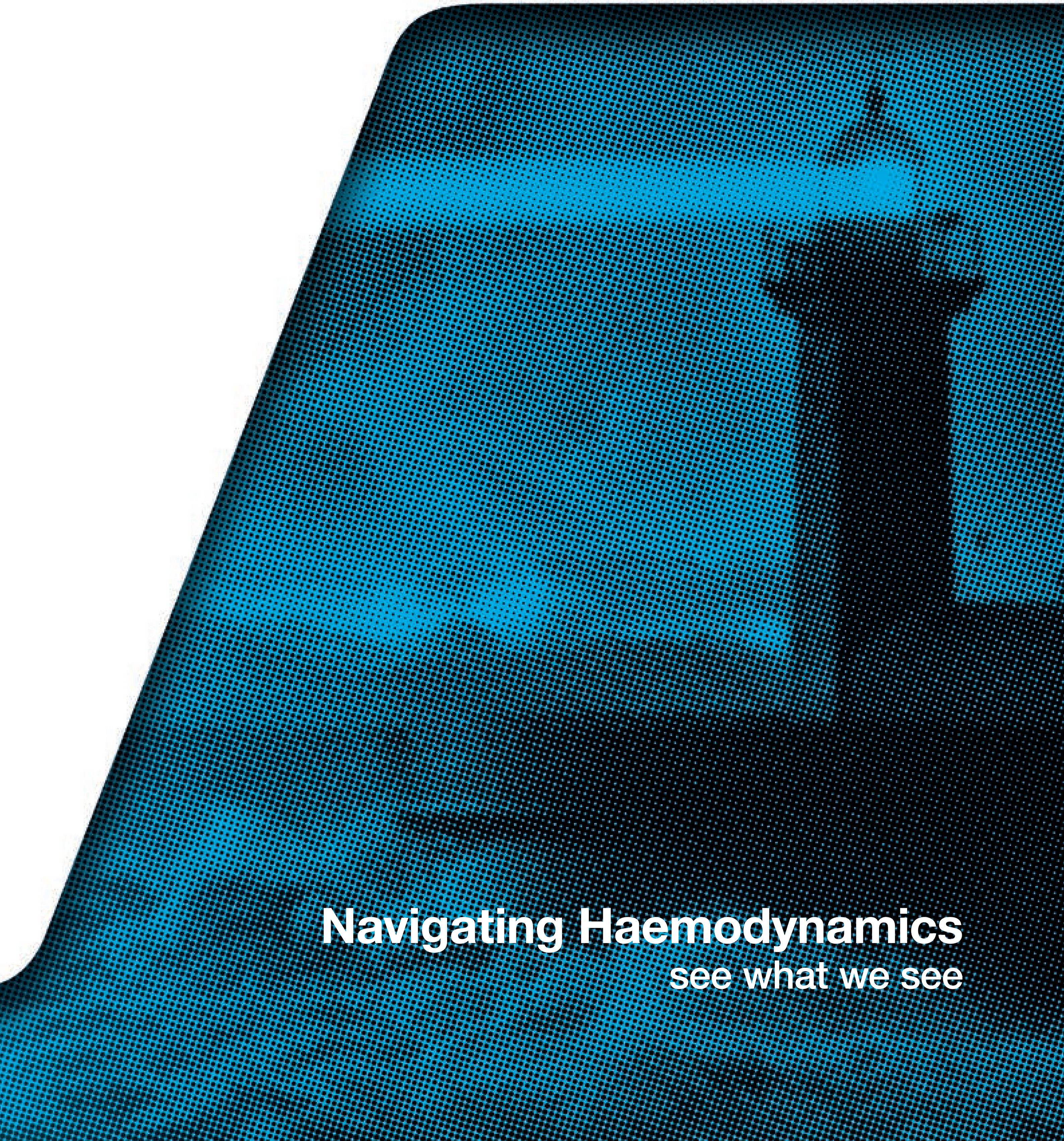
Deltex
Medical Group plc

Report & Accounts 2017



Navigating Haemodynamics
see what we see

Deltex Medical Group plc

> Report & Accounts 2017

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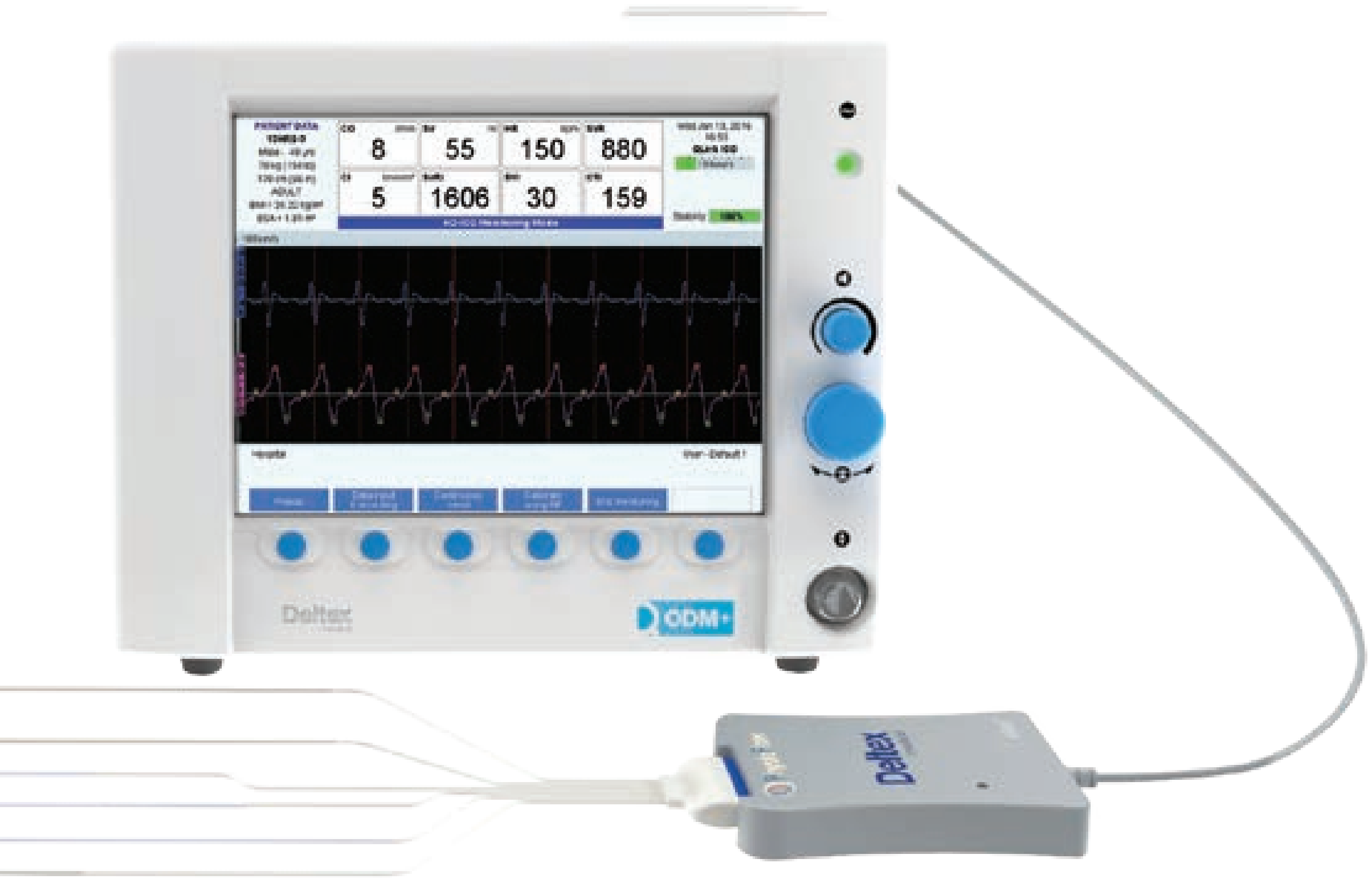

