceptional items	**(3,135)**	(2,549)
US market development costs and exceptional items	**(351)**	(441)
Operating loss	**(3,486)**	(2,990)

* Included in Sundry (expense)/income are 3rd party revenues of £86,000.

	2015 £'000	2014 £'000
**** Net monitor income less costs comprises:**		
Revenue from monitors sold	**400**	1,055
Maintenance revenue	**70**	78
Cost of sales - monitors	**(284)**	(401)
Amortisation costs of placed monitors	**(201)**	(215)
Total	**(15)**	517

Pro-forma results

The Group publishes a pro-forma results statement which enables the reader to better understand the key performance indicators of the Group. This statement has been amended slightly to remove the distinction between surgical and critical care probes due to cross-over in usage in hospitals. This pro-forma presentation does not alter the results for the period. Its objective is to communicate the results of the company in an easier format.

Consumables revenue in 2015 was £218,000 (4%) ahead of 2014 at £5,489,000. Gross profit on consumables was £129,000 (2%) lower than 2014 at £3,855,000. Gross margin on consumables was 70%, comprising gross margin on probes of 72% (2014: 76%) and gross margin on other (third party) consumables of 36%. Gross margin on probes was lower than in 2014 due to circa £0.2m of unabsorbed overhead as the Company started to implement significant manufacturing process changes, the impacts of which are expected to start to come through in the second half of 2016.

The Company made satisfactory progress with export probe sales which totalled £2,716,000, an increase of £624,000 (30%) over 2014 (£2,092,000), underpinned by a 34% increase in export probe volumes before the adverse effect of sterling's strength against the euro in 2015. Notable increases in probe export revenues came from the USA (£332,000 – 33%), France (£48,000 – 9%, €136,000 -19%) and Peru (£183,000 (2014: £nil)). Export gains were broadly offset by a £665,000 (21%) decline in UK probe sales. The Company started sales of a small number of third party products in the UK in 2015 and generated consumable sales of £259,000 (2014: £nil) at gross margins of 36%. Further growth is expected from products sold in 2015, where progress with the CASMED cerebral oximetry monitor was particularly encouraging, and additional products being introduced in 2016.

Net monitor income less costs was £532,000 lower than in 2014 reflecting a 62% fall in monitor revenue to £400,000. In total the Company sold 216 monitors in 2014 and placed a further 195. We were unable to repeat the £260,000 monitor sale to NHS Supply Chain made in 2014 and saw the emphasis in several distributor managed territories switch from monitors to probes as the monitors purchased in 2014 were installed in hospitals. The largest single order for monitors was from our South Korean distributor for 100 monitors at low margin: 75 of these were delivered in 2015 with the balance to be completed in H1 2016.

Cash costs were £493,000 (8%) higher at £6,716,000 reflecting the net effect of increased expenditure on US field team expansion and reductions in UK sales and marketing costs: 2015 cash costs include £153,000 of exceptional costs relating to redundancies. The Company does not expect to report separate US market development costs in future and ongoing costs will be included as cash costs going forward. Since the year end, the Company has completed both the majority of US hiring needed to support its existing six US sales territories and a comprehensive review of its cost base. As a result, it has implemented a series of actions to reduce cash costs by over £100,000 a month before the additional US staff with a monthly cost of circa £30,000 a month. While the Company has raised funds to enable it to add two further US sales territories, it does not intend to hire new staff until the pipelines in each of Texas and Florida are sufficiently developed to accelerate cash contributions from these new territories compared to the previous record of expansion into new territories.

The operating loss was £3,486,000 (2014: £2,990,000).

Total cash at 31 December 2015 was £575,000 (2014: £2,934,000), with the movement in cash representing an average monthly cash burn of circa £200,000 a month. The Company's key priority this year is to get the business past the cash break-even point at the operating level and reverse the historic cash burn.

The Company is making satisfactory progress towards this goal: US probe revenues in the first quarter of 2016 were over 50% ahead of 2015 and are heading towards the circa 1,500 probes a month required to cover current US monthly field staff costs; International revenues were 21% ahead of 2015; UK total revenues were 28% below 2015 partially due to non-repetition of two bulk probe orders; we have made good progress to date with pre-production trials of our new probe tip production process which should allow us to reduce unit costs going forward by bringing sub-contracted processes in-house; we have re-scheduled R&D activity to focus on sequential introduction of new products which are intended to generate incremental marginal revenues off the existing monitor platform and we have implemented significant cost reductions compared to our Q4 2015 cost base to save over £70,000 a month net of US team expansion.

Operating Review continued

Statutory results

Revenue as reported in the Consolidated Statement of Comprehensive Income was broadly flat at £6,405,000 (2014: £6,507,000). Increases in revenue from export sales of £535,000 and UK third party sales of £315,000 were offset by a £952,000 reduction in revenues from ODM products in the UK. Gross margins were lower at 63% (2014: 70%) due to unabsorbed overhead relating to manufacturing efficiency initiatives, low pricing on a major monitor order to Korea and the introduction of lower margin third party sales in the UK. Probe margins were lower at 72% (2014: 76%) but are expected to improve sustainably as US sales grow and the effect of margin improvement initiatives comes through.

Costs including exceptional items of £153,000 were kept under tight control with total charges reduced by 1% at £7,496,000 (2014: £7,536,000). Increased spend in the USA and Canada was offset by savings made in the UK. Overall the operating loss of £3,486,000 was £496,000 higher (2014: £2,990,000).

UK Market

Deltex had a second consecutive disappointing year of declining ODM sales in the UK, following over a decade of solid growth in sales into the Intra-Operative Fluid Management ('IOFM') market which the Company established through the generation of a high quality robust evidence base of improved outcomes for patients after major surgery and consequently reduced costs to the system.

Probe sales were £665,000 (21%) lower in 2015 than 2014 at £2,514,000. Monitor sales were 79% lower at £84,000 with no repeat of a 60 monitor order from NHS Supply Chain late in 2014. The Company undertook a detailed, account by account review of its UK ODM business in the second half of 2015 and is now implementing plans to first stop the decline in sales and then return the business to growth, while continuing to expand the third party sales operation established in 2015. We have refocused our resources to support the considerable numbers of doctors who are both committed to making ODM a standard of care and work in hospitals with C-suite support for implementing cost-saving quality improvement programmes; we are designing marketing programmes aimed at highlighting both the strength of the ODM evidence base and the weakness of that for other IOFM technologies; we are applying lessons learnt from the successful introduction of our e-learning programmes in the USA; and we are moving towards full launch of our new design of probe which allows both faster focusing and substantially enhanced signal retention.

US market

Total reported US revenues in 2015 were 41% ahead of 2014 at £1,518,000. This compares to total reported revenue growth of 18% in 2014, 14% in 2013 and 13% in 2012 and shows the returns starting to come through from our decision to shift investment from the UK to the US market.

Probe revenues increased by 23% in local currency and 33% in sterling to £1,333,000. As previously advised, probe sales to our largest account were lower than in 2014 despite consistent usage as the customer transitioned from discounted bulk orders back to monthly orders:

	Excluding account	Including account
2015 US probe revenue growth in local currency	46% growth	23% growth
2016 Q1 US probe revenue growth in local currency	50% growth	54% growth

- We increased the number of platform accounts from six in January 2015 to 17 by 31 December 2015;
- We had completed sufficient successful clinical evaluations by 31 December 2015 to reach our target and have completed further evaluations in 2016, with more coming through the pipeline
- We have added a further three platform accounts to date in 2016;
- We are already supporting implementation programmes in three potential additional platform accounts;
- We are in contract/procurement negotiations in a further six potential platform accounts;

- We have ongoing or planned evaluations in four more potential platform accounts which are members of hospital systems with procurement frameworks already in place.

We have invested heavily in the last three years in both developing the US market to a point where acceptance of IOFM is spreading quickly and expanding our US field team. Since the start of 2012, we have increased our US field staff costs by over £100,000 a month and, once we have added sales territories in each of Texas and Florida, planned for later in 2016 depending on pipeline development progress, believe future increased costs can be layered into the existing infrastructure in response to demand rather than in advance of sales growth. Our key probe sales milestone is to get to circa 1,500 probes a month in order to broadly cover the regular monthly US field staff costs. Average monthly probe unit sales grew from 738 in 2014 to 869 in 2015 (from 650 to 933 adjusting for the major account ordering patterns highlighted above).

International markets

Our International business comprising all export markets, excluding the USA, made good progress in a number of areas in 2015. Probe revenues increased by 27% on a volume increase of 42% with revenues held back by the euro exchange rate. After a year's gap caused by local clinical strikes, our distributor in Peru ordered 4,600 probes (2014: nil). Our French business continued to grow strongly with sales of 12,300 probes to our distributor in the year maintaining France's position as our second largest market by probe volume. The opportunities for ODM continue to increase with new clinical guidelines published or in development in Turkey, Poland, Spain and the Netherlands to supplement those already in place in France and the UK. The majority of such guidelines favour ODM on account of its evidence base, although, to date, all stop short of recommending ODM to the exclusion of other IOFM technologies.

Progress with our Canadian joint venture has been steady, although slower than we would have liked due to the often protracted time delays between clinical evaluations and purchase. There is a good pipeline of potential business which, once it starts to come through in revenues, is expected to be sufficient to support organic growth from locally generated cash.

We have invested substantial sums over several years in supporting clinical leaders in Spain to introduce enhanced recovery after surgery programmes which are driving growth in several markets. Clinical guidelines for 10 surgical disciplines were published in 2015 and are now supported by the key professional bodies and regional and national health administrators, with a view to a national launch and roll-out starting in 2016. Our strategy is to focus on a small number of hospitals at first to build recurring revenue and to review additional investment in the context of cash returns generated from these.

Prospects

2015 was a transitional year for Deltex as the USA became our key focus territory instead of the UK. Strong export growth has diminished our exposure to the NHS market going forward as both clinical acceptance of Intra Operative Fluid Management (IOFM) and ODM and sales traction continue to grow in an increasing number of other countries. This export momentum, combined with operational efficiencies, cost reductions and new incremental revenue streams position us to achieve our immediate priorities of getting past the operating cash breakeven point and completing the platform building phase of our US expansion.

Ewan Phillips
Chief Executive

11 April 2016

Financial Review

Statutory results

Consolidated Statement of Comprehensive Income

Revenue as reported in the Consolidated Statement of Comprehensive Income of £6,405,000 was broadly flat compared to the prior year. Consistent with last year, revenue has been categorised between the sales of probes and other revenues which reflects the company's operating segments. More details relating to probe revenue is given later in this report whilst detailed market information is provided in the Operating Review on pages 4 to 7.

Other income comprised:

	2015 £'000	2014 £'000
Revenue from monitors sold	**400**	1,055
Barter revenue	**178**	–
Revenue from the sale of distributed products	**345**	–
Maintenance revenue	**70**	78
Other	**182**	103
Other revenue	**1,175**	1,236

Sales of monitors in the UK reduced by £320,000 compared to the prior year (2014: £404,000) principally because of a central order from NHS Supply Chain last year of 60 monitors for £260,000 to support their 2015 Business plan which was not repeated. Excluding the effect of this from last year, monitor sales in the UK declined by six units which is reflective of the continuing difficulty to make capital equipment sales in this market. To maximise cash generated from its UK sales and marketing operation, the Group has become a distributor for carefully selected third party products which generated revenues of £345,000 for the year. In the USA, monitors are generally placed against expected usage. In the Group's distributor led international markets, monitor sales tend to fluctuate depending on whether new markets are being seeded or their existing business opportunities are expanding. The change in monitor revenues was attributable to a combination of these factors during the year.

Gross margin

The Group's overall gross margin for the year was 63% which was lower than last year of 70%. The main changes in the margin are shown in the table below:

	Product margin – 2015				Product margin – 2014			
	Probes %	**Monitors %**	**Other %**	**Total %**	Probes %	Monitors %	Other %	Total %
Product contribution	**79**	**60**	**39**	**73**	79	65	100	78
Amortisation of placed monitors	**–**	**(33)**	**–**	**(3)**	–	(20)	–	(3)
Shipping costs	**–**	**–**	**(12)**	**(1)**	–	–	(33)	(1)
Production variances	**(7)**	**(7)**	**(5)**	**(6)**	(3)	(3)	–	(4)
Gross margin reported	**72**	**20**	**22**	**63**	76	42	67	70

Product contribution for probes remained broadly comparable with the prior years. Monitor margins decreased largely because of the lower overall margins earned on sales of monitors in the International market. The decrease in other margin reflects the effect of the introduction of third party distributed consumables on which the average margin earned was 36%. This margin was offset by a non-cash loss from the accounting for the termination of a distribution agreement leading to the sale of stock back at a price substantially less than it had been originally acquired. The amortisation of placed monitors simply reflects the increase in the annual charge as the number of monitors loaned to hospitals increased to support the growth in higher margin probe sales. Production variances increased during the year due to a combination of factors including the effects of running down inventory levels in anticipation of product changes by reducing build quantities and time taken to train staff in the new manufacturing technique for the probe tip assembly which we started to bring in house for the first time in 2015.

Costs

Administration costs have remained at a similar level year on year following completion of the activities that were reported last year including the introduction of a new CRM system and investment in the e-learning platform. Sales and marketing costs at a group level have increased marginally year on year. However, as the Group has continued to increase its investment in building a US sales and customer support operation and taken steps to reduce its exposure to the difficult UK market, the changes in costs in each of these territories have resulted in a slight increase overall.

US market development costs

The decrease in costs from 2014 of £243,000 reflects that these activities were completed during the year and subsequent marketing activities focussed on developing the US market will form part of normal operating costs.

Exceptional costs

As noted above, the Group took steps to address the decline in its UK market at the start of the financial year. The exceptional costs relate to redundancy costs incurred primarily in reducing the size of the UK sales and clinical team.

Taxation

The tax credit receivable relates to a slight change in the mix of research and development work that is eligible for enhanced relief under the UK Government's Research and Development Tax Credit Scheme. The Group expects to claim approximately £125,000 in 2016 in respect of 2015 activity (2015 re 2014: £150,000).