Highlights

Highlights

Statutory results

- Group revenues £0.4m lower at £5.9m (2016: £6.3m)
- Operating loss reduced by £0.4m to £2.0m (2016: £2.4m)
- Gross margins improved to 75% (2016: 68%)
- Cash at 31 December 2017 of £0.2m with a further £2.0m, after expenses, raised in 2018

Key performance measures

- US pay per use probe revenues up 8% at £1.4m (2016: £1.3m)
- Top two US territories achieved 50% or over pay per use revenue growth
- Revenues from US managed care contracts down 20% at £0.4m (2016: £0.5m) due to one lost account
- International probe revenues flat at £1.6m (2016: £1.6m) with 5% growth from major markets
- UK probe sales down by 26% at £1.4m (2016: £1.9m)
- Monitor revenues flat at £0.4m (2016: £0.4m)
- Consumable gross margin increased to 82% (2016: 74%) generating £0.4m additional margin
- Loss before non-cash costs reduced by 31% to £1.1m (2016: £1.6m)
- Net cash used in operating activities halved to £0.9m (2016: £1.8m); c. £1.0m annualised cost reductions implemented/planned in 2018

Operating Highlights

2017

- 30th US platform account milestone achieved
- TrueVue System launched on CardioQ-ODM+ platform
- TrueVue Impedance, high-definition impedance cardiography, added to CardioQ-ODM+ platform in UK and select International markets

2018 to date

- Major new US top rated hospital account after rigorous evaluation of ODM
- 8 year tender worth at least €4m awarded across Paris hospitals
- FEDORA trial published: ODM delivered 75% fewer post-operative complications including significant reductions in acute kidney injury and healthcare acquired infections
- Three year contract extension for UK distribution of CASMED cerebral oximetry products
- Global release announced today of unique TrueVue Loops display

"The progress made towards operating cash breakeven and profitability through improved consumable margins and reduced overheads made during 2017 was partially offset by a disappointing second half sales performance."

"Since the end of the year we have put the Group on a significantly more secure financial footing through raising £2.0m additional capital and reducing our cash costs by £1.0m on an annualised basis."

"We have seen a number of new accounts coming on stream in the US market, including a very major one which started using ODM as the result of a rigorous and successful evaluation. Our French distributor has been awarded the largest tender which we have seen to date for the use of ODM and we have continued to migrate our business towards our multi-modal TrueVue™ System on the CardioQ-ODM+ monitor. The TrueVue™ System allows us to refresh our market positioning and through the TrueVue™ System we have the possibility of guiding treatment for greater numbers of patients."

"In the meantime, the largest ever randomised trial of our core TrueVue™ Doppler technology has been published with excellent results and very broad applicability for patients undergoing surgery who need to be protected from expensive, life-shortening complications. This is further compelling evidence that many of these complications are avoided through the use of TrueVue™ Doppler."

Nigel Keen

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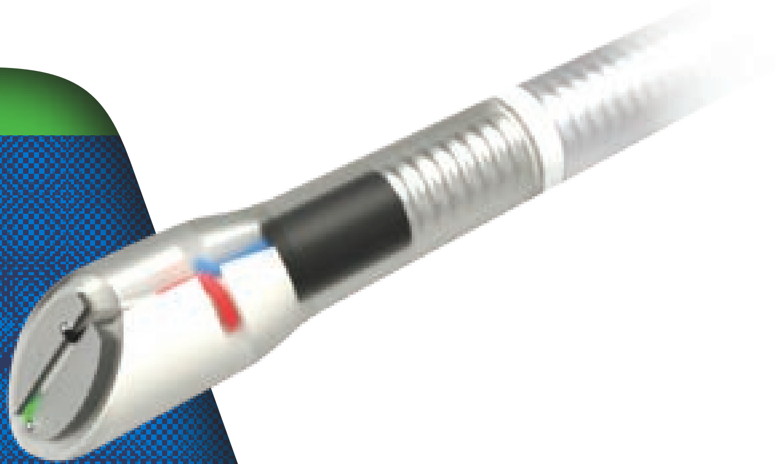
Chairman



Business Model

Business Model

What we do?

Deltex exploits its TrueVue™ System to visualise and measure blood flow in the central circulation. The TrueVue™ System incorporates three best in class technologies enabling doctors firstly to monitor blood flow in patients undergoing surgery and in critical care and then, where necessary, intervene with either fluid or medication to maintain optimal blood flow

Robust clinical evidence shows that, if central blood flow is optimised, the risk of complications is reduced contributing to both more complete, faster recoveries for patients and lower costs of care for the healthcare provider.

The use of the company's technology, TrueVue™ Doppler is the gold standard in the provision of such care. No other intra-operative fluid management (IOFM) technology enables the anaesthetist to manage the patient's haemodynamic status during surgery either as precisely or as rapidly as with Doppler and no other technology has been able to generate an equivalent evidence base of either patient or economic benefit. In certain circumstances, the clinician may choose methodologies other than Doppler to acquire data to aid IOFM. In such situations, Deltex's TrueVue™ Impedance or TrueVue™ Pressure Wave technologies are available to satisfy the clinical need.

What we sell?

Our TrueVue™ System comprises three best in class technologies namely TrueVue™ Doppler, TrueVue™ Impedance and TrueVue™ PressureWave

Our TrueVue™ Doppler technology comprises two main components; the patient monitor and a single use disposable probe which is placed in the oesophagus in a simple, minimally invasive process. Together they provide the clinician with real time information about the flow of blood around the body from deep inside the central circulation.

Our TrueVue™ Impedance technology uses state of the art impedance cardiography to enable non-invasive continuous monitoring of awake patients. It comprises a monitor and single use electrodes that are placed on the patient's thorax.

TrueVue™ PressureWave™ utilises the most stable and extensively researched Pulse Pressure Wave Algorithm (PPWA) currently available, which is the algorithm proposed by Liljestrand & Zander. Clinical validations of this algorithm have been published in peer reviewed journals. Deltex has also performed its own extensive evaluations of its performance in a wide range of clinical situations. The Liljestrand and Zander algorithm has been shown to be superior to eight other investigational algorithms and mean arterial pressure as a quantitative estimator of cardiac output. Notwithstanding this, it is recognised that all PPWA algorithms have limitations particularly in periods of haemodynamic instability.

If the flow of blood around the body is compromised, which occurs commonly during surgery, then the amount of oxygen delivered to tissues is reduced, increasing the risk of organ under-perfusion and harm. Periods of poor blood supply to organs including the gut, kidneys and liver increase the risk of developing a complication which requires additional treatment and often leads to an increase in the time spent in the hospital and eventually to an overall shortened life expectancy. For the healthcare provider, complications arising because of surgery lead to additional costs that need to be met both immediately and over the longer term. The use of our technology reduces these risks and the consequential costs associated with them.

How do we make money?

Our sales proposition to customers comprises both a capital purchase (the monitor) and a revenue purchase (the TrueVue™ consumable). Due to the often-protracted procurement times for capital items, we frequently need to place our monitors in hospitals at no cost to the hospital, which can lead to the faster adoption of our technology into a hospital's practice and, therefore, a quicker use of revenue generating TrueVue™ consumables namely Doppler probes or Impedance electrodes. There are over 3,400 monitors installed worldwide. The more consumables that are used, the more revenue we generate.

Our TrueVue™ Doppler is designed and manufactured in the UK giving us good control over both product quality and profit margins. Our gross margin earned in markets where we sell direct, namely the UK, USA, Canada and Spain, is higher than in those markets (over 30 countries) in which we sell through distributors (where we do not incur direct selling costs). Our gross margin earned on probes is typically over 75% in the UK, around 85% in the USA and 55% to 60% in our distributor led business. The existence of a large installed base of monitors enables the group to introduce complementary technologies without the need to incur the cost of creating a new installed base.

Our TrueVue™ Impedance technology is designed and manufactured in France in close collaboration with ourselves. Consequently, margins earned on TrueVue™ Impedance electrodes are lower than TrueVue™ Doppler probes.

Who are our customers?

In the UK, our key customers are NHS Foundation Trusts and NHS Trusts (NHS). The Department of Health (DH) decided to adopt our technology "at pace and scale" subsequent to the 2011 National Institute for Health and Care Excellence ("NICE") recommendation of our TrueVue™ Doppler products for over 800,000 patients a year undergoing higher risk surgery in NHS hospitals. However, the DH is a highly de-centralised organisation and its efforts to implement ODM nationally from 2013 were not successful with the main financial incentive provided by DH withdrawn early in 2014.

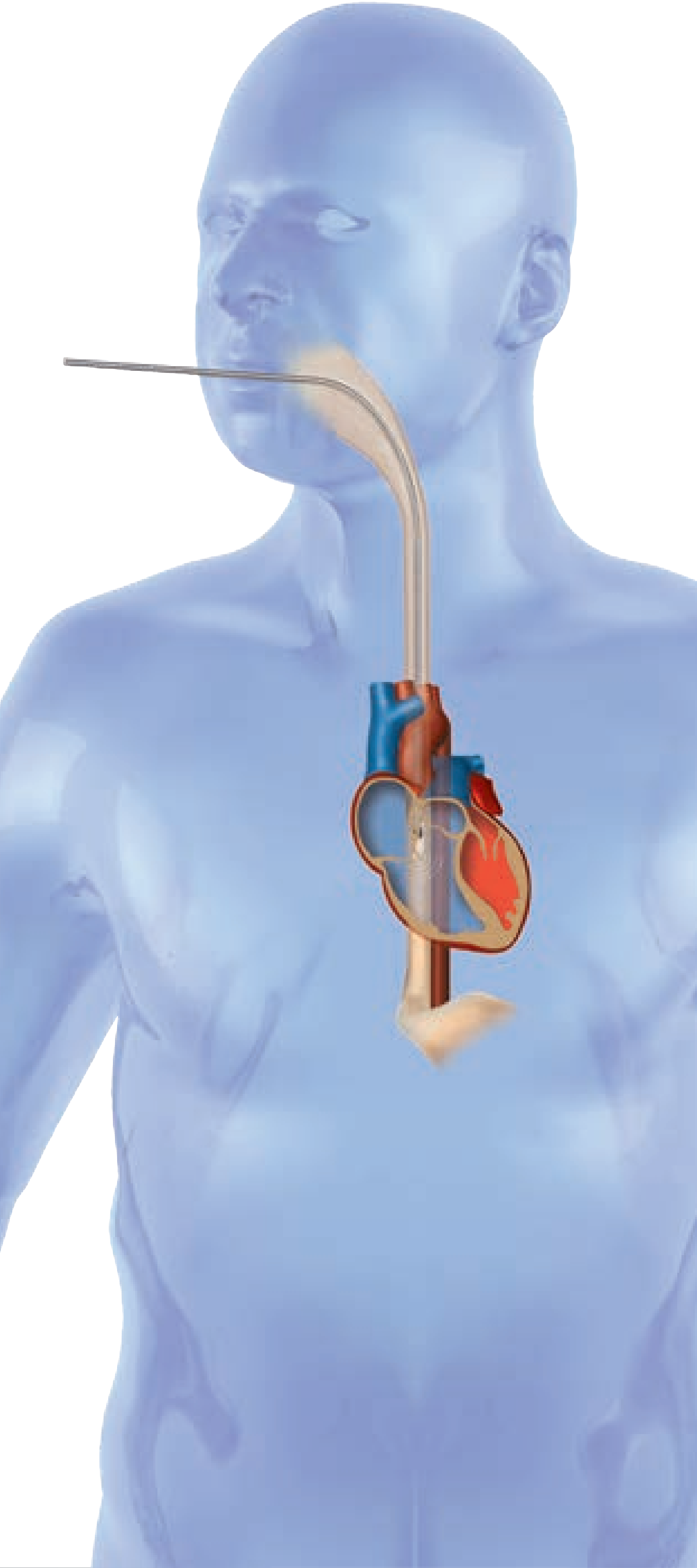
Certain hospitals that purchased our equipment with the incentive of receiving additional funding reduced their usage following the withdrawal of the funding programmes.
To respond to this, our sales efforts are now focused on those NHS Hospitals that want to support individual anaesthetists or groups of anaesthetists who choose to deliver the clinical benefits to patients of intra-operative fluid management using the TrueVue™ System with the concurrent economic benefits to the hospital.