Probe revenue

Growth in probe revenues remains a key performance indicator for the Group. Probe revenues were £41,000 lower (2014: £951,000 decline). This comprised of the continued decline experienced in the UK of £665,000 which was offset by growth in International markets of £292,000 (2014: reduction of £446,000) and continued growth in the US market of £332,000 (2014: increase of £123,000). Further information on the developments in this market can be found in the Operating Review on pages 4 to 7.

£259,000 of the revenue from third party products in the UK related to the sale of consumable products (2014: £nil).

Net monitor income

	2015 £'000	2014 £'000
Revenue from monitors sold (excluding barter revenue)	**400**	1,055
Maintenance revenue	**70**	78
Cost of sales	**(284)**	(401)
Amortisation costs of placed monitors	**(201)**	(215)
Net monitor income	**(15)**	517

Excluding the 2014 sale of 60 monitors to NHS Supply Chain, monitor unit sales increased by 20 units. However, monitor revenue declined by £395,000 on a like for like basis. This was principally attributable to pricing pressure from certain distributors as they focussed on growing higher quality probe revenues.

Financial Review continued

Cash costs

Cash costs for the year increased by £493,000 from £6,223,000 incurred last year. The increase in the year is partly attributable to the expansion of the US operation as the company focuses on developing the US market and the exceptional costs incurred in 2015.

Non-cash costs

Non-cash costs comprised:

	2015 £'000	2014 £'000
Equity settled share-based payment expense	**127**	460
Equity settled transaction costs	**85**	98
Clinical trial (income)/expenses	**(162)**	108
Depreciation and amortisation charges	**203**	206
	253	872

The equity settled share-based payment decreased largely due to the lower level of sales related bonuses that are settled in shares being awarded during the year. The reduction in clinical trial expenses reflects that there were no charges carried forward under barter agreements at the end of last year, and no charge recognised for the barter agreements entered into this year.

Balance sheet

Set out below is an explanation of the key movements in the Balance Sheet:

Property, Plant and Equipment

The carrying value of property, plant and equipment reduced by £164,000 compared to last year. This is principally due to a fall in the number of monitors that have been capitalised in accordance with the Company's policy offset by the depreciation charge for the year.

Intangible assets

The Group continues to invest in research and development. It is expected that a small number of additional products attaching to the ODM monitoring platform will be released for sale during 2016. In addition, the project to change the manufacturing techniques for the probe tip, as referred to earlier, should also be finalised during the same period. Development work will continue with the new monitor upgrade which is expected to be completed during 2017 and with other modalities that will be able to be integrated with both the existing installed base and a future platform.

Inventory

Inventory reduced from £1,273,000 to £805,000 during the year due to a combination of factors. These being the fact that no buffer stock was required at the end of the year to deal with the anticipated factory relocation and a concerted focus throughout the year to ensure that inventory build plans were more closely aligned with the Company's sales forecast.

Trade receivables

The reduction in trade receivables is largely as a result of the lower level of cash sales that were achieved around the year-end compared with the prior year and an increase in the bad debt provision.

Borrowings

The movement in borrowings is largely attributable in the reduction in the amount drawn down under the Group's invoice discounting facility. The amount drawn down under the facility at the year-end was £827,000 compared to £1,059,000 last year, a reduction of £232,000 reflecting the mix of sales which qualify for draw down under the Group's invoice discounting facility in December 2015.

Trade and other payables

Trade payables increased by £450,000 from £676,000 to £1,126,000 at the end of the year as the Group managed its cash position in the light of the convertible loan note due for redemption in February 2016. Tax and social security increased by £37,000 compared to last year. Other taxation, VAT, decreased by £37,000 reflecting the lower level of sales which was offset by an increase in the PAYE liability of £74,000 due to the timing of payments of payroll taxes in the UK.

Cash flow

The Group's main funding requirements are:

(a) funding of operating losses to cash breakeven;

(b) funding working capital requirements; and

(c) funding investments.

Operating costs

The cash loss incurred in 2015, before non-cash items, US market development and exceptional items, increased from £1,677,000 to £2,705,000 as a result of cash costs increasing by approximately £493,000 and a decrease in contribution from sales of £677,000. As noted earlier, the increase in cash costs is attributable to the Company focussing its efforts on growing its US business. Contribution from sales declined due to changes in mix and margins.

The Company's key operating priority is to get to operating cash positive. In view of the continued decline in the Company's UK revenues, a further round of cost reductions has been implemented. Average personnel costs in the USA in 2015 were £100,000 per month higher than in 2014 as the Company increased headcount to staff its six US sales territories: this increase was completed late in 2015 and the current personnel costs are circa £30,000 higher than the average in 2015, reflecting both a small increase in headcount and the full year effect of additional hires during 2015. The Company intends to open two new US sales territories in 2016 once sufficient pipeline has been built. After that its current plans would see additional staff being hired to meet established demand rather than to build such demand as in 2014 and 2015.

Jonathan D Shaw
Group Finance Director

11 April 2016

Strategic Report
For the year ended 31 December 2015

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2015. The report provides a review of the Group's business and describes the principal risks and uncertainties that it faces. The report includes an analysis of the performance of the Group during the financial year and its position at the year-end including how this is assessed using key performance indicators (KPI). The Chairman's Statement, Operating Review and Financial Review form part of this Strategic Report.

Principal risks and uncertainties

The Group's strategy has been and continues to be the establishment of ODM-guided fluid management using the CardioQ-ODM as a standard of care firstly in the Group's home market of the UK, and secondly in the USA and other major markets for medical technology, both through direct sales and marketing and, where appropriate, distribution partnerships. The Group regularly reviews its strategic options and financing arrangements to reflect circumstances encountered from time to time.

The directors have, therefore, identified the following as being the principal risks and uncertainties facing the Group:

- Government policy changes and spending plans.
- Lower than anticipated rates of adoption of the Group's products in existing key markets.
- Not yet established rates of adoption of the Group's products in identified new key markets.
- The availability to the Group of resources, including cash, to pursue its strategy.
- Exposure to political risks in certain territories.

The Group has established internal controls to assess the impact, or potential impact, of actual developments affecting these risks. The Group has developed internal reporting processes that are used to carefully manage cash flow, production scheduling and stock holdings.

A faster, or slower than expected change in the adoption of the Group's products could expose the Group to supply chain and production capacity risks. In addition, supply chain disruptions such as delays or losses of inventory also present a potential risk to the Group's ability to progress its strategic aims. The Group mitigates these risks through effective supplier selection, management and procurement practices.

Government policy changes and spending plans will continue to impact the Group. We have implemented plans to increase the revenues and margin from the UK business with distributor agreements to take advantage of our established clinical sales team.

Key performance indicators

The key performance indicators that are used to monitor performance of the Group are set out in the table below and are discussed in more detail in both the Operating Review, on pages 4 to 7 and the Financial Review, on pages 8 to 11.

Key performance indicator	2015	2014
Probe revenues (£'000)	**5,230**	5,271
Monitor revenues (£'000)	**578**	1,055
Third party revenues (£'000)	**345**	–
Gross profit percentage	**63%**	70%
UK Probe volumes – sold (units)	**28,770**	37,640
US Probe volumes – sold (units)	**10,430**	8,850
Cash at bank (£'000)	**575**	2,934

Going concern

The Group meets its day-to-day working capital requirements through a combination of operational cash flows, an invoice discounting facility and the raising of additional finance if required. The directors have examined detailed budgets and forecasts until 30 June 2017, which incorporate the post balance sheet fundraising detailed in the Directors' report. This review indicates that the Group has sufficient liquidity to continue as a going concern.

Further details of the Group's cash flows are given in the Financial Review on pages 8 to 11 and the Basis of preparation note on page 27.

The Board has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly continues to adopt the going concern basis in preparing the financial statements as detailed in note 1.

By order of the Board

Barry Curtis
Company Secretary
11 April 2016

Directors

Non-executive directors

Nigel Keen MA FCA FI ET

Chairman

Nigel has been involved with Deltex Medical since 1988, and Chairman since 1996. He is also the Non-executive Chairman of Bioquell plc and Oxford Instruments plc. Nigel is the Chairman of the Remuneration Committee.

Julian Cazalet MA FCA

Julian joined the Board in April 2008 and is the Chairman of the Audit Committee. He was until 2007 a Managing Director — Corporate Finance of JPMorgan Cazenove. After graduating in Economics from Cambridge, he qualified as a Chartered Accountant before joining Cazenove in 1973. He became a Partner in 1978. From 1989 he worked in Corporate Finance, firstly in Equity Capital Markets and subsequently advising listed companies. He is Chairman of Herald Investment Trust plc, a director of Private Equity Investor plc, The Lindsell Train Investment Trust plc and of a number of charities.

Professor Sir Duncan Nichol

Duncan has been an influential figure in the provision of acute health services in the UK throughout his career. He worked for the NHS for nearly 30 years in a number of senior management roles and was Chief Executive from 1989 to 1994. Duncan was the Deputy Chairman of the Christie NHS Foundation Trust from 2008 to 2012 and is currently Chairman of the Countess of Chester NHS Foundation Trust. Duncan is also currently a Non-executive Chairman of Synergy Health plc, a provider of healthcare support services to the NHS and the first Chairman of the UK Academy for Healthcare Science.

Mark Wippell

Mark, formerly a Partner with Allen & Overy LLP, has significant experience advising international companies on their strategic transactions. His experience includes public and private M&A, business reorganisations, complex joint ventures, demergers and securities offerings. Mark is qualified as a lawyer in both the UK and the US and has worked extensively with North American based businesses internationally.

Christopher Jones

Chris Jones joined the board in June 2015 and has over 25 years' of experience in the healthcare industry both in the UK and importantly throughout the USA. He is currently Chairman of Mologic Ltd, Non-Executive Director of MediSieve Ltd and Non-Executive Director of Health Enterprise East. Having spent 10 years as CEO Medical device companies GlySure Ltd and Tensys Medical Inc., he brings valuable experience to Deltex which will be of great assistance to the company as it seeks to capitalise on its leading position in ODM in the USA.

Executive directors

Ewan Phillips MA ACA

Chief Executive

Ewan joined Deltex Medical as Group Finance Director in August 2001 with a background in corporate finance. He took on responsibility for UK sales in October 2002 and was appointed managing director of the UK subsidiary in November 2005 before being appointed Chief Executive in September 2009.

Jonathan Shaw FCCA

Finance Director

Jonathan Shaw joined the board in September 2015. He has spent the majority of his career working at either director or senior manager level in professional accounting and auditing firms most recently with Grant Thornton UK LLP in London and including PricewaterhouseCoopers LLP in Southampton where he was Deltex Medical's senior audit manager for nearly four years. During his career Mr Shaw has undertaken a number of secondments to industry or government and spent almost three years at the Financial Reporting Council, the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment.

Secretary and Advisers

Company secretary and registered office

Barry Curtis BSc ACA
Terminus Road
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West Sussex
PO19 8TX
Tel: +44 (0) 1243 774837
Fax: +44 (0) 1243 532534
www.deltexmedical.com
Company registered number: 3902895

Nominated adviser and joint broker

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Joint broker

Zeus Capital Limited
23 Berkeley Square
London
W1J 6HE

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

Solicitors

Laytons Solicitors LLP
2 More London Riverside
London
SE1 2AP

Principal bankers

The Royal Bank of Scotland plc
62–63 Threadneedle Street
PO Box 412
London
EC2R 8LA

Financial PR advisers

IFC Advisory Limited
73 Watling Street
London
EC4M 9BJ

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Directors' Report

For the year ended 31 December 2015

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

Future developments

The Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Chairman's Statement on pages 2 to 3 and the Operating Review on pages 4 to 7.

Financial risk management

The Financial Risk Management objectives and policies of the Group, including the exposure to interest rate risk, liquidity risk and currency risk are set out in note 25 to the financial statements on pages 47 to 49.

Dividends

The directors cannot propose the payment of a dividend (2014: £nil)

Directors

The directors of the Group who served during the year, and up to the date of signing, are shown below. Biographical details are given on page 13 of the annual report and accounts

N J Keen	Non-executive Chairman
E A Phillips	Chief Executive
J D Shaw	Group Finance Director
J Cazalet	Non-executive Director
C M Jones	Non-executive Director
Sir D Nichol	Non- executive Director
M Wippell	Non-executive Director

T Irish and P J Mitchell resigned from the board on 31 March 2015 and 2 April 2015 respectively. C M Jones and J D Shaw were appointed to the board on 1 June 2015 and 1 September 2015 respectively.

Directors' remuneration

The following information has been disclosed to satisfy the disclosure requirement set out in rule 19 of the AIM Rules for Companies:

	Salary and fees					
	Cash settled £	**Equity settled £**	**Benefits £**	**Pension £**	**2015 Total £**	2014 Total £
N J Keen	**–**	**33,333**			**33,333**	33,333
E A Phillips	**200,000**	**–**	**7,500**	**8,000**	**215,500**	218,100
J D Shaw*	**38,333**	**–**	**2,500**	**1,533**	**42,366**	–
J Cazalet	**–**	**24,000**	**–**	**–**	**24,000**	24,000
C M Jones**	**10,500**	**–**	**–**	**–**	**10,500**	–
Sir D Nichol	**–**	**24,000**	**–**	**–**	**24,000**	24,000
M Wippell	**–**	**24,000**	**–**	**–**	**24,000**	13,000
	248,833	**105,333**	**10,000**	**9,533**	**373,699**	312,433
E Snape (resigned 7 May 2014)	**–**	**–**	**–**	**–**	**–**	8,000
T Irish (resigned 31 March 2015)	**–**	**6,000**	**–**	**–**	**6,000**	13,000
P J Mitchell (resigned 2 April 2015)	**34,858**	**–**	**2,500**	**4,921**	**42,279**	137,500
	283,691	**111,333**	**12,500**	**14,454**	**421,978**	470,933

* Appointed 1 September 2015

** Appointed 1 June 2015

Directors' Report continued

Directors' indemnities

As permitted by the Companies Act 2006, the Company has indemnified the directors in respect of proceedings brought by third parties and qualifying third party indemnity insurance was in place throughout the year and up to the date of approval of the financial statements.