Business Model (continued)

In the USA, recognition of the importance of modern 'Enhanced Recovery' approaches to surgery is growing at a hospital level as it becomes recognised that improving the quality of care provided to patients leads to better patient outcomes, lower costs of care and higher profits for the hospital care providers. Our focus in the USA has been to identify major hospitals that wish to implement evidence-based intra-operative fluid management, often as part of an enhanced recovery programme, and partner with them to help them to achieve their objectives.

We define these hospitals as 'Platform Programme Accounts'. These accounts generally have the potential to consume at least 100 TrueVue™ Doppler probes per month as the use of TrueVue™ Doppler spreads across surgical disciplines in that hospital. The programme typically involves one area of surgery which in that hospital adopts Truevue™ Doppler into its protocols, measuring the changes in desired outcomes that are defined at the start of the project. This evidence is then used to develop similar protocols for use in other surgical procedures with the goal that the use of Truevue™ Doppler becomes the routine in all of the operating rooms in that hospital. Our US market development plan, launched in 2013, was to have 30 such hospitals enrolled. We achieved this target during Q1 2017.

Our main focus, in our distributor led markets is to work with those countries that have recognised the benefits of IOFM and/or enhanced recovery protocols and have a desire to implement these programmes nationally. This process usually starts with establishing contact with local Key Opinion Leaders in the countries who have the ability to implement at both hospitals and health-care systems' level. This requires support from Deltex, as although we work closely with local distributors, they usually do not have the knowledge or background to drive these change programmes.



What is our goal?

Our goal is to see the adoption of our TrueVue™ System as the standard of care for all patients, new-born to adult, awake or anaesthetised, across all hospital settings.

This, we believe, will be achieved through doctors understanding the clinical benefits of fluid management. Deltex with its Truevue™ System is well placed to grow through wider acceptance of the fact that too much or too little fluid given to patients intra-operatively can cause harm and, therefore, it is important to get the amount of fluid given 'just right' for each and every patient. This has been shown to be achieved by using our Truevue™ System


PATIENT DATA
#10.05.17-16.30
77 yrs
73 kg (161 lb)
151 cm (59 in)
ADULT
BMI=32.02 kg/m²
BSA = 1.69 m²
CO l/min 5.6
SV ml 62
FTc ms 311
HR bpm 90
CI 3.4
SVI 36.9
PV cm/s 58
SD cm 8.2
Flow Monitoring Mode
Wed May 10, 2017
16:47
I2S probe
3 hours
Average 5 cycles
Filter OFF
Gain 5
100cm/s
ABP
Hospital
User
Freeze
Data input & recording
Pressure mode
Calibrate Pressure
Home
Focus


PATIENT DATA
#10.05.17-16.30
77 yrs
73 kg (161 lb)
151 cm (59 in)
BMI = 32.02 kg/m²
BSA = 1.69 m²
Patient at rest
HR bpm 90
CO ml 5.4
SV ml 60
VETc ms 295.0
CI l/min/m² 3.0
SVI ml/m² 32.8
HD-ICG PhysioFlow Parameters
Wed May 10, 2017
16:47
HD-ICG24
5 hours
Average 20 cycles
Stability
dECG/dt
HD-ICG
Snap taken
Wed May 10, 2017 - 16:47
HR 90
CO 5.4
SV 60
VETc 295.0
CI 3.0
SVI 32.8
Hospital
User- Default 1
Run
Save screen
Events
Delete snap
Shift

Chairman's Statement

Chairman's Statement

Deltex Medical's vision

Deltex Medical's goal is to build a major business that generates substantial returns for its shareholders. The Group aims to achieve this by providing medical technologies which help doctors assess and manage the haemodynamic status of their patients to minimise or avoid periods of haemodynamic compromise which are known to cause harmful, life-shortening complications.

Clinical and economic need established

Complications after major surgery are common, affecting around one patient in four. Half or more of these complications are attributable to periods of haemodynamic compromise while under anesthesia and, through use of the Group's products, these periods of haemodynamic compromise are avoidable. Complications are unpleasant for the patients and are expensive to treat; in the USA the hospital costs of treating a patient suffering such a complication is c. $12,000 higher than the costs of treating a patient who avoids any major complication; the equivalent cost to the NHS in the UK is c. £8,000 per patient. Analysis has shown that experiencing a complication after surgery reduces a patient's average post-operative survival by over seven years.

Deltex Medical's core oesophageal Doppler monitoring technology (ODM or TrueVue™ Doppler) uses ultrasound to measure the rate of blood flow from the heart, allowing doctors to optimise patients' haemodynamic status by giving the right amounts of fluid and drugs at the right time. This protective intervention strategy, known as 'haemodynamic optimisation' or 'goal directed haemodynamic therapy', minimises periods of haemodynamic compromise and has been shown to reduce consequent post-operative complications by half or more in patients undergoing major surgery. This approach is good for patients and saves substantial costs through the hospitals not having to treat the complications avoided; these savings are material at both the hospital and the health system level and are many times the costs of using TrueVue™ Doppler.

Market development

To date, the Group's core value proposition has been that pre-emptive haemodynamic optimisation guided by TrueVue™ Doppler of all patients undergoing major surgery reduces complications for a significant minority of patients and saves substantial costs across the population treated. TrueVue™ Doppler's ability to do this has been demonstrated in multiple clinical trials, both controlled and real world, in multiple types of surgery and from reasonably fit and healthy patients through to the very sick and frail. As a result, routine TrueVue™ Doppler guided haemodynamic optimisation has been recommended in a number of countries by clinical opinion leaders, professional bodies and health systems.

Despite these evidence based recommendations, the adoption to date of both TrueVue™ Doppler and advanced haemodynamic monitoring in general has been slower than anticipated. Many anaesthesia providers have been reluctant to incur additional cost or take on additional work without visibility of the downstream benefits to an individual patient or the ability to triage the interventions specifically to those patients who would actually avoid a harmful complication. The Group believes that the benefits of haemodynamic monitoring are more likely to be realised at scale going forward if the patients most at risk of a dangerous period of haemodynamic compromise whilst under anaesthesia can be identified. These patients can then be monitored and where appropriate therapeutic action can be taken. Deltex Medical is focusing both its product development and marketing efforts towards achieving these goals.