Research and development activities

Deltex Medical Limited, a subsidiary, undertakes research and development work in support of its principal manufacturing activities. Further information on the Group's research and development activities can be found throughout the strategic report.

Post balance sheet events

On 26 February 2016 the company raised £2.67m (before expenses) through a placing of 27,875,000 ordinary shares at 4p per share, an open offer of 10,693,408 ordinary shares at 4p per share, and a subscription raising £1.125 million by way of new convertible loan notes due 2019. The Amati loan note has been repaid in full on 26 February 2016.

On 10 March 2016 the company raised a further £0.51m through a placing of 12,900,000 ordinary shares at 4p per share. For further information please see note 28.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent Company 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 - Reduced Disclosure Framework (FRS 101) (United Kingdom Accounting Standards and applicable law). 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 the Group 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;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the Group and parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financal statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent 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 parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with AIM rules for companies and legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he has taken all the steps that he 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.

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.

Annual General Meeting

The notice convening the Annual General Meeting, which will take place on 12 May 2016 at 11.00am at Laytons Solicitors LLP, 2 More London Riverside, London SE1 2AP, will be sent in due course.

By order of the Board

Barry Curtis
Company Secretary

11 April 2016

Independent Auditors' Report

to the members of Deltex Medical Group plc

Report on the group financial statements

Our opinion

In our opinion, Deltex Medical Group plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 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

The financial statements, included within the Report & Accounts (the "Annual Report"), comprise:

- the Consolidated Balance Sheet as at 31 December 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows 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 IFRSs as adopted by the European Union, and applicable law.

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 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. 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 set out on page 16, 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 parent 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 group'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 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.

Other matter

We have reported separately on the parent company financial statements of Deltex Medical Group plc for the year ended 31 December 2015.

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

12 April 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 Probes £'000	2015 Other £'000	2015 Total £'000	2014 Probes £'000	2014 Other £'000	2014 Total £'000
Probe revenue							
Surgical probes		**4,645**	**–**	**4,645**	4,558	–	4,558
Critical care		**585**	**–**	**585**	713	–	713
Other		**–**	**1,175**	**1,175**	–	1,236	1,236
Total Revenue	2.2	**5,230**	**1,175**	**6,405**	5,271	1,236	6,507
Total cost of sales		**(1,490)**	**925**	**(2,395)**	(1,287)	(674)	(1,961)
Gross profit		**3,760**	**250**	**4,010**	3,984	562	4,546
Administrative expenses	4			**(2,500)**			(2,463)
Sales and distribution costs	4			**(4,036)**			(3,938)
Research and development	4			**(609)**			(694)
US market development costs	4			**(198)**			(441)
Exceptional costs	27			**(153)**			–
Total costs				**(7,496)**			(7,536)
Operating loss before US market development costs and exceptional items				**(3,135)**			(2,549)
US market development costs				**(198)**			(441)
Exceptional items				**(153)**			**–**
Operating loss*	4			**(3,486)**			(2,990)
Finance income	6			**1**			2
Finance costs	6			**(110)**			(107)
Loss before taxation				**(3,595)**			(3,095)
Tax credit on loss	7			**135**			144
Loss for the year	22			**(3,460)**			(2,951)
Other comprehensive income							
Items that may be subsequently reclassified to profit and loss							
Exchange differences taken to reserves	22			**32**			45
Other comprehensive income for the year, net of tax				**32**			45
Total comprehensive income for the year				**(3,428)**			(2,906)
Total comprehensive income for the year attributable to:							
Owners of the Parent				**(3,347)**			(2,816)
Non-controlling interests				**(81)**			(90)
				(3,428)			(2,906)
Loss per share - basic and diluted	8			**(1.6p)**			(1.5p)

	Note	2015 Probes £'000	2015 Other £'000	2015 Total £'000	2014 Probes £'000	2014 Other £'000	2014 Total £'000
***Operating loss is analysed as:**							
Cash loss				**(2,705)**			(1,677)
US market development costs				**(198)**			(441)
Exceptional items				**(153)**			–
Non - cash charges				**(430)**			(872)
Operating Loss	4			**(3,486)**			(2,990)

The notes on pages 24 to 51 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**573**	737
Intangible assets	10	**2,006**	1,745
Trade and other receivables	13	**–**	5
Total non-current assets		**2,579**	2,487
Current assets			
Inventories	12	**805**	1,273
Trade and other receivables	13	**2,621**	2,757
Current income tax recoverable		**125**	140
Cash and cash equivalents	14	**575**	2,934
Total current assets		**4,126**	7,104
Total assets		**6,705**	9,591
Liabilities			
Current liabilities			
Borrowings	15	**(1,864)**	(1,109)
Trade and other payables	17	**(2,766)**	(2,444)
Total current liabilities		**(4,630)**	(3,553)
Non-current liabilities			
Borrowings	15	**(34)**	(1,050)
Provisions	18	**(117)**	(116)
Total non-current liabilities		**(151)**	(1,166)
Total liabilities		**(4,781)**	(4,719)
Net assets		**1,924**	4,872
Equity			
Share capital	20, 22	**2,196**	2,130
Share premium	22	**30,394**	30,323
Capital redemption reserve	22	**17,476**	17,476
Other reserves	22	**4,661**	4,318
Translation reserve	22	**26**	(6)
Retained deficit	22	**(52,666)**	(49,287)
Equity attributable to owners of the Parent		**2,087**	4,954
Non-controlling interests		**(163)**	(82)
Total equity		**1,924**	4,872

The notes on pages 24 to 51 form an integral part of these consolidated financial statements.

The financial statements on pages 20 to 51 were approved by the Board of Directors and authorised for issue on 11 April 2016 and were signed on its behalf by:

N J Keen
Chairman
Deltex Medical Group plc (3902895)

J D Shaw
Group Finance Director
Deltex Medical Group plc (3902895)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

		Attributable to owners of the Parent								
	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Translation reserve £'000	Retained deficit £'000	Total £'000	Non-controlling Interest £'000	Total equity £'000
Balance at 1 January 2014		1,709	26,440	17,476	4,217	(51)	(46,426)	3,365	8	3,373
Comprehensive income										
Loss for the year	22	–	–	–	–	–	(2,861)	(2,861)	(90)	(2,951)
Other comprehensive income										
Exchange movements taken to reserves	22	–	–	–	–	45	–	45	–	45
Total comprehensive income for the year		–	–	–	–	45	(2,861)	(2,816)	(90)	(2,906)
Shares issued during the year	20, 22	421	–	–	–	–	–	421	–	421
Premium on shares issued during the year	22	–	4,145	–	–	–	–	4,145	–	4,145
Issue expenses	22	–	(262)	–	–	–	–	(262)	–	(262)
Credit in respect of service costs settled by award of options	22	–	–	–	101	–	–	101	–	101
Balance at 31 December 2014		**2,130**	**30,323**	**17,476**	**4,318**	**(6)**	**(49,287)**	**4,954**	**(82)**	**4,872**
Comprehensive income										
Loss for the year	22	–	–	–	–	–	(3,379)	(3,379)	(81)	(3,460)
Other comprehensive income										
Exchange movements taken to reserves	22	–	–	–	–	32	–	32	–	32
Total comprehensive income for the year		–	–	–	–	32	(3,379)	(3,347)	(81)	(3,428)
Shares issued during the year	20, 22	66	–	–	–	–	–	66	–	66
Premium on shares issued during the year	22	–	71	–	–	–	–	71	–	71
Issue expenses	22	–	–	–	–	–	–	–	–	–
Credit in respect of service costs settled by award of options	22	–	–	–	343	–	–	343	–	343
Balance at 31 December 2015		**2,196**	**30,394**	**17,476**	**4,661**	**26**	**(52,666)**	**2,087**	**(163)**	**1,924**

The notes on pages 24 to 51 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows used in operating activities			
Net cash used in operations	23	**(1,708)**	(1,821)
Interest paid		**(130)**	(104)
Income taxes received		**150**	122
Net cash used in operating activities		**(1,688)**	(1,803)
Cash flows used in investing activities			
Purchase of property, plant and equipment	9	**(68)**	(372)
Capitalised development expenditure	10	**(408)**	(465)
Interest received	6	**1**	2
Net cash used in investing activities		**(475)**	(835)
Cash flows generated from financing activities			
Issue of ordinary share capital	22	**59**	4,566
Expenses in connection with share issue		**–**	(262)
Repayment of borrowings		**(226)**	(187)
Repayment of obligations under finance leases		**(34)**	(16)
Net cash (used in)/generated from financing activities		**(201)**	4,101
Net (decrease)/increase in cash and cash equivalents		**(2,364)**	1,463
Cash and cash equivalents at beginning of the year		**2,934**	1,459
Exchange losses on cash and cash equivalents		**5**	12
Cash and cash equivalents at end of the year		**575**	2,934

The notes on pages 24 to 51 form an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 Principal accounting policies

Presented below are those accounting policies that relate to the financial statements as a whole and includes details of new accounting standards that are or will be effective for 2015 or later years. To facilitate the understanding of each note to the financial statements those accounting policies that are relevant to a particular category are presented within the relevant notes.

The financial statements are presented in thousands of UK Pounds, rounded to the nearest £1,000 unless otherwise indicated in the note.

These policies have been consistently applied to all the years presented, unless otherwise stated.

General information

These financial statements are the consolidated financial statements of Deltex Medical Group plc, a public limited company registered in England and Wales and domiciled in the United Kingdom and its subsidiaries ('the Group'). Deltex Medical Group plc is listed on AIM. The address of the registered office is Deltex Medical Group plc, Terminus Road, Chichester, PO19 8TX, registered number 3902895.

Basis of reporting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRSIC) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis as discussed in more detail under the 'Basis of Preparation' section of this note.

The following standards, amendments to standards and interpretations which have been endorsed by the EU have been adopted with effect from 1 January 2015 or as stated below. No changes to previously published accounting policies or other adjustments were required on their adoption.

- Annual improvements 2011-2013
- IFRIC 21, 'Levies'

Accounting standards not yet effective

Certain new standards and amendments to existing standards have been published that are mandatory for future accounting periods, subject to EU endorsement. Those which the Group has not adopted early and effective date (periods beginning) are as follows:

- Amendment to IAS 16 ,'Property, plant and equipment' and IAS 38,'Intangible assets' – 1 January 2016
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' – 1 January 2016
- Amendments to IAS 1,'Presentation of financial statements' – 1 January 2016
- IFRS 9, 'Financial instruments' – 1 January 2018*
- IFRS 15, 'Revenue from contracts with customers' – 1 January 2018*
- IFRS 16, Leases' – 1 January 2019 or when apply IFRS 15*
- Amendment to IFRS 9, 'Financial instruments', on general hedge accounting – effectivedate 1 Jan 2018*
- Amendments to IAS 12,'Income taxes' on Recognition of deferred tax assets for unrealised losses – 1 January 2017*

* not yet endorsed by the EU

The Group is assessing the impact of the above accounting standards not yet effective.

There are no other IFRSIC or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the Financial Statements continued

1 Principal accounting policies continued

Basis of consolidation

The consolidated financial statements include the financial statements of the parent Company and all of its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Consistent accounting policies have been adopted across the Group. Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Foreign currency translation

The functional and presentational currency for the parent Company is pounds sterling. Group companies use their local currency as their functional currency. Transactions denominated in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date, with any gains or losses being included in the net profit or loss of the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are accounted for in other comprehensive income and the translation reserve, until such a time as the subsidiary is sold whereupon the cumulative exchange differences relating to the net investment in that foreign subsidiary are recognised as part of the profit or loss on disposal in the Consolidated Statement of Comprehensive Income (SOCI). However, cumulative exchange differences arising prior to 1 January 2006 remain in equity as permitted by IFRS 1.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Impairment of property, plant and equipment and intangible assets

At each Balance Sheet date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the asset (or group of assets where cash flows are not identifiable for specific assets) discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

Impairment of property, plant and equipment and intangible assets continued

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. All impairment losses are recognised profit or loss in the SOCI.

Non-financial assets other than goodwill which have suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

Notes to the Financial Statements continued

1 **Principal accounting policies** continued

Clinical and other trials

The cost of trialling for clinical, economic and other purposes to support the Group's sales and promotional activity, or the cost of purchasing the rights to the use of the data arising from such trials, is written off as the trial is delivered. At each Balance Sheet date any asset relating to prepaid clinical and other trials, or prepayments recognised from barter transactions, are assessed for impairment and where necessary an impairment loss is recognised as an expense in the Consolidated Statement of Comprehensive Income. Prepaid clinical and other trials amounts are included within prepayments and accrued income in trade and other receivables in the Consolidated Balance Sheet.

Exceptional Items

As permitted by IAS 1: Presentation and Disclosure, certain items are presented separately in the consolidated statement of comprehensive income as exceptional where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance.

Significant judgements, assumptions and estimates

In the process of applying the Group's accounting policies, the directors have made a number of judgements. In addition, the preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The key assumptions at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Clinical trial data
  The Group exchanges goods for trial data and this exchange is treated as revenue under a barter transaction. These represent non-cash transactions. Where the fair value of the trial data cannot be reliably measured, the clinical trial cost is measured at the fair value of the goods being supplied. The determination of this fair value involves some judgement of what is an appropriate comparable sales value. The timing of completion of the trials is estimated at the start of the trial, and the prepaid costs split accordingly between non-current and current assets. However, unforeseen future events may adversely impact on the value and timing of the trials which would result in potential impairments or changes in balance sheet classification of the assets.
- Valuation of share-based payments
  In order to determine the value of share-based payments, management are required to make an estimation of the effects of non-transferability, exercise restrictions and behavioural considerations. Fair value is measured by use of a Black–Scholes model and the inputs are set out in note 21.
- Trade receivables recoverability
  The Group uses international distributors in a number of overseas territories. Judgements have been made in respect of these various overseas territories, in order to assess the recoverability of receivables from these territories, to see whether an impairment provision is required. In addition, in order to assist the distributors in developing their markets, these distributors may be given extended trade terms. Extended trade terms, by their nature, can increase the credit risk to the Group. Such risks are carefully managed through direct relationships with the distributors and knowledge of their markets.
- Research and development
  Costs for research and development activities are only capitalised as intangible assets if the qualification criteria are met. These criteria are met only when the technical as well as commercial feasibility can be demonstrated and cost can be measured reliably. The amounts capitalised represents the Group's estimate of what costs have met this criteria. There is a risk that the intangible asset will not generate the required future economic benefits and therefore could result in potential future impairments.

Notes to the Financial Statements continued

1 Principal accounting policies continued

Alternative financial measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measures, which are not defined by IFRS. The directors use these measures in order to assess the underlying operational performance of the Group and as such these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in these Financial Statements.

(a) *Proforma results – Chairman's statement*
This presents our progress against key performance indicators: probe sales and margins, cash costs, net income from or cost of increasing the installed base, profit before and after non-cash items and profit before investment in US market development costs.

(b) *Analysis of the operating loss beneath the Consolidated Statement of Comprehensive Income*
This is defined as operating loss before non-cash charges, US market development costs and exceptional items charged to the Consolidated Statement of Comprehensive Income. Non-cash costs comprise Share based payments, equity settled costs, clinical trial charges arising from non-cash barter transactions and depreciation and amortisation. A reconciliation of the operating loss to the adjusted operating loss is shown beneath the Consolidated Statement of Comprehensive Income.

Basis of preparation – going concern

In common with many companies of its size and which are at its stage of development, the directors manage carefully the Group's limited resources to develop the opportunities open to it without overstretching the funding capabilities of the business.

The funds the Group has available to it are provided both by the results of its commercial activities and through the new funding provided to it by the capital markets and both secured and unsecured lending and the Group drives its development of the market in keeping with this level of funding, having sufficient flexibility in its cost structure to tailor expenditure to accord with income levels.

As noted in the Directors' Report, in preparing these financial statements the directors have reviewed detailed budgets and cash flow forecasts until 30 June 2017.

This review indicates that the Group is expected to continue trading at current levels as a going concern on the basis of increasing net cash inflows from sales over expenditure of the Group.

The directors believe, that subsequent to the post balance sheet fund raising, it is appropriate to prepare the financial statements on the going concern basis.

2.1 Revenue recognition

Accounting policy

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes and excludes intercompany sales.

- Monitor and probe revenue
  Revenue on monitors and probes is recognised at the point when substantially all of the risks and rewards of ownership are transferred to the customer; for UK customers this is when the goods are accepted at the customers specified delivery address and for international customers this is on dispatch.

- Bill and hold
  A small number of customers request "Bill and hold" arrangements, where the Group holds the goods sold to the customer on their behalf until the customer is ready to receive them. Revenue is only recognised on a bill and hold basis when a formal contract is in place, the goods are on hand and ready for delivery, the customer has acknowledged formal acceptance of the bill and hold transaction and normal payment terms apply.

- Clinical trial data
  Where goods are exchanged for trial data, the exchange is treated as revenue under a barter transaction. The revenue is measured at fair value of the trial data or at the fair value of the goods supplied, where the fair value of the trial data cannot be reliably measured. The corresponding asset is recorded as a prepayment (see clinical trials accounting policy).

Notes to the Financial Statements continued

2.1 Revenue recognition continued

Accounting policy continued

- Managed care service contracts
  Where contracts exist which provide the right, but not the obligation, for a specified number of probes over a period of time for a total contract fee, revenue is recognised on a 'per probe' basis. Variations between this percentage of completion accounting and the monthly contract fee charged is recognised as deferred or accrued income on the balance sheet.

- Other service contracts and maintenance
  In respect of service contracts and other agreements for ongoing support, revenue is recognised in equal monthly instalments over the period of the contract to match the benefits to the customer.

- Distributed products
  Revenue is recognised at the point when substantially all of the risks and rewards of ownership are transferred to the customer; for UK customers this is when the goods are accepted at the customers specified delivery address and for international customers this is on dispatch.

2.2 Operating segments

Accounting policy

An operating segment is a component of the Group that engages in business activities for which discrete financial information is available. The principal activity of the Group is the sale of probes in all countries.

The Group has a single group of related products and services, being the supply of probes and other related services. Segment information is provided on the basis of probe revenue and other, which is the basis on which the Group Chief Operating Decision Maker manages its worldwide activities. The Chief Operating Decision Maker is the Group's Chief Executive Officer.

Note

The segmental operating result is the measure of revenue generated by probes and other products.

The reportable segment results for the year ended 31 December 2015 are as follows:

	Probes £'000	Other £'000	Total £'000
Revenue from customers	**5,230**	**1,175**	**6,405**
Reconciliation to result for the year:			
Cost of goods sold			**(2,395)**
Total costs			**(7,496)**
Operating loss			**(3,486)**
Finance income			**1**
Finance costs			**(110)**
Loss before taxation			**(3,595)**
Tax credit on loss			**135**
Loss for the financial year			**(3,460)**

Notes to the Financial Statements continued

2.2 Operating segments continued

The reportable segment results for the year ended 31 December 2014 are as follows:

	Probes £'000	Other £'000	Total £'000
Revenue from customers	5,271	1,236	6,507
Reconciliation to result for the year:			
Cost of goods sold			(1,961)
Total costs			(7,536)
Operating loss			(2,990)
Finance income			2
Finance costs			(107)
Loss before taxation			(3,095)
Tax credit on loss			144
Loss for the financial year			(2,951)

The following table provides an analysis of the Group's sales by revenue stream and markets.

	2015 Probes † units	**2015 Monitors † units**	**2015 Probes £'000**	**2015 Monitors £'000**	**2015 Other £'000**	**2015 Total £'000**	2014 Probes Units	2014 Monitors Units	2014 Probes £'000	2014 Monitors £'000	2014 Other £'000	2014 Total £'000
Direct markets												
UK**	**28,770**	**21**	**2,514**	**84**	**497***	**3,095**	37,640	87	3,179	404	149	3,732
USA	**10,430**	**9**	**1,333**	**141**	**44**	**1,518**	8,850	5	1,001	72	2	1,075
Spain	**700**	**–**	**65**	**–**	**–**	**65**	270	–	26	–	2	28
Canada	**575**	**4**	**71**	**57**	**3**	**131**	770	2	95	15	–	110
Distributor markets												
Rest of Europe	**18,080**	**22**	**893**	**95**	**11**	**999**	15,760	34	843	164	15	1,022
Rest of the World	**7,720**	**120**	**354**	**201**	**42***	**597**	2,275	88	127	400	13	540
	66,275	**176**	**5,230**	**578**	**597**	**6,405**	65,565	216	5,271	1,055	181	6,507

* Included in other revenue for UK and Rest of world are 3rd party revenues of £315k (2014:£nil), and £30k (2014:£nil) respectively.

** UK probe sales are split:

	2015 Units	**2015 £'000**	2014 Units	2014 £'000
Surgical	**23,965**	**1,929**	31,655	2,466
Critical care	**4,805**	**585**	5,985	713
	28,770	**2,514**	37,640	3,179

† Unaudited

Notes to the Financial Statements continued

2.2 Operating segments continued

The following table provides an analysis of the Group's non current assets by its country of domicile and other foreign countries:

Non current assets	**2015 UK £'000**	**2015 Other £'000**	**2015 Total £'000**	2014 UK £'000	2014 Other £'000	2014 Total £'000
Property, plant & equipment	**366**	**207**	**573**	519	218	737
Intangible assets	**2,006**	**–**	**2,006**	1,745	–	1,745
Trade receivables	**–**	**–**	**–**	5	–	5
	2,372	**207**	**2,579**	2,269	218	2,487

3 Auditor remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

	2015 £'000	2014 £'000
Audit services		
– Fees payable to Company auditors for the audit of the parent Company and the consolidated financial statements	**30**	24
Other services		
Fees payable to the Company's auditors for other services		
– The audit of the Company's subsidiaries pursuant to legislation	**69**	62
	99	86

4 Expenses by nature

4.1 US market development costs

Accounting policy

US market development costs consist of targeted expenditure specific to certain of the Group's activities aimed at accelerated development of the market opportunity for its products in the USA. These costs relate primarily to the Group's research collaboration with Premier Inc and include fees paid to Premier and its partners, direct costs of supporting the collaboration including related research projects in hospitals and dissemination of the results of such research as it becomes available. Costs incurred in support of the Group's ongoing US business are excluded and charged in arriving at the profit or loss before non-cash and US market development costs.

4.2 Expenses by nature

	2015 £'000	2014 £'000
Changes in inventories of finished goods and work in progress	**(432)**	271
Raw materials and consumables used	**1,862**	1,420
Employee benefit costs	**4,898**	4,838
Other employee costs	**861**	866
Exceptional items – redundancy and reorganisation	**153**	–
Depreciation and amortisation charges	**404**	420
Net research and development expenditure (excluding employee costs)	**101**	45
Net clinical trial costs	**15**	108
Operating lease charge	**109**	81
Foreign exchange loss/(gain)	**32**	(63)
Audit and accountancy	**111**	104
Meeting and other PR costs	**246**	182
Professional and consultancy fees	**498**	407
US market development (excluding employee costs)	**37**	114
Other	**996**	704
	9,891	9,497

Notes to the Financial Statements continued

5 Employees

The average monthly number of persons, including executive directors, by function was as follows:

	2015 Number	2014 Number
By activity		
Sales and marketing	**45**	45
Production	**14**	15
Office and management	**18**	15
Research and development	**7**	6
	84	81

Employee benefit expense	2015 £'000	2014 £'000
Wages and salaries	**4,193**	3,953
Social security costs	**426**	345
Other pension costs - defined contribution plans	**89**	80
Share-based payments, including bonus accruals	**343**	460
	5,051	4,838

Directors' emoluments	2015 £'000	2014 £'000
Aggregate emoluments	**364**	422
Sums paid to third parties for directors' services	**44**	33
Contributions to directors' personal pension schemes	**14**	16
	422	471

Benefits are accruing to two (2014: two) directors under personal pension plans.

Included in the above figure are amounts payable to the employing company, Imperialise Limited, of £33,332 (2014: £33,333), and Rockridge Medical Limited of £10,500 (2014: £nil), for the services of those directors.

Highest paid director	2015 £'000	2014 £'000
Aggregate emoluments	**208**	208
Contributions to directors' personal pension schemes	**8**	10
	216	218

There were no director share sales during 2015 or 2014.

Notes to the Financial Statements continued

6 Finance income and costs

	2015 £'000	2014 £'000
Finance income		
Bank interest receivable	**1**	2
	1	2
Finance costs		
Finance lease interest payable	**12**	8
Interest payable	**85**	80
Facility and loan arrangement fees	**13**	19
	110	107

7 Tax credit on loss

Accounting policy

The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the profit or loss in the SOCI except to the extent that it relates to items recognised in equity in which case it is recognised in other comprehensive income in the SOCI.

The current tax is based on taxable results for the year calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Note	2015 £'000	2014 £'000
Current tax:		
Research and development tax credit	**(125)**	(140)
Adjustment in respect of prior years	**(10)**	(4)
Total current tax and tax on loss on ordinary activities	**(135)**	(144)

The taxable receipt for the year is lower (2014: lower) than the effective rate of corporation tax in the UK of 20.25% (2014: 21.5%) applied to the Group's loss on ordinary activities before tax.

The tax differences are explained below:

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	**(3,595)**	(3,095)
Loss on ordinary activities multiplied by the standard rate in the UK 20.25% (2014: 21.5%)	**(728)**	(665)
Effects of:		
Expenses not deductible for tax purposes	**69**	22
Difference between depreciation charges and capital allowance claims	**52**	55
Losses carried forward	**806**	727
Tax rate on difference on receivable research and development tax credit	**(98)**	(124)
Difference of tax rate on payable R&D tax credit	**50**	82
Higher rates of overseas losses	**(276)**	(237)
Adjustments in respect of prior years	**(10)**	(4)
	(135)	(144)

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.25% and will be taxed at 20% in the future.

Notes to the Financial Statements continued

7 Tax credit on loss continued

Deferred tax

Accounting policy

Deferred tax is provided using the Balance Sheet date liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is not probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates that have been enacted or substantively enacted by the Balance Sheet date. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when the deferred income taxes relate to the same fiscal authority.

Note

At 31 December 2015, the Group had tax losses of £57,846,000 (2014: £53,865,000) and an unrecognised potential deferred tax asset of £10,991,000 (2014: £10,773,000) representing accumulated trading losses carried forward which are available against future profits, depreciation in excess of capital allowances of £223,000 (2014: £172,000) and share option charges of £19,000 (2014: £30,000).

During the prior year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantively enacted on 2 July 2014. The rate of UK corporation tax will reduce from 20% to 19% from 1 April 2017. As this had been substantively enacted prior to 31 December 2015, the closing deferred tax balances have been valued at 19% (2014: 20%) as this is the tax rate that will apply on reversal.

Loss relief is available indefinitely.

8 Basic and diluted loss per share

The loss per share calculation is based on the loss of £3,379,000 and weighted average number of shares in issue of 216,742,606. For 2014 the loss per share calculation was based upon the loss of £2,861,000 and weighted average number of shares in issue of 194,514,518. Whilst the Company is loss-making the diluted loss per share and the loss per share are the same.

9 Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. The cost of purchased assets includes the original purchase price together with any incidental expenses of acquisition.

Depreciation is calculated so as to write down property, plant and equipment to their estimated realisable values, by equal annual instalments over their expected useful economic lives at the following periods:

Leasehold property and improvements	five years or to the end of the lease period if less
Plant and equipment	three to five years
Machines loaned to customers	five years
Fixtures and fittings	three to five years

Estimated residual values and useful lives are reviewed annually and adjusted where necessary.