The results of the large multicentre FEDORA study published in the April edition of the British Journal of Anaesthesia have reinforced the value of TrueVue™ Doppler. Total complications after surgery were reduced by 75% and the number of patients suffering one or more complication was halved. The ability to reduce post operative complications by half or more is a major prize for patients, clinicians and health systems and, as the leading market player in the most effective technology in the space, ODM, Deltex Medical is well positioned to prosper from initiatives to eliminate this avoidable harm. In many developed health care systems, there is already considerable patient safety focus on reducing healthcare associated Acute Kidney Injury (AKI) and Surgical Site Infection (SSI); the FEDORA study showed statistically significant reductions in post-operative AKI of over 80% and c. 65% for SSI. In the UK, NICE estimates the annual cost to the NHS in England of SSIs as £700m and of AKIs to be between £434m and £620m.

Technology development

TrueVue™ Doppler is demonstrably superior to all other technologies for managing both fluid and drug administration, however, it cannot be used on all patients. It is also a high-end technology requiring the clinician to have a depth of physiological knowledge allowing the development of the requisite skill to use the technology effectively.

The emerging market for advanced haemodynamic monitoring is seeking solutions in a broadening range of clinical conditions and settings and Deltex Medical's product development strategy is directed towards providing a multi-modal monitoring platform – the 'TrueVue' system. TrueVue is a haemodynamic monitoring system allowing clinicians using a single platform to choose the inputs, parameters and treatment strategies most appropriate to their individual patient's circumstances. The system is configured to be available wherever required around the hospital.

In most of our markets, we now offer each of the three best established modern advanced haemodynamic monitoring technologies on our TrueVue™ System on the CardioQ-ODM+ monitor platform, allowing us to target wider groups of patients and clinicians. As well as TrueVue™ Doppler, all our new monitors incorporate Pulse Pressure Waveform Analysis (PPWA) from an arterial line and include the option to add entirely non-invasive High Definition Impedance Cardiography (HDICG). We believe that both our HDICG and PPWA solutions are best in class with clear technological advantages over competing variants while offering doctors the security of having TrueVue™ Doppler available in the event that their patient is at risk of becoming haemodynamically compromised and, therefore, needing the precision of the TrueVue™ Doppler data. We are going through regulatory processes in markets outside the UK to introduce HDICG, including a submission to the U.S. Food & Drug Administration (FDA).

Chairman's Statement (continued)

Since the year-end, we have launched our unique TrueVue Loops display which, by plotting in real time both direct measurement of blood flow from TrueVue™ Doppler and direct measurement of blood pressure from PPWA, allows doctors, for the first time ever, the opportunity to see their patient's complete haemodynamic picture on a single display, allowing easy identification of therapeutic actions that might be applied to optimise the patient's system .

Trading results

After a stronger first half performance, second half sales were disappointing with weak trends in the UK exacerbated by delays in a number of expected developments across all parts of the business. Overall group revenues were £0.4m lower than in 2016 at £5.9m (2016: £6.3m), after a £0.5m decline in probe revenues in the UK. US revenues were ahead by £0.1m at £2.0m (2016: £1.9m), International revenues were £0.1m lower at £1.9m (2016: £2.0m) despite growth from our focus larger markets. Sales in the UK continued to decline and were £0.5m behind at £1.9m.

Reduced losses

Consumable gross margin improved from 74% to 82% over the year as a result of bringing probe tip assembly in-house and implementing other manufacturing process improvements. This improvement was worth £0.4m in the year and meant that even though total sales were reduced gross profit on consumables was flat at £4.3m. Net monitor and sundry income were slightly ahead at £0.3m and cash costs were over £0.4m lower at £5.6m (2016: £6.1m). As a result the loss before non-cash costs was reduced by 31% to £1.1m (2016: £1.6m). On top of the lower cash costs in 2017, which were c. £0.5m lower than 2016 on a constant currency basis, by the end of the year we had reduced annualised cash costs by an additional £0.5m going into 2018. Since then we have put in place a further series of cost reductions expected to total at least £0.5m on an annualised basis and all of which are expected to be effective going into the second half. After non-cash costs of £0.9m (2016: £0.8m), the operating loss was reduced by £0.4m to £1.9m (2016: £2.3m).

Improving operating cash performance

The Group's primary short-term priority is to get the business past the operating cash breakeven point and it made considerable progress towards achieving this in 2017. Net cash used in operating activities was halved to £0.9m from £1.8m in 2016. There was also a significant reduction in net cash used in investing activities from £0.6m to £0.3m. Taken together, operating and investing activities consumed £1.2m less in 2017 that in 2016, equivalent to £0.1m per month. The Board expects the operating cash profile to improve further in 2018 as a result of the additional cost reductions already made or in hand, a return to sales growth of our high margin products and contribution from new products now available to our customers.

Cash at the end of the year was £0.2m (2016: £0.6m). Since the year-end, we have raised an additional £2.0m, after expenses, to enable the Group to move through the operating cash break-even point.

Prospects

The progress made towards operating cash breakeven and profitability through improved consumable margins and reduced overheads made during 2017 was partially offset by a disappointing second half sales performance.

Since the end of the year we have put the Group on a significantly more secure financial footing through raising £2.0m additional capital and reducing our cash costs by £1.0m on an annualised basis.

We have seen a number of new accounts coming on stream in the US market, including a very major one which started using ODM as the result of a rigorous and successful evaluation. Our French distributor has been awarded the largest tender which we have seen to date for the use of ODM and we have continued to migrate our business towards our multi-modal TrueVue™ System on the CardioQ-ODM+ monitor. The TrueVue™ System allows us to refresh our market positioning and through the TrueVue™ System we have the possibility of guiding treatment for greater numbers of patients.

In the meantime, the largest ever randomised trial of our core TrueVue™ Doppler technology has been published with excellent results and very broad applicability for patients undergoing surgery who need to be protected from expensive, life-shortening complications. This is further compelling evidence that many of these complications are avoided through the use of TrueVue™ Doppler.