Machines loaned to customers

In order to support key accounts and increased probe usage, monitors may be placed on long-term loan with customers. Where these monitors are expected to be placed for a period longer than 12 months, the monitors are transferred at book value to property, plant and equipment and depreciated over five years. Where monitors are placed on a short-term loan of less than 12 months and it is expected that the monitors will be sold thereafter, the monitors are included within inventories.

Notes to the Financial Statements continued

9 Property, plant and equipment continued

Note	Leasehold property and improvements £'000	Plant and equipment £'000	Fixtures and fittings £'000	Machines loaned to customers £'000	Total £'000
Cost					
At 1 January 2014	233	578	54	1,183	2,048
Exchange	–	1	1	18	20
Additions	3	97	–	319	419
Disposals	–	–	–	(53)	(53)
At 31 December 2014	236	676	55	1,467	2,434
Exchange	–	2	1	34	37
Additions	–	45	–	48	93
Disposals	–	–	–	(65)	(65)
At 31 December 2015	**236**	**723**	**56**	**1,484**	**2,499**
Accumulated Depreciation					
At 1 January 2014	231	494	54	684	1,463
Exchange	–	1	1	10	12
Charge for the year	2	39	–	215	256
Disposals	–	–	–	(34)	(34)
At 31 December 2014	233	534	55	875	1,697
Exchange	–	1	1	14	16
Charge for the year	1	55	–	201	257
Disposals	–	–	–	(44)	(44)
At 31 December 2015	**234**	**590**	**56**	**1,046**	**1,926**
Net book value					
At 1 January 2014	2	84	–	499	585
At 31 December 2014	3	142	–	592	737
At 31 December 2015	**2**	**133**	**–**	**438**	**573**

Depreciation expense of £216,000 (2014: £220,000) has been charged in cost of sales, £10,000 (2014: £5,000) in research and development and £31,000 (2014: £31,000) in administrative expenses.

The net book value of property, plant and equipment includes amounts of £71,000 (2014: £95,000) in respect of assets held under finance leases.

Notes to the Financial Statements continued

10 Intangible assets

Accounting policy

Development expenditure — internally generated

Costs for self-initiated research and development activities are assessed as to whether they qualify for recognition as internally generated intangible assets. Apart from complying with the general recognition requirements below and initial measurement of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocatable to a specific product.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only.

Amortisation is calculated so as to write down the value of the intangible assets by equal annual instalments over their expected useful economic lives of five years.

The costs in respect of trialling for clinical, economic and other purposes is not considered to be research and development expenditure. The accounting policy for this is detailed in Note 1.

Note	Development Expenditure £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2014	1,790	124	1,914
Additions	465	–	465
Fair value adjustments	–	(58)	(58)
At 31 December 2014	2,255	66	2,321
Additions	408	–	408
At 31 December 2015	**2,663**	**66**	**2,729**
Accumulated amortisation			
At 1 January 2014	412	–	412
Charge for the year	164	–	164
At 31 December 2014	576	–	576
Charge for the year	147	–	147
At 31 December 2015	**723**	**–**	**723**
Net book value			
At 1 January 2014	1,378	124	1,502
At 31 December 2014	1,679	66	1,745
At 31 December 2015	**1,940**	**66**	**2,006**

Amortisation of £147,000 (2014: £164,000) has been included in research and development expenditure in the Consolidated Statement of Comprehensive Income. Amortisation is charged on a straight-line basis over five years, and commences when the product related to the development expenditure is available for use.

The carrying value of goodwill is not material, and so a value in use calculation is not required.

Notes to the Financial Statements continued

11 Subsidiary undertakings

Accounting policy

Investments are stated at cost less any provisions for impairment.

Note

Details of the Group's trading subsidiaries are set out below. In all cases the direct holding is 100% of the ordinary shares unless stated otherwise:

– Deltex Medical Limited, incorporated and operating in the United Kingdom (UK), manufactures and markets medical devices.

– Deltex Medical SC Inc, incorporated and operating in the United States of America, markets and sells medical devices in the USA which are manufactured by the Group in the UK.

– Deltex Medical Espana S.L., incorporated and operating in Spain, markets and sells medical devices in Spain which are manufactured by the Group in the UK.

– Deltex Medical (Canada) Limited, incorporated and operating in Canada, markets medical devices in Canada which are manufactured by the Group in the UK. Deltex Medical (Canada) Limited is itself a 51% owned subsidiary of Deltex Medical Limited, with 49% being held by a non-controlling interest.

– Deltex Medical Holdings Inc, a dormant company incorporated in the United States of America.

– Deltex Inc, a dormant company incorporated in the United States of America.

– Digital QI Limited, a dormant company incorporated in the UK.

– Deltex Medical Inc, a dormant company incorporated in the United States of America.

12 Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Work in progress and finished goods are included on a basis appropriate to the state of completion of the various individual items taking account of production materials and components together with an appropriate share of directly attributable labour and overheads. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Note	**2015 £'000**	2014 £'000
Raw materials and consumables	**165**	201
Work in progress	**28**	66
Finished goods	**612**	1,006
	805	1,273

Included within finished goods are third party products for resale of £149,000 (2014: £185,000).

Based on inventory holdings and sales history, there are specific provisions for obsolete or slow-moving inventory of £40,000 (2014: £nil).

Notes to the Financial Statements continued

13 Trade and other receivables

Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss in the SOCI within 'sales and distribution' costs. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'sales and distribution' costs in profit or loss in the SOCI. Trade and other receivables are classified as 'loans and receivables'.

Note	2015 £'000	2014 £'000
Current:		
Trade receivables	**2,247**	2,689
Less: provision for impairment of trade receivables	**(329)**	(265)
	1,918	2,424
Other receivables		
Prepayments and accrued income	**703**	333
	2,621	2,757
Non-current:		
Trade receivables	**–**	5
	2,621	2,762

There are no non-current receivables due at 31 December 2015. As at 31 December 2014, non-current receivables were due within two to five years from the Balance Sheet date.

Trade receivables that are less than two months past due are considered recoverable. As at 31 December 2015, trade receivables of £26,000 (2014: £254,000) were more than two months past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 £'000	2014 £'000
Two to four months overdue	**8**	168
Four to eight months overdue	**9**	26
More than eight months overdue	**9**	60
At 31 December	**26**	254

13 **Trade and other receivables** continued

At 31 December 2015, specific trade receivables of £329,000 (2014: £265,000) were impaired and provided for. The ageing of these receivables was as follows:

	2015 £'000	2014 £'000
Two to four months overdue	**–**	72
Four to eight months overdue	**–**	49
More than eight months overdue	**329**	144
At 31 December	**329**	265

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2015 £'000	2014 £'000
Sterling	**701**	1,288
Euros	**379**	404
US dollars	**806**	588
Canadian dollars	**32**	149
At 31 December	**1,918**	2,429

Movements on the Group provision for impairment of trade receivables are as follows:

	2015 £'000	2014 £'000
At 1 January	**265**	104
Provision for receivables impairment	**64**	192
Receivables written off during the year as uncollectible	**–**	(31)
At 31 December	**329**	265

The creation and release of provision for impaired receivables have been included in administrative expenses in profit or loss in the SOCI. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The directors consider that the carrying amounts of trade and other receivables approximate their fair value.

The maximum exposure for trade and other receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Group does not hold any collateral as security.

14 **Cash and cash equivalents**

Accounting policy

Cash and cash equivalents includes cash in hand and deposits held with banks with an original maturity of less than three months. Cash and cash equivalents are classified as 'loans and receivables'.

Note

Cash and cash equivalents comprise solely of cash at bank and cash in hand held by the Group.

Notes to the Financial Statements continued

15 Borrowings

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss in the SOCI over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Note	2015 £'000	2014 £'000
Current borrowings		
Invoice discounting facility	**827**	1,059
Convertible loan note	**1,000**	20
Finance lease	**37**	30
	1,864	1,109
Non-current borrowings		
Convertible loan note	**–**	1,000
Finance lease	**34**	50
	34	1,050
	1,898	2,159

Invoice discounting facility

The amount shown represents the cash drawn down under an invoice discounting facility; £nil remained undrawn (2014: £nil). The amount outstanding under this facility is secured by way of a fixed charge over the Group's UK and a proportion of the international trade receivables. Amounts drawn down under the facility are repayable from the end of the month of invoice. This is an ongoing facility and is separated into three accounts being Sterling, US dollar and Euro currencies.

The facility is subject to six months' notice on either side and is not subject to annual review.

Convertible loan note

The Convertible loan notes were repaid in full on 26 February 2016.

Borrowings in foreign currencies

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2015 £'000	2014 £'000
Pounds	**1,549**	1,922
US dollars	**118**	83
Euros	**231**	154
	1,898	2,159

Notes to the Financial Statements continued

15 **Borrowings** continued

The average effective interest rates paid were as follows:

	2015 %	2014 %
Invoice discounting facility		
– Sterling	**3.00**	3.00
– Euro	**2.80**	2.91
– Dollar	**3.63**	3.63
Loan note	**8.54**	8.00
Finance leases	**15.00**	16.00

Borrowings are held under both fixed and floating rates as follows:

	2015 £'000	2014 £'000
Fixed rates		
Finance leases	**71**	80
Floating rates		
Invoice discounting facility	**827**	1,059
Other loans	**1,000**	1,020
	1,898	2,159

16 **Obligations under finance leases**

Accounting policy

Where property, plant and equipment are financed by finance lease agreements, which transfer to the Group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in property, plant and equipment. Assets held under finance leases should be depreciated over the lower of the useful lives and the term of the lease. The capital element of the finance lease commitment is shown as obligations under finance leases within borrowings. The finance lease payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to profit or loss in the SOCI on a straight-line basis over the lease term.

Note	2015 £'000	2014 £'000
Within one year	**45**	39
In the second to fifth years inclusive	**36**	56
	81	95
Less future finance charges	**(10)**	(15)
Present value of lease obligations	**71**	80
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(37)**	(30)
Amount due for settlement after 12 months, but less than 5 years	**34**	50

One finance lease totalling £25,000 was secured during 2015 for purchase of capital equipment (2014: £47,000). £71,000 of finance leases remained owing at 31 December 2015 and are secured on the capital equipment purchased.

Lease obligations are denominated in UK sterling.

Notes to the Financial Statements continued

17 Trade and other payables

Accounting policy

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Note	2015 £'000	2014 £'000
Current liabilities		
Trade payables	**1,126**	676
Tax and social security payable	**261**	224
Other payables	**213**	236
Accruals and deferred income	**1,166**	1,308
	2,766	2,444

Trade payables are non-interest bearing and on average have 30 to 60 day settlement terms. The directors consider that the carrying amount of trade payables approximates to their fair value.

18 Provision for other liabilities

Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A provision for national insurance that may become payable on share option gains is calculated based on the closing share price.

Note	National Insurance £'000	Dilapidation and refurbishment £'000	Total £'000
At 1 January 2015	20	96	116
Charged to the Consolidated Statement of Comprehensive Income	–	4	4
Amounts utilised in the year	(3)	–	(3)
At 31 December 2015	**17**	**100**	**117**

The national insurance may become payable on gains on share options that are exercisable over the next one to ten years and is therefore included as a non-current liability. The dilapidation and refurbishment provisions relate to leased property, mainly in the UK, to return the property to the landlord at the end of the tenancy in a specified condition.

Notes to the Financial Statements continued

19 Pension obligations

Accounting policy

Retirement benefit costs

The Group provides pension arrangements to the majority of full-time UK employees through a money purchase (defined contribution) scheme. Contributions and pension costs are based on pensionable salary and are charged as an expense as they fall due. The Group has no further payment obligations once the contributions have been paid.

Note

The Group operates a defined contribution pension scheme for its UK employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group also maintains a defined contribution Salary Reduction Simplified Employee Pension Plan ('SARSEP') for US employees. Under the terms of the SARSEP, the Group may make discretionary contributions on behalf of the employees. The pension cost represents the contributions paid and payable by the Group to these schemes and in aggregate amounted to £89,000 (2014: £80,000).

20 Share capital

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note	**2015 £'000**	2014 £'000
6,568,546,210 (2014: 6,568,546,210) authorised ordinary shares of 1 pence each	**65,685**	65,685

	2015 £'000	2014 £'000
219,584,986 Called up, allotted and fully paid (2014: 213,017,689)	**2,196**	2,130

The movement in the Company's issued share capital during the year is as follows:

During the year, the Company issued 5,861,053 1p ordinary shares pursuant to the exercise of options of which 75,000 were not under the EMI Scheme. A total of 706,244 1p ordinary shares at an average price of 11p were issued to certain of the Company's advisers who elected to take shares in lieu of cash payment for their services to the Company.

Employee options

Current and former employees of the Group hold options to subscribe for shares in the Company. The following table sets out movements in share options during the year:

Employee share options

Summary	**Executive Scheme Number**	**EMI Scheme Number**	**Total Number**
At 1 January 2015	8,827,300	3,935,090	12,762,390
Additions	4,892,500	4,901,596	9,794,096
Exercised	–	(5,786,053)	(5,786,053)
Lapsed	(353,750)	(141,190)	(494,940)
Expired	–	–	–
At 31 December 2015	**13,366,050**	**2,909,443**	**16,275,493**

All options relate to one 1p ordinary shares.

Further details of the above plans are given in note 21.

Notes to the Financial Statements continued

20 Share capital continued

As at 31 December 2015 the following options to subscribe for ordinary shares of 1p each were outstanding under employee share schemes:

	Number of options	Exercise price £	Exercise period from	Exercise period to
Current employees	917,000	0.2075	28-Mar-09	27-Mar-16
	17,221	0.01	19-May-06	19-May-16
	34,908	0.01	29-Jun-07	29-Jun-17
	1,048,000	0.2950	29-Jun-10	28-Jun-17
	1,138,000	0.1850	01-Jul-11	30-Jun-18
	128,414	0.01	30-Jun-08	30-Jun-18
	1,115,300	0.1275	12-Jun-12	12-Jun-19
	531,965	0.01	12-Jun-09	11-Jun-19
	43,478	0.01	30-Dec-09	30-Dec-19
	31,251	0.01	24-Mar-10	24-Mar-20
	34,884	0.01	25-Jun-10	25-Jun-20
	767,880	0.01	13-Oct-10	13-Oct-20
	20,270	0.01	23-Dec-10	23-Dec-20
	13,636	0.01	15-Apr-11	15-Apr-21
	538,163	0.01	27-Sep-11	27-Sep-21
	46,154	0.01	27-Sep-11	29-Sep-21
	2,678,000	0.1725	27-Sep-14	27-Sep-21
	549,800	0.01	10-Oct-12	10-Oct-22
	1,701,000	0.2400	10-Oct-15	10-Oct-22
	36,034	0.01	20-Nov-13	20-Nov-23
	115,385	0.01	23-Dec-13	23-Dec-23
	4,768,750	0.1100	10-Jun-18	10-Jun-25
	16,275,493			

Notes:

(a) Options exercisable subject to criterion set by the Board that the shares of Deltex Medical Group plc should have outperformed the FTSE Medical Equipment Supplies Sector between the date of grant and the date of exercise of the option.

(b) Enterprise Management Incentive Scheme.

Other options

	At 31 December 2015 No.	Exercise price £	Exercise period from	Exercise period to
Company contractor(2)	**252,000**	0.1875	01-Mar-11	28-Feb-18
Company contractor(1)	**250,000**	0.215	01-Nov-10	31-Oct-17
Company contractor(2)	**100,000**	0.235	16-Apr-10	15-Apr-17
Company contractor(2)	**250,000**	0.145	01-May-14	30-Apr-23
	852,000			

(1) Options are exercisable in whole on any one occasion during the exercise period.

(2) Options are exercisable in part or in whole at any time due during the exercise period.

All options relate to one 1p ordinary shares.

Notes to the Financial Statements continued

21 Share-based payments

Accounting policy

The Group awards directors, employees and certain of the Company's distributors and advisers equity-settled share-based payments, from time to time, on a discretionary basis. In accordance with IFRS 2 'Share-based payments', equity-settled share-based payments are measured at fair value at the time of grant. Fair value is measured by use of a Black–Scholes model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. The options are subject to vesting conditions of up to six years, and their fair value is recognised as an expense with a corresponding increase in 'other reserves' equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss in the SOCI, with a corresponding adjustment to equity.

The fair value of the equity-settled share-based payment is recharged by the Group company to the subsidiary operating company at fair value. The expense is, therefore, recognised in the subsidiary operating company, with the equity reserve being recognised in the Group company.

Note

The Group has four share option schemes; the Deltex Medical Group plc 2000 Approved Share Option Scheme, the Deltex Medical Group plc 2011 Approved Share Option Scheme, the 2003 Deltex Medical Group plc Enterprise Management Incentive plan ('EMI'), and the 2013 Deltex Medical Group plc Enterprise Management Incentive plan ('EMI').

Options granted under the Approved Share Option Schemes are valued at the market price on the date of grant. Options are conditional on the employee completing three years service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving certain performance conditions; the options have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Options granted under the EMI scheme are granted at 1p per option. Options are granted in lieu of cash for bonuses or salary obligations relating to past achievement; therefore there is no vesting period. The options have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Approved Share Option Scheme

Details of share options outstanding during the year for the Approved Share Options Schemes are as follows:

	2015 Number of share options No.	**2015 Weighted average exercise price (in £)**	2014 Number of share options No.	2014 Weighted average exercise price (in £)
Outstanding at beginning of the period	**8,827,300**	**0.20**	9,859,300	0.21
Granted during the period	**4,892,500**	**0.11**	0	–
Lapsed during the period	**(353,750)**	**0.17**	(122,000)	0.20
Exercised during the period	**–**	**–**	–	–
Expired during the period	**–**	**–**	(910,000)	0.28
Outstanding at the end of the period	**13,366,050**	**0.17**	8,827,300	0.20
Exercisable at end of period	**8,597,300**	**0.20**	7,054,300	0.19

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 72 months (2014: 53 months). On 10 June 2015, 4,892,500 shares were granted with an estimated fair value of 1.22p per share and £59,689 in aggregate.

Notes to the Financial Statements continued

21 Share-based payments continued

The updated inputs into the Black-Scholes model are as follows:

	June 2015	October 2012
Share price	6.75p	24.0p
Exercise price	11.0p	24.0p
Expected volatility	45.60%	47.80%
Expected option life (expressed as weighted average life used in modelling)	3.28 years	3.62 years
Risk-free interest rate	1.03%	0.44%
Fair value at measurement date	1.22p	8.54p

Enterprise Management Incentive Scheme

Details of share options outstanding during the year for the EMI Scheme are as follows:

	2015 Number of share options No.	**2015 Weighted average exercise price (in £)**	2014 Number of share options No.	2014 Weighted average exercise price (in £)
Outstanding at beginning of the period	**3,935,090**	**0.01**	4,631,459	0.01
Granted during the period	**4,901,596**	**0.01**	0	0.00
Lapsed during the period	**(141,190)**	**0.01**	(39,046)	0.01
Exercised during the period	**(5,786,053)**	**0.01**	(657,323)	0.01
Outstanding at the end of the period	**2,909,443**	**0.01**	3,935,090	0.01
Exercisable at end of period	**2,909,443**	**0.01**	3,935,090	0.01

The options outstanding at 31 December 2015 had a weighted average exercise price of 1p (2014: 1p), and a weighted average remaining contractual life of 61 months (2014: 68 months). On 23 June 2015, 4,901,596 options were granted with an estimated fair value of 5.63p per share and £275,960 in aggregate.

The inputs into the Black-Scholes model are as follows:

	June 2015	December 2013	November 2013
Share price	6.63p	14.00p	14.62p
Exercise price	1.00p	1.00p	1.00p
Expected volatility	55.00%	41.30%	38.60%
Expected option life (expressed as weighted average life used in modelling)	1 year	1 year	1 year
Risk-free interest rate	0.46%	0.39%	0.34%
Fair value at measurement date	5.63p	13.00p	13.62p

Where appropriate, for both schemes, the expected volatility has been based on historical volatility over a period of the same length as the expected option life and ending on the grant date.

The fair value of the equity-settled share-based payment is recharged by the Group company to the subsidiary operating company at fair value. The expense is therefore recognised in the subsidiary operating company, with the equity reserve being recognised in the Group company.

Notes to the Financial Statements continued

22 Share capital and other reserves

	Attributable to owners of the Parent							
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Translation reserve £'000	Retained deficit £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2014	1,709	26,440	17,476	4,217	(51)	(46,426)	8	3,373
Share issued during the year	421	–	–	–	–	–	–	421
Premium on shares issued during the year	–	4,145	–	–	–	–	–	4,145
Issue expenses	–	(262)	–	–	–	–	–	(262)
Loss for the financial year	–	–	–	–	–	(2,861)	(90)	(2,951)
Credit in respect of service cost settled by award of options	–	–	–	101	–	–	–	101
Exchange movements taken to reserves	–	–	–	–	45	–	–	45
At 31 December 2014	2,130	30,323	17,476	4,318	(6)	(49,287)	(82)	4,872
Share issued during the year	66	–	–	–	–	–	–	66
Premium on shares issued during the year	–	71	–	–	–	–	–	71
Loss for the financial year	–	–	–	–	–	(3,379)	(81)	(3,460)
Credit in respect of service cost settled by award of options	–	–	–	343	–	–	–	343
Exchange movements taken to reserves	–	–	–	–	32	–	–	32
At 31 December 2015	**2,196**	**30,394**	**17,476**	**4,661**	**26**	**(52,666)**	**(163)**	**1,924**

The Capital redemption reserve represents the nominal value of shares repurchased and then cancelled during the year ended 31 December 2001. The Other reserves represents the reserve for cumulative share-based payment charges since 1 November 2002. The translation reserve comprises all foreign exchange differences arising since 1 January 2006 from the translation of the Group's net investments in foreign subsidiaries into sterling.

The cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, is £6,400,000 (2014: £6,400,000).

Notes to the Financial Statements continued

23 Notes to the Consolidated Statement of Cash Flows

	2015 £'000	2014 £'000
Loss before taxation	**(3,595)**	(3,095)
Adjustments for:		
Net finance costs	**109**	105
Depreciation of property, plant and equipment	**257**	256
Amortisation of intangible assets	**147**	164
Effect of exchange rate fluctuations	**–**	(12)
Exchange (gain) on property, plant and equipment	**–**	(8)
Loss on disposal of property, plant and equipment	**21**	19
Share-based payments	**343**	101
Operating cash flows before movement in working capital	**(2,718)**	(2,470)
(Decrease)/increase in inventories	**476**	(295)
Decrease in trade and other receivables	**141**	329
Increase in trade and other payables	**392**	634
Increase/(decrease) in provisions	**1**	(19)
Net cash used in operations	**(1,708)**	(1,821)

24 Commitments

Operating lease commitments

The Group leases land and buildings and various plant and machinery under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at the market rate.The lease expenditure charged to profit or loss in the SOCI during the year is disclosed in note 4.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 £'000	2014 £'000
No later than one year	**85**	9
Later than one year and no later than five years	**311**	17
Later than five years	**431**	–
	827	26

The UK land and building lease expired in September 2014. A new 12 year lease was signed in February 2015 with an initial rent of £75,000 per annum, and break clauses at four and eight years. The annual rent is subject to upward only rent reviews, every four years, based on open market rents at that time.

25 Financial Instruments

Accounting policy

Compound financial instruments issued by the Group comprise convertible loan notes that can be converted to share capital at the option of the holder, or subject to certain conditions at the option of the Group and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

25 **Financial Instruments** continued

Note

The Group's financial instruments comprise some cash and various items, such as trade receivables and trade payables that arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Board reviews and agrees policies for managing liquidity risk, currency risk, credit risk, interest rate risk and capital risk. The policies have remained unchanged throughout the year and are summarised below:

Liquidity risk

The Group is managed to ensure that sufficient cash reserves and credit facilities are available to meet liquidity requirements. The Group has available to it an invoice discounting facility with the Group's bankers to supplement working capital needs. From time to time, additional funding is raised to allow the Group to invest in its strategic projects to develop the business in its chosen markets.

Management monitors rolling forecasts of the Group's liquidity reserves which comprises undrawn invoice discounting facilities and cash and cash equivalents on the basis of expected cash flows.

Currency risk

The Group has overseas subsidiaries in the USA, Spain and Canada and as a result the Group's sterling balance sheet can be affected by movements in the US dollar, Euro and Canadian dollar exchange rates.

The Group also has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the unit's functional currency. In general, all overseas operating units trade and hold assets and liabilities in their functional currency.

The Group does not engage in any hedging in respect of currency risks.

The Group's exposure to the US dollar is to some extent minimised as all of its revenues are matched by costs incurred in the same currrency. The Group does nothing to minimise the foreign exchange risk faced from needing to purchase US dollars and sell Euros to finance its working capital requirements.

Credit risk

The Group is exposed to credit related losses in the event of non-performance by counterparties in connection with financial instruments.

The Group takes actions to mitigate this exposure by ensuring adequate background on credit risk is known about counterparties prior to contracting with them and through selection of counterparties with suitable credit ratings and monitors its exposure to credit risk on an ongoing basis.

The Group is also exposed to credit related losses and territory specific credit risk in the event of non-performance by counterparties in connection with financial instruments. The Group uses international distributors in a number of overseas territories. In order to assist the distributors in developing their markets, these distributors may be given extended trade terms. Extended trade terms, by their nature can increase the credit risk to the Group. Such risks are carefully managed through direct relationships with the distributors and knowledge of their markets.

The maximum credit risk exposure at the balance sheet date is represented by the carrying value of financial assets and there are no significant concentrations of credit risk. See note 13 for further details. For banks and financial institutions only independently related parties with a minimum rating of 'A' are accepted. As at the date of signing the financial statements all cash and cash equivalents are held with institutions with an 'A' rating as per Standard & Poors.

Interest Rate Risk

The Group has both interest-bearing assets and interest-bearing liabilities. The Group's policy is to seek the highest possible return on interest-bearing assets without bearing significant credit risk, and to minimise the rate payable on interest-bearing liabilities.

The Group places its cash balances on deposit at floating rates of interest. Surplus cash balances are placed on short-term deposit (less than three months). No interest rate swaps are used.

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. At this time, the majority of the Group's borrowings attract floating rates of interest and therefore the Group's principal interest rate risk is a cash flow risk.

Notes to the Financial Statements continued

25 **Financial Instruments** continued

Capital risk

The Group's objectives when managing capital (ordinary shares) are to safeguard the Group's ability to continue as a going concern in order to provide future returns to shareholders and benefits for other stakeholders and to maintain optimal capital structure.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the demographic spread of shareholders.

The Board encourages employees to hold shares in the Company. This has been carried out through the Company's various executive share option plans. Full details of these schemes are given in note 21.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and discusses these at regular Board meetings. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Liabilities – by maturity

Financial Instruments principally comprise the Group's borrowings under an invoice discounting facility with the Royal Bank of Scotland plc, trade and other payables, net obligations under finance leases and long-term loans.

In February 2009, the Group raised £1,000,000 before expenses by the issue of unsecured convertible loan notes to Amati Global Investors, a venture capital trust managed by Amati Global Partners LLP. Interest was paid at 7.5% above LIBOR.

The Loan Notes were repaid in full on 26 February 2016.

Interest on the invoice discounting facility is payable at floating rate of 2.5% to 3.25% above LIBOR.

The table below summarises the Group's financial liabilities into the relevant maturity groupings based upon the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.