Nigel Keen

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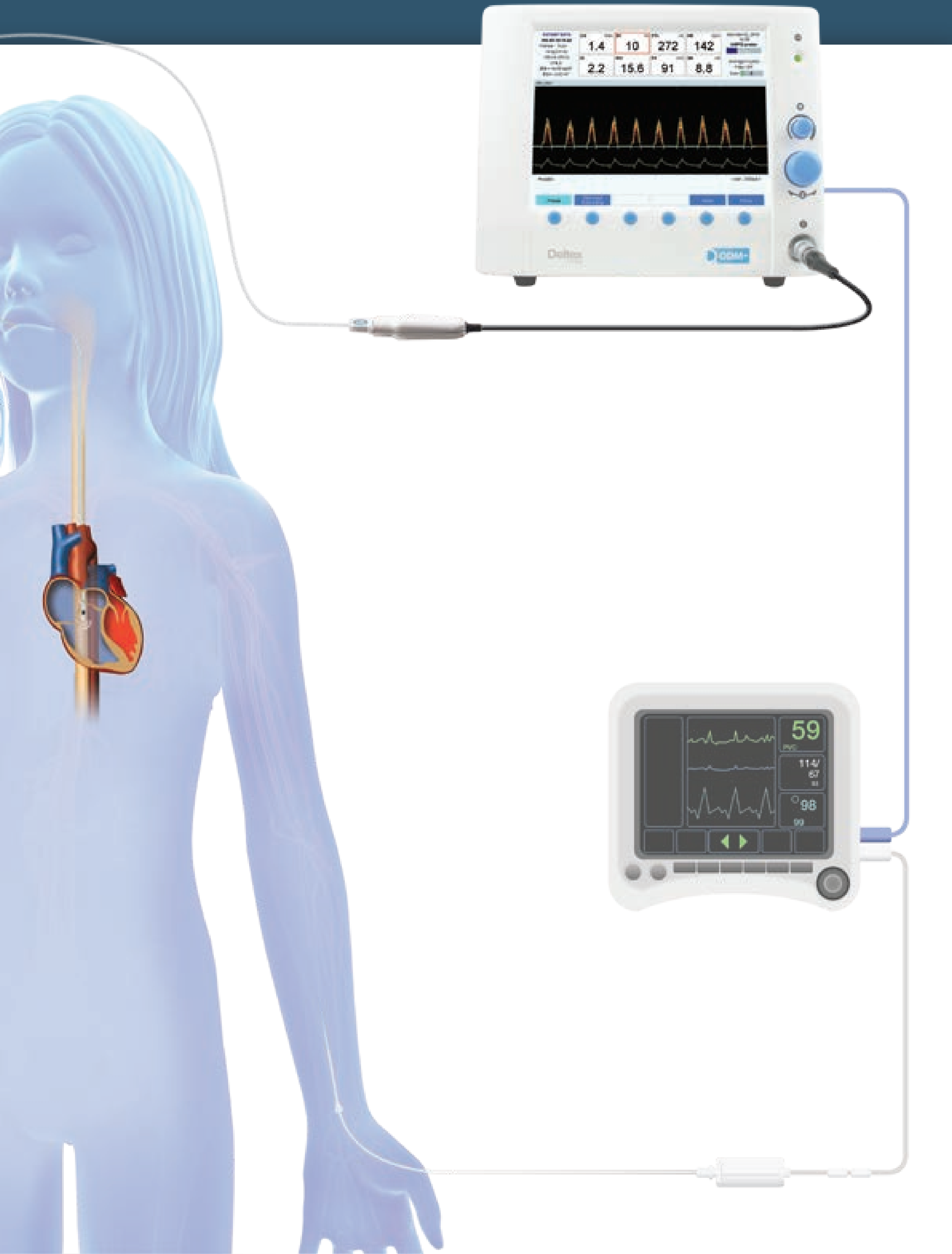
Chairman,

8 May 2018


1.4
10
272
142
2.2
15.6
91
8.8
Deltex
ODM+
59
114/
67
98

Operating
Review

Operating Review

Pro-forma results	2017 £'000	2016 £'000
Consumable revenues		
Probes	4,936	5,458
Other	349	331
Total consumable revenue	**5,285**	5,789
Cost of sales- consumables	(973)	(1,483)
Gross profit consumables	4,312	4,306
Monitor and sundry income		
Sundry income / (expense)*	1	(5)
Net monitor income less costs	291	253
	292	248
Cash costs	(5,643)	(6,173)
Loss before non-cash costs	(1,039)	(1,619)
Net non-cash costs	(899)	(750)
Operating loss	**(1,938)**	(2,369)

*Included in Sundry income / (expense) are 3rd party revenues of £23,000 (2016: £44,000).

Net monitor income less costs comprises:

	2017 £'000	2016 £'000
Revenue from ODM monitors sold	358	360
Maintenance revenue	78	74
Cost of sales – ODM monitors	(145)	(181)
Total	**291**	253

Non-cash costs comprises:

	2017 £'000	2016 £'000
Depreciation of plant and equipment	(44)	(57)
Depreciation of loaned monitors	(221)	(225)
Amortisation of development costs	(195)	(143)
Share-based payment charges and bonus accruals	(131)	(147)
Directors' fees	(105)	(105)
Accumulated absences	(9)	(73)
Barter prepayments release	(194)	-
	(899)	(750)

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 pro-forma presentation does not alter the total revenue, costs or results for the year. Its objective is to communicate the results of the Group in an easier to understand format.

Consumables revenue in 2017 was £504,000 (9%) behind 2016 at £5,285,000 (2016: £5,789,000). The decline in consumable revenues was caused by a £511,000 (27%) fall in UK probe sales to £1,354,000 (2016: £1,865,000). US probe revenues were flat overall at £1,872,000 (2016: £1,869,000), comprising a £108,000 fall in revenue from managed care service contracts due to the loss of one major account offset by £111,000 of growth from the majority of accounts not on managed care contracts. International probe sales of £1,710,000 were flat (2016: £1,724,000).

The decline in consumable revenues was offset by margin improvements, primarily as a result of process efficiencies in probe manufacture. Gross profit on consumables was flat at £4,312,000 (2016: £4,306,000). Gross margin on consumables was 82% (2016: 74%).

Monitor and sundry income was £44,000 ahead of 2016 at £292,000 (2016: £248,000) on flat monitor revenues of £358,000 (2016: £360,000). In total, the Group sold 65 monitors in 2017 and placed a further 45 units, predominantly in the US.

Cash costs were £530,000 (9%) lower at £5,643,000 reflecting reduced overheads net of currency movements. Cash costs going into 2018 were reduced by a further c.£500,000 annually towards the end of 2017 and, since the year end, have been reduced by a further annualised amount of c.£500,000 in response to the disappointing outcome to 2017.

The loss before non-cash costs was reduced by £580,000 to £1,039,000 (2016: £1,619,000). The additional cost reductions effective in 2018 are expected to reduce this key performance metric further in 2018 before the planned further positive impact of sales growth.