Year ended 31 December 2015

	Less than 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Borrowings				
Invoice discounting facility	**827**	**–**	**–**	**–**
Other loans	**1,016**	**–**	**–**	**–**
Finance lease liabilities	**37**	**29**	**5**	**–**
Trade and other payables	**2,372**	**–**	**–**	**–**
	4,252	**29**	**5**	**–**

Year ended 31 December 2014

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings				
Invoice discounting facility	1,059	–	–	–
Other loans	20	1,000	–	–
Finance lease liabilities	30	29	21	–
Trade and other payables	2,220	–	–	–
	3,329	1,029	21	–

Notes to the Financial Statements continued

25 Financial Instruments continued

Fair value of financial assets and liabilites

There is a close approximation between the book values and the fair values of the Group's financial assets and liabilities. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties, other than a forced or liquidation sale, and excludes accrued interest.

Year ended 31 December 2015		**Loans and receivables £'000**	**Financial liabilities at amortised cost £'000**	**Total carrying amount £'000**
Financial assets				
Trade receivables		**1,918**	**–**	**1,918**
Cash and cash equivalents		**575**	**–**	**575**
		2,493	**–**	**2,493**
Financial liabilities				
Trade and other payables		**–**	**2,372**	**2,372**
Invoice discounting facility		**–**	**827**	**827**
Other loans		**–**	**1,000**	**1,000**
Finance lease liabilities		**–**	**71**	**71**
		–	**4,270**	**4,270**

Year ended 31 December 2014		Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total carrying amount £'000
Financial assets				
Trade and other receivables		2,429	–	2,429
Cash and cash equivalents		2,934	–	2,934
		5,363	–	5,363
Financial liabilities				
Trade payables		–	2,252	2,252
Invoice discounting facility		–	1,059	1,059
Other loans		–	1,020	1,020
Finance lease liabilities		–	80	80
		–	4,411	4,411

Sensitivities

The following table details the Group's sensitivities to changes in sterling against the respective foreign currencies. The sensitivities represent management's assessment of the effect on monetary assets of the possible changes in foreign exchange rates. The sensitivities analysis of the Group's exposure to foreign currency risk at the year end has been determined based upon the assumption that the increase in Euro, US dollar and CAN dollar exchange rates is effective throughout the financial year and all other variables remain constant.

An increase of 10% has been used as a maximum exposure expectation for exchange rate sensitivities.

	Sensitivity	**Profit £'000**	**2015 Equity £'000**	Profit £'000	2014 Equity £'000
Euros	10%	**(93)**	**(93)**	(81)	(81)
US dollar	10%	**113**	**113**	94	94
CAN dollar	10%	**(4)**	**(4)**	(1)	(1)

Notes to the Financial Statements continued

25 Financial Instruments continued

Sensitivities continued

The following table details the Group's sensitivity to changes of 1% in interest rates throughout the year, with all other variables remaining constant. 1% has been used as a maximum exposure expectation for interest rate sensitivities.

	2015 Profit £'000	2015 Equity £'000	2014 Profit £'000	2014 Equity £'000
Sterling	**(9)**	**(9)**	1	1
Euros	**(1)**	**(1)**	(1)	(1)
US dollar	**(1)**	**(1)**	(1)	(1)

26 Related party transactions

The following transactions were carried out with related parties:

Key management compensation

In 2014 there was a misinterpretation of Key management as defined by IAS 24 'related party transactions'. Key management are the Deltex Medical Group board. The 2014 disclosures have been restated to reflect this.

	2015 £'000	2014 restated £'000
Short term employee benefits	**401**	470
Short term benefits paid to third parties	**44**	33
Post employment benefits	**14**	16
Share based payments	**17**	43
	476	562

Equity issue

During the year, a company partly owned by CM Jones, a non-executive director, was engaged by the Group to carry out a strategic review of the UK sales operation. This work was completed by the end of October 2015. The Company was invoiced £16,392.48 excluding VAT for the services rendered. At 31 December 2015, this invoice had not been settled.

Transactions within the Group are carried out on an arm's length basis and not disclosed as all such transactions have been eliminated on consolidation.

27 Exceptional items

The exceptional costs reported in the period relate to re-organisation and redundancy costs made in the year.

28 Post balance sheet events

On 26 February 2016 the Company raised £2.67m (before expenses) through a placing of 27,875,000 ordinary shares at 4p per share, an open offer of 10,693,408 ordinary shares at 4p per share, and a subscription raising £1.125 million by way of new convertible loan notes due 2019. The proceeds of the fundraising will be used as follows:

- The Loan Notes, have been applied to repay in full the Amati Loan Note, with any balance being applied to fund working capital and to accelerate the US roll-out;
- the Placing and Open Offer will be available for US expansion and working capital

On 10 March 2016 the Company raised a further £0.51m through a placing of 12,900,000 ordinary shares at 4p per share.

Independent Auditors' Report

to the members of Deltex Medical Group plc

Report on the parent company financial statements

Our opinion

In our opinion, Deltex Medical Group plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report & Accounts (the "Annual Report"), comprise:

- the Parent Company Balance Sheet as at 31 December 2015;
- the Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities set out on page 16, 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 parent 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 parent 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 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.

Other matter

We have reported separately on the group financial statements of Deltex Medical Group plc for the year ended 31 December 2015.

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

12 April 2016

Parent Company Balance Sheet

at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	5	**25,667**	23,941
Trade and other receivables	6	**5,505**	4,700
Current assets			
Trade and other receivables	6	**27**	11
Cash and cash equivalents		**156**	1,386
		183	1,397
Creditors:			
Amounts falling due within one year	7	**(1,285)**	(171)
Net current assets		**(1,102)**	1,226
Total assets less current liabilities		**30,070**	29,867
Creditors:			
Amounts falling due after more than one year	8	**–**	(1,000)
Net assets		**30,070**	28,867
Capital and reserves			
Called up share capital	9	**2,196**	2,130
Share premium account		**30,394**	30,323
Capital redemption reserve		**17,476**	17,476
Other reserves		**4,661**	4,318
Profit and loss account		**(24,657)**	(25,380)
Total Equity	12	**30,070**	28,867

The notes on pages 56 to 62 form an integral part of these financial statements.

The financial statements on pages 54 to 62 were approved by the Board of Directors and authorised for issue on 11 April 2016 and signed on its behalf by:

N J Keen
Chairman
Deltex Medical Group plc (3902895)

J D Shaw
Group Finance Director
Deltex Medical Group plc (3902895)

Parent Company Statement of Changes in Equity

for the year ended 31 December 2015

	Note	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2014		1,709	26,440	17,476	4,217	(26,126)	23,716
Comprehensive income							
Profit for the year		–	–	–	–	746	746
Total comprehensive income for the year		–	–	–	–	746	746
Shares issued during the year		421	–	–	–	–	421
Premium on shares issued during the year		–	4,145	–	–	–	4,145
Issue expenses		–	(262)	–	–	–	(262)
Credit in respect of service costs settled by award of options		–	–	–	101	–	101
Balance at 31 December 2014		**2,130**	**30,323**	**17,476**	**4,318**	**(25,380)**	**28,867**
Comprehensive income							
Profit for the year		–	–	–	–	723	723
Total comprehensive income for the year		–	–	–	–	723	723
Shares issued during the year		66	–	–	–	–	66
Premium on shares issued during the year		–	71	–	–	–	71
Credit in respect of service costs settled by award of options		–	–	–	343	–	343
Balance at 31 December 2015		**2,196**	**30,394**	**17,476**	**4,661**	**(24,657)**	**30,070**

The notes on pages 56 to 62 form an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 Principal accounting policies

Basis of preparation

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. Transition tables showing all material adjustments are disclosed in note 13. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). They have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006.The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3, 'Business Combinations';
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13, 'Fair Value Measurement';
- the requirement in paragraph 38 of IAS 1, 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16, 'Property, Plant and Equipment';
    - paragraph 118(e) of IAS 38, 'Intangible Assets';
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1;
- the requirements of IAS 7, 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors';
- the requirements of paragraph 17 of IAS 24, 'Related Party Disclosures';
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Judgements and key sources of estimation uncertainty

Accounting for inter-company loans

The company has funded the trading activities of its principal subsidiaries by way of inter-company loans. The amounts advanced did not have any specific terms relating to their repayment, were unsecured and were interest free. In the light of the above, management have had to determine whether such loan balances should be accounted for as loans and receivables in accordance with IAS39, 'Financial Instruments: Measurement', or whether, in fact, it represents an interest in a subsidiary which is outside the scope of IAS39 and accounted for in accordance with IAS27, 'Separate Financial Statements'.

Management have concluded that, in substance, the loans represent an interest in a subsidiary as the funding provided is considered to provide the subsidiary with a long term source of capital. Therefore the loans are accounted for in accordance with IAS27 and are carried at their historical cost less provision for impairment, if any.

Notes to the Financial Statements continued

1 **Principal accounting policies** continued

Significant accounting policies

Investments

Investments which comprise investments in share capital and inter-company loan balances are stated at cost less any provisions for impairment in value. At each balance sheet date the Company reviews the carrying amount of the investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the investments value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the investments discounted at the Company's cost of capital.

If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised in profit and loss in the Statement of Comprehensive Income (SOCI), unless the relevant investment is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Deferred taxation

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Foreign currency translation

Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in overseas currencies are translated at the rate of exchange ruling on the date of the transaction or at a contracted rate if applicable. Any gains or losses arising during the year have been dealt with in profit or loss in the SOCI.

Share-based payments

The Company awards directors, employees and certain of the Group's distributors and advisors equity-settled share-based payments, from time to time, on a discretionary basis. In accordance with IFRS 2 'Share-based payments', equity-settled share-based payments are measured at fair value at the time of grant. Fair value is measured by use of a Black-Scholes model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The options are subject to vesting conditions of up to six years, and their fair value is recognised as an expense with a corresponding increase in 'other reserves' equity over the vesting period. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to reserves. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. Provision for National Insurance payable on such gains is recognised in accordance with UITF 25.

The fair value of the equity-settled share-based payment is recharged by the Company to the subsidiary operating company at fair value. The expense is therefore recognised in the subsidiary operating company, with the equity reserve being recognised in the Group company.

Notes to the Financial Statements continued

1 **Principal accounting policies** continued

Related party transactions

The Company is the ultimate parent undertaking of the Deltex Medical Group and is therefore included in the consolidated financial statements of that Group, which are on page 20 of the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held with banks.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Terms of loans to subsidiaries

The Company uses its cash to fund the operations of its subsidiaries until such a time that the subsidiaries are in a position to return the monies to Group. These loans are interest free and have no fixed repayment date, subject to a £3,000,000 10% interest bearing loan.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, or subject to certain conditions at the option of the Group and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 **Operating profit**

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own SOCI for the year. Deltex Medical Group plc reported a profit for the financial year ended 31 December 2015 of £723,000 (2014: £746,000).

3 **Auditor remuneration**

During the year the Company obtained the following services from the Group's auditors at costs as detailed below:

	2015 £'000	2014 £'000
Audit services		
– Fees payable to Group auditors for the audit of the Company	**30**	24
	30	24

Notes to the Financial Statements continued

4 Directors' emoluments

The remuneration of the Non-executive directors was as follows:

	2015 **£**	2014 £
Aggregate emoluments	**78,000**	82,000
Sums paid to third parties for directors' services	**43,832**	33,333
	121,832	115,333

There are nil (2014: Nil) benefits accruing to directors under personal pension plans.

Included in the above figure are amounts payable to the employing company, Imperialise Limited, of £33,332 (2014: £33,333), and Rockridge Medical Limited of £10,500 (2014: £nil), for the services of those directors.

Remuneration, including Executive directors is disclosed on page 31 of these Reports and Accounts.

All Executive directors in office at the year end receive their emoluments from Deltex Medical Limited, a subsidiary undertaking of the Group. Except for financing activities, their services to the Company are incidental to their services to the Group as a whole.

The average number of Non-executive directors by function was as follows:

	2015 **Number**	2014 Number
Administration	**5**	5

The Company had no additional employees other than the directors (2014: None).

5 Investments

	2015 **Investments in subsidiary undertakings** **£'000**	**2015** **Loans to subsidiary undertakings** **£'000**	**2015** **Total** **£'000**	2014 Investments in subsidiary undertakings £'000	2014 Loans to subsidiary undertakings £'000	2014 Total £'000
At 1 January	**846**	**23,095**	**23,941**	846	19,174	20,020
Additions	**–**	**1,726**	**1,726**	–	3,921	3,921
At 31 December	**846**	**24,821**	**25,667**	846	23,095	23,941

The directors believe that the carrying value of the investments is supported by their future cash flows.

Loans to subsidiary undertakings in the amount of £24,821,000 relate to long-term balances with Deltex Medical Limited and Deltex Medical Inc. The directors consider that these balances are intended to be, for all practical purposes, permanent equity and do not expect them to be repayable in the forseeable future. These loans have therefore been treated as part of Deltex Medical Group plc net investment in these subsidiaries. During the year additional long-term debtor balances have been reclassified as long-term investments as this follows the substance of the transactions.

Details of the Company's principal trading subsidiary undertakings are set out in note 11 of the Consolidated Financial Statements on page 36.

Notes to the Financial Statements continued

6 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Other receivables	**27**	6
Prepayments	**–**	5
	27	11
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertaking	**5,505**	4,700
	5,532	4,711

In 2013, the Group reclassified £3,000,000 of the long term investments by Group in Deltex Medical Limited as long term loans. These loans are being charged interest at a rate of 10% per annum, are secured and payable on demand.

The current amounts due from subsidiary undertakings relate to amounts advanced to the entity, which are considered to be repayable on demand.

The remaining amount relates to group recharges and accrued interest which are unsecured and non interest bearing.

7 Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Other creditors	**186**	58
Accruals	**99**	113
Loan notes	**1,000**	–
	1,285	171

The convertible loan notes were repaid in full on 26 February 2016.

8 Creditors: Amounts falling due after more than one year

	2015 £'000	2014 £'000
Loan notes	**–**	1,000

9 Share capital

See note 20 of the Consolidated Financial Statements on pages 42 to 43 for full details of the share capital and share schemes held.