Non-cash costs were £149,000 higher than in 2016 at £899,000. The operating loss was £1,938,000 (2016: £2,369,000), a reduction of £431,000 (18%).

Statutory results

Revenue as reported in the Consolidated Statement of Comprehensive Income was £5,870,000 (2016: £6,331,000); the reduction in revenue of £461,000 was primarily due to a £511,000 (27%) decline in UK probe sales. Probe volumes were down by 5,090 (25%) on 2016 (2016: 20,385). Gross margins were higher at 75% (2016: 68%) as a result of improved manufacturing efficiency. Costs were kept under tight control with total charges reduced by £378,000 (6%) at £6,320,000 (2016: £6,698,000). The operating loss of £1,938,000 was £431,000 lower (2016: £2,369,000).

Total cash at 31 December 2017 was £219,000 (2016: £582,000) after £905,000 of net new equity finance in the year. Net cash used in operating activities of £928,000 was £888,000 (49%) lower than in 2016 (2016: £1,816,000). Net cash used in investing activities of £292,000 was £266,000 (48%) lower than in 2016 (2016: £558,000).

US market

Our strategy in the USA has been to build a platform from which to roll-out ODM nationally by developing a small number of prestigious hospital accounts where our products are being embedded into routine usage.

Operating Review (continued)

We passed a key milestone in January 2017 when we secured our 30th such ‘platform’ account and are continuing to add further similar accounts. In our best developed territories, where we have a critical mass of platform accounts, we are now looking to generate incremental sales growth by expansion through hospital systems and through local clinical networks. The majority of our US probe business is based on customers ordering probes as required. In a small number of accounts we operate managed care contracts where the monthly fee is independent of the number of probes ordered and covers supply of monitors and clinical support as well as probes.

In the USA, probe revenues from the majority of accounts which are not on managed care contracts were ahead by £111,000 (8%) at £1,444,000 (2016: £1,333,000). Within this, four of our six sales territories achieved 30% growth between them, with the two best performers delivering over 50% growth. The other two territories, which suffered from periods of unplanned staff absences and vacancies, saw declines in probe revenues of 32% and 10% respectively. Revenues from US managed care service contracts were down £108,000 (20%) following the loss of revenues to one account as a result of disruption from clinician and management turnover; revenues from the other managed care contracts were marginally ahead.

New business from pipeline development in the USA was slower in 2017 as a result of generally lower hospital activity squeezing budgets. As a result, we saw only modest or no revenue contribution from a number of new accounts which came on stream towards the end of the year or, in the case of a major strategic ‘Top 10’ hospital, after year end.

These new accounts, together with a more evenly distributed sales team, give us greater visibility than previous years on growth in the current year which has got off to a solid start, albeit with a weaker dollar exchange rate. Total US revenues in 2017 were 5% ahead at £2,010,000 after £117,000 (2016: £45,000) of monitor sales, primarily in the first half.

UK Market

Deltex Medical had a fourth consecutive year of declining ODM sales in the UK. Probe sales of £1,354,000 were £511,000 (27%) lower than in 2016. Monitor sales were £23,000 higher than in 2016 at £92,000.

Maintenance and carriage revenues were flat at £118,000. Third party revenues from lower margin distributed products were £23,000 ahead of 2016 at £378,000.

The decline in UK probe sales comprised a number of hospitals being unable to repeat previous bulk orders due to lack of available finance, reduced volumes as the NHS increased waiting lists and a continuing downward trend in ODM usage. The adverse trend started with the NHS curtailing, without replacement, in January 2014 its programme to implement Intra Operative Fluid Management (‘IOFM’) at pace and scale. Going into 2018, Deltex has reduced its UK sales costs and changed its UK sales management. The UK home market is where we normally first release new products and we are refocusing our sales and marketing efforts to towards the TrueVue system.

This entails greater emphasis on identifying lower risk patients to determine which merit intervention as well as pre-emptively applying haemodynamic optimisation with ODM to those at highest risk.

The recent publication of excellent results from the multicentre FEDORA trial in the leading British anaesthesia journal confirms the better outcomes and reduced costs which originally led the NHS to decide to implement ODM. In 2018 we are seeking to partner NHS organisations to reduce substantially the patient harm and related costs of avoidable complications arising from periods of haemodynamic compromise during anaesthesia.

International markets

Probe sales to International distributors were flat overall at £1,621,000 (2016: £1,625,000) although probe sales to our four largest distributed markets, France, South Korea, Peru and Scandinavia were cumulatively £1,410,000, up 5% (2016: £1,348,000) and comprised over 85% of total probe sales to distributors.

The bulk of the growth in probe sales to these focus export markets in 2017 came from sales to France; since year end our French distributor has been re-awarded a major tender to supply public hospitals in Paris with a value of at least €4.4m (£3.8m) over eight years. The distributor is planning to finance the installation of 70 new monitors to support the tender by reducing its probe stocks which is likely to depress temporarily probe sales to France in 2018.

Although the Group’s sales to its South Korean distributor were only marginally ahead of 2016, the distributor reports satisfactory growth in its sales to end users following ODM gaining reimbursement in the first half of 2017 and this growth is currently expected to feed through into the Group’s sales in 2018.

Sales to Spain and Canada were flat. As a result of substantial procurement delays holding back momentum in Canada we have reduced our direct investment in this market going into 2018.

Total International sales were down £88,000 (4%) on 2016 at £1,918,000 (2016: £2,006,000) as a result of a £103,000 decline in monitor sales, with distributors generally averse to risking holding unassigned stocks of monitors.

Year to date trading

Total Q1 2018 revenues were, as expected, lower than Q1 2017 primarily as a consequence of £224,000 of one-off monitor sales in 2017: the Group’s expects to recover at least half of this timing difference in Q2 underpinned by a c.£100,000 monitor order received from our French distributor to enable it to implement the new Paris hospital system tender. Q1 sales were also held back c. £100,000 due to the combined effect of foreign exchange movements and the timing of an irregular probe order in each of UK and USA in 2017.

April sales were unaffected by any such confounding timing effects and showed modest year on year growth in each of USA, UK and International. It is too early to judge if the publication of the FEDORA trial results in April is linked to the pick-up seen in UK probe sales, however, continuation of the current underlying trends would translate into a return to solid growth in Group revenues in the second half of the year.

Ewan Phillips
Chief Executive,
8 May 2018

Financial

Review

Financial Review

Statutory results

Consolidated Statement of Comprehensive Income (SOCI)

Revenue as reported in the SOCI of £5,870,000 was £461,000 lower than the prior year. Consistent with prior years, revenue has been categorised between probes and other revenues which is reflective of the Group's operating segments.