Notes to the Financial Statements continued

10 Deltex Medical Group plc

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Foreign exchange movements £'000	Total £'000
At 1 January 2014	–	–
Charged to profit or loss in the SOCI	79	79
At 31 December 2014	79	79
Credited to profit or loss in the SOCI	(12)	(12)
At 31 December 2015	**67**	**67**

Deferred tax assets	Tax losses £'000	Total £'000
At 1 January 2014	–	–
Credited to profit or loss in the SOCI	(79)	(79)
At 31 December 2014	(79)	(79)
Credited to profit or loss in the SOCI	12	12
At 31 December 2015	**(67)**	**(67)**

11 Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2015 or 31 December 2014.

12 Related party transactions

Exemption has been taken under FRS 101 paragraph 8(k) from disclosing related party transactions between the Company and its subsidiary undertakings and from paragraph 8(j) from disclosing key management compensation.

The directors of Deltex Medical Group plc had no other material transaction with the Company during the year, other than as a result of service agreements. Details of the directors' remuneration are disclosed in the Directors' Report in the Consolidated Financial Statements on page 15.

13 Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its separate financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

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

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 'First time adoption of International Financial Reporting Standards' with the exception of paragraphs 6 and 21 as permitted by paragraph 7A of FRS 101.

13 Transition to FRS 101 continued

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- IFRS 2 Share based payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This is treatment is consistent with the transitional provisions taken when the company adopted FRS 20, the UK equivalent standard.

Reconciliation of equity and profit for the year as at 1 January 2014

	UK GAAP £'000	FRS 101 adjustments £'000	FRS 101 £'000
Profit and loss account as at 1 January 2014	(7,581)	(18,545)	(26,126)
Profit for the financial year ended 31 December 2014	351	395	746

These relate to a measurement difference of the intercompany loan balances under IAS 39, and the accounting for the effects of changes in foreign exchange rates on under IAS 21 at the date of transition.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Deltex Medical Group plc, you should pass this document, the accompanying form of proxy and the annual report and accounts of Deltex Medical Group plc for the financial year ended 31 December 2015 without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares. This document should be read in conjunction with the accompanying Form of Proxy.

DELTEX MEDICAL GROUP plc

(Incorporated in England, registered number 3902895)

NOTICE OF ANNUAL GENERAL MEETING

Notice of an annual general meeting of Deltex Medical Group plc (the "**Company**") to be held at Laytons Solicitors, 2 More London Riverside, London SE1 2AP at 11:00am on 12 May 2016 (the "**AGM**") is set out on pages 5 to 7 (inclusive) of this document. To be valid as a proxy in respect of the AGM, the form of proxy accompanying this document must be completed and returned in accordance with the instructions thereon so as to be received by the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time of the meeting.

Notice of Annual General Meeting continued

Deltex Medical Group plc

(Incorporated in England and Wales, registered number 3902895)

Directors:
Nigel Keen (Chairman)
Ewan Phillips
Jonathan Shaw
Julian Cazalet
Christopher Jones
Sir Duncan Nichol
Mark Wippell

Registered office:
Terminus Road
Chichester
West Sussex
PO19 8TX

18 April 2016

To holders of ordinary shares of 1p each ("**Ordinary Shares**") in the capital of Deltex Medical Group plc (the "**Company**")

Dear Shareholder,

Notice of Annual General Meeting of the Company and annual accounts for the year ended 31 December 2015
I am pleased to send you details of arrangements for our annual general meeting, together with the annual accounts of the Company, which contain the reports of the directors and the auditors, for the year ended 31 December 2015.

The formal notice of the annual general meeting of the Company, which will take place at Laytons Solicitors, 2 More London Riverside, London SE1 2AP at 11:00am on 12 May 2016 (the "AGM"), is set out on pages 5 to 7 (inclusive) of this document.

The purpose of this letter is to explain certain aspects of the business of the AGM to you.

Resolution 1 - Receipt of audited financial statements

Resolution 1 deals with the receipt of the directors' and auditors' reports and the accounts of the group for the financial year ended 31 December 2015.

Resolutions 2, 3 4 and 5 - Re-election and election of directors

Resolution 2 proposes the re-election of Nigel Keen as a director and Resolution 3 proposes the re-election of Julian Cazalet as a director. The Company's articles of association require that at each annual general meeting one third of the directors (excluding directors being elected for the first time) must retire by rotation; accordingly, Nigel Keen and Julian Cazalet offer themselves for re-election as proposed by resolutions 2 and 3.

Resolution 4 proposes the reappointment of Christopher Jones, who was appointed as a director on 1 June 2015. Resolution 5 proposes the reappointment of Jonathan Shaw, who was appointed as a director on 1 September 2015. In accordance with the Company's articles of association, having been appointed since the last annual general meeting, both Christopher Jones and Jonathan Shaw cease to be directors at the conclusion of the AGM unless reappointed at the meeting; accordingly, being eligible, Christopher Jones and Jonathan Shaw offer themselves for re-appointment as proposed by resolutions 4 and 5.

Biographical details of Nigel Keen, Julian Cazalet, Christopher Jones and Jonathan Shaw are set out on page 13 of the annual report and accounts. The Board considers that the experience of Nigel Keen and Julian Cazalet will continue to be beneficial to the Company. The additional experience of Christopher Jones and Jonathan Shaw will enhance the board going forward.

Resolution 6 – Re-appointment of auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue as the Company's auditors. Resolution 6 proposes their re-appointment and authorises the directors to determine their remuneration.

Resolution 7 – Power to allot and issue shares

The directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by the shareholders of the Company. At the annual general meeting of the Company held on 6 May 2015 (the "2015 AGM"), the directors were given authority to allot relevant securities up to a maximum nominal amount of £712,533 (being one-third of the then issued ordinary share capital of the Company) and to allot a further one-third pursuant to a rights issue. This authority expires at the conclusion of

Notice of Annual General Meeting continued

the 2016 Annual General Meeting and the directors are seeking a fresh shareholder authority to allot relevant securities. Accordingly, it is proposed that the directors are given general authority to allot relevant securities up to an aggregate nominal amount of £908,732 (being one-third of the issued ordinary share capital as at 11 April 2016) and in addition to allot relevant securities only in connection with a Rights Issue (as defined in the resolution) up to a further nominal value of £908,732.

Accordingly if this resolution is passed the Directors will have the authority in certain circumstances to allot new shares and other relevant securities up to a total nominal value of £1,817,464, representing a total amount equal to two-thirds of the Company's issued share capital as at 11 April 2016. Although the directors have no present intention of exercising this authority, the general authority to allot shares will provide flexibility for the Company to allot shares and to grant rights to subscribe for or to convert into shares when they consider it to be in the Company's interests to do so.

The authority will expire on the conclusion of the Annual General Meeting of the Company to be held in 2017 or on 13 August 2017, whichever is earlier, but it is the intention of the directors to seek renewal of this authority annually.

Resolution 8 – Disapplication of the statutory rights of pre-emption

Section 561 of the Companies Act 2006 gives holders of equity securities (within the meaning of that Act) certain rights of pre-emption on the issue for cash of new equity securities (other than in connection with an employees' share scheme). The directors believe that it is in the best interests of the shareholders that the directors should have limited authority to allot Ordinary Shares (or rights to convert into or subscribe for Ordinary Shares, or sell any Ordinary Shares which the Company elects to hold in treasury) for cash without first having to offer such shares to existing shareholders in proportion to their existing holdings.

Resolution 8 proposes, in substitution for the power that was granted to the directors at the 2015 AGM, that power be granted to allot securities for cash on a non-pre-emptive basis up to a maximum nominal amount equal to £272,620 (representing approximately ten per cent. of the nominal issued share capital of the Company as at 11 April 2016). The resolution also disapplies the pre-emption rights to the extent necessary to facilitate rights issues, open offers and similar transactions without having to follow the specific statutory procedures that would otherwise apply to such issues.

The authority will expire on the conclusion of the Annual General Meeting of the Company to be held in 2017 or on 13 August 2017, whichever is earlier, but it is the intention of the directors to seek renewal of this authority annually.

Resolution 8 will be proposed as a special resolution.

Resolution 9 – Website Communications

Resolution 9 is a special resolution to amend the Company's Articles of Association to provide that documents and information, including notices of meetings, may be provided to members by making them available on a website without requiring individual agreement from each member. Members will still be able to require provision of such items in hard copy form if they wish. This will save the Company appreciable costs of providing hard copy documents.

ACTION TO BE TAKEN

It is important to the Company that shareholders have the opportunity to vote even if they are unable to attend the AGM. You will find enclosed with this document a form of proxy for use at the AGM. Whether or not you propose to attend the AGM in person, you are requested to complete the form of proxy and return it to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive no later than 11.00am on 10 May 2016 or 48 hours before any adjournment of the meeting. The completion and return of the form of proxy will not affect your right to attend and vote in person at the AGM if you so wish. Your attention is drawn to the notes endorsed on the enclosed form of proxy.

RECOMMENDATION

Your directors believe that all the proposals to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings of 32,376,995 Ordinary Shares in aggregate, representing approximately 11.88 per cent of the Ordinary Shares currently in issue.

Yours sincerely

Nigel J Keen
Chairman

Notice of Annual General Meeting continued

Deltex Medical Group plc

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the ANNUAL GENERAL MEETING of Deltex Medical Group plc will be held at Laytons Solicitors, 2 More London Riverside, London SE1 2AP at 11:00am on 12 May 2016 to transact the following business:

Ordinary Business

As ordinary business, to consider and if thought fit pass the following resolutions, which will be proposed as ordinary resolutions:

1. To receive the Company's audited financial statements for the year ended 31 December 2015, together with the reports of the directors and of the auditors thereon.
2. To re-elect as a director Nigel Keen.
3. To re-elect as a director Julian Cazalet
4. To elect as a director Christopher Jones.
5. To elect as a director Jonathan Shaw.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.

To transact any other ordinary business of the Company.

Special Business

As special business, to consider and if thought fit pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolutions 8 and 9 as special resolutions:

7. THAT the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") (in substitution for any existing such authority save to the extent of the allotment of shares pursuant to an offer or agreement made before expiry of such existing authority) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any security into, shares in the Company:
    (a) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £1,817,464 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph (b) below) in connection with an offer of such securities by way of a Rights Issue (as defined below); and
    (b) in any other case, up to an aggregate nominal amount of £908,732 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph (a) above in excess of £908,732).

Provided that, unless previously revoked, varied or extended by the Company in general meeting, this authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 13 August 2017 save that the Company may, before such expiry, make offers or agreements which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority had not ended.

In this resolution "Rights Issue" means an offer of equity securities by way of rights, open offer or otherwise to holders of ordinary shares in the capital of the Company on the register on a record date fixed by the directors in proportion as nearly as may be to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical issues arising under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

8. THAT, subject to the passing of resolution 7 set out in the Notice of the Annual General Meeting dated 11 April 2016 ("Resolution 7"), the directors be empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act and including the sale of treasury shares) for cash pursuant to the general authority conferred by Resolution 7 as if section 561 of the Act did not apply to such allotment, such power to expire on the earlier of the conclusion of the next annual general meeting of the Company and 13 August 2017 unless previously revoked, varied or extended by the Company in general meeting, but so that the Company may, before such expiry, make offers or

Notice of Annual General Meeting continued

agreements which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and the directors may allot equity securities and sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities (but in the case of an allotment or sale permitted by the authority granted under paragraph (a) of Resolution 7, only by way of a Rights Issue as defined in Resolution 7);

(b) in the case of the authority granted under paragraph (b) of Resolution 7 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the Act, the allotment (otherwise than under paragraph (a) of this resolution) of equity securities up to an aggregate nominal amount of £272,620.

9. THAT the Articles of Association of the Company be amended as follows:

(a) There be inserted in Article 132.1 a new Article 132.1.5, namely “subject to compliance with applicable statutory and regulatory requirements, by making it available on a website and notifying the member concerned in accordance with such requirements that it has been so made available; adoption of this Article 132.1.5 shall be deemed to be agreement by members with the Company to receive documents and information in this manner; or” and renumbering the existing Article 132.1.5 as 132.1.6;

(b) Article 132.2.2.1 be deleted and replaced by “The Company and that member or the Company and members generally have agreed that notices of general meetings may be accessed by him or them on a web site instead of being sent to the member in one of the ways specified in Article132.1; adoption of this Article 132.2.1 shall be deemed to be such general agreement between members and the Company; and”;

(c) There be added at the end of Article 132.3.3 (referring to joint holders of shares) the words “and agreement for the purposes of this Article 132 may be given by any one of such joint holders and any such agreement shall be effective and binding upon all such joint holders.”

Registered office
Terminus Road
Chichester
West Sussex
PO19 8TX

By order of the Board
Barry Curtis
Secretary
Dated: 18 April 2016

Notes:

1. Any member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

2. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company’s registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the meeting or of any adjournment of the meeting.

3. To be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6pm on Monday 10 May 2016 (or in the case of any adjournment, on the date which is forty-eight hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the annual general meeting.

4. A copy of this notice, together with the Annual Report and Accounts, can be found on the Company’s website at www.deltexmedical.com.

Notice of Annual General Meeting continued

5. Shareholders can, at no cost, obtain copies of the audited financial statements of the Company for the period ended 31 December 2015 and the directors' and auditors' reports on those financial statements by application to the Company Secretary at the registered office of the Company.

6. Biographical details of each Director who is being proposed for re-election or election by shareholders are set out in the Company's annual report and accounts for the period ended 31 December 2015.

7. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 not later than 11.00am on 10th May 2016 or, in the case of any adjournment, on the date which is forty-eight hours before the time of the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your proxy form must be received by the Company's registrars no later than 48 hours before the time of the meeting or of any adjourned meeting excluding any part of day that is not a working day.

8. As at 11 April 2016 the Company's issued share capital consists of 272,619,544 ordinary shares of 1 pence each, carrying one vote each. No shares are held in treasury.

Deltex
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