Detailed market information including a review of the performance for the year can be found in the Operating Review on pages 13 to 15.

Other income comprised:

	2017 £'000	2016 £'000
Monitors sold	358	360
Distributed product sales	378	355
Maintenance revenue	78	74
Other	120	84
	934	873

Gross Margin

The Group's overall gross margin for the year was 75% compared to 68% last year. The main changes in the margin are shown in the table below:

Product Margin 2017

	Probes %	Monitors %	Other %	Total %
Product contribution	86	65	45	81
Depreciation of placed monitors	-	(62)	-	(4)
Shipping costs	-	-	(9)	(1)
Production variances	(2)	(2)	(1)	(1)
	84	**1**	**35**	**75**

Product Margin 2016

	Probes %	Monitors %	Other %	Total %
Product contribution	82	50	55	77
Depreciation of placed monitors	-	(67)	-	(5)
Shipping costs	-	-	(10)	(1)
Production variances	(5)	(5)	(6)	(3)
	77	(22)	39	68

The product contribution from probes has improved during the year reflecting the move to becoming wholly reliant on crystal assemblies built internally rather than sourced from a more expensive third party.

The increase in monitor product contribution is reflective of the change in sales mix with a greater number of monitors sold in direct markets where margins tend to be higher than in our distributor led markets.

Costs

Administration expenses were £127,000 lower than last year. Sales and marketing expenses were £345,000 lower than the prior year at £3,692,000 (2016: £4,037,000) reflecting structural changes made in response to the disappointing sales performance.

Taxation

The Group expected to receive approximately £107,000 relating to the surrender of current year tax losses under the Government's Research and Development Tax Credit Scheme. However, following finalisation of the 2016 claim the Group received £115,000 (2016: £160,000) during the year. The Group expects to be able to claim approximately £92,000 relating to its 2017 activity.

Balance Sheet

Property, plant and equipment (PPE)

The decrease in the carrying value of PPE is as a result of the depreciation charge for the year exceeding the cost of the placed monitors added to the installed base during the year.

Intangible assets

The Group continues to invest in research and development activity as it continues with its objective to develop a new monitor that will give the clinician a choice as to which Deltex TruVue monitoring technology to use. It is expected that a small number of additional products that will seamlessly integrate with the existing ODM monitor will be released during 2018.

Borrowings

The movement in borrowings is largely due to the fact that obligations under finance lease obligations are maturing and have not been replaced as the assets acquired have a longer useful life than the term over which they were financed.

Trade and other payables

Trade payables and other payables of £2,645,000 were £231,000 higher than last year (2016: £2,414,000).
The reduction in trade payables is broadly offset by the increase in accruals due to timing differences arising at the year-end. Social security and other taxes have increased by £175,000 to £380,000 (2016: £205,000) principally due to the timing of PAYE payments in the UK. As noted above, the balance of accruals increased compared to last year. Included in this balance are amounts owing in relation to staff bonuses earned over a number of years that have not yet been settled. These amounted to approximately £745,000 (2016: £705,000).

Cash flow

The Group's main funding requirements continue to be:

- Funding of operating losses to cash break-even;
- Funding working capital requirements; and
- Funding investments.

Jonathan D Shaw
Group Finance Director, 8 May 2018

Strategic Report

Strategic Report

For the year ended 31 December 2017

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2017.

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 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 for the sale of third party products 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 13 to 15 and the Financial Review, on page 17.

Key performance indicator	2017	2016
Probe revenues (£'000)	**4,936**	5,458
Monitor revenues (£'000)	**358**	360
Third party revenues (£'000)	**378**	355
Gross profit percentage	**75%**	68%
UK probe volumes shipped (units)	**15,295**	20,385
US probe volumes shipped (units)	**10,725**	12,025
Net cash used in operations	**(942)**	(1,880)
Cash at bank	**219**	582

Going concern

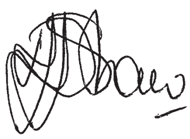
The Group meets its day-to-day working capital requirements through a combination of operational cash flows, an invoice discounting facility and the raising of additional finance if required. The directors have examined detailed budgets and forecasts until 30 June 2019 which incorporate the post balance 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 Operating Review on pages 13 to 15.

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.

The Strategic Report on pages 9 to 19 has been approved by the Directors and signed:

By order of the Board.



Jonathan D Shaw
Company Secretary
8 May 2018

Directors

Non-executive directors

Nigel Keen

Chairman, MA FCA FI ET

Nigel has been involved with Deltex Medical since 1988 and Chairman since 1996. He is also Chairman of the following companies; Syncona Investment Management Limited (SIML), a company which manages Syncona Ltd, an evergreen investment company developing advanced medical products; he is also a non-executive director of SIML's parent company, Syncona Ltd, a company that is listed on the London Stock Exchange; Oxford University Innovation Ltd, the technology transfer group for Oxford University; and Oxford Academic Health Science Network, established by the National Health Service in England to align the interests of patients in its region with academia, industry and the healthcare system. His career has encompassed venture capital, industry and banking. He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants, a Fellow of the Institute of Engineering and Technology and has been involved in the formation and development of high technology businesses for more than thirty years. Nigel is 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 its 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.

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. Mark is the Chairman of American European Business Association and an Association Member of BUPA.

Christopher Jones

Chris Jones joined the board in June 2015 and brings over 25 years of experience in Fortune 500 and VC funded healthcare companies in both the UK and importantly throughout the US. Executive Chairman of Mologic Ltd, Executive Chairman of Elasmogen Ltd, and Non-executive Director of MediSieve and Health Enterprise East, Mr Jones is a US national who came to the UK in 2008 to become CEO of GlySure.

Prior to joining GlySure he was CEO of Tensys Medical developing and commercialising a novel continuous, non-invasive blood pressure monitor resulting in the sale of the company in 2008. Mr Jones also spent nine years with Nellcor Inc, a division of Tyco Healthcare, most recently as VP of Marketing responsible for the $700M WW pulse oximetry and critical care businesses. Mr Jones is a graduate of Yale University with a Bachelor of Science Degree in Molecular Biophysics and Biochemistry.

Executive directors

Ewan Phillips

Chief Executive, MA ACA

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 D Shaw

Group Finance Director, ACIB FCCA

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, Jonathan 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 & Registered office

Jonathan D Shaw *ACIB FCCA*
Terminus Road
Chichester
West Sussex
PO19 8TX

Nominated adviser

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Joint broker

Turner Pope Investments (TPI) Limited
6th Floor, Becket House
36 Old Jewry
London
EC2R 8DD

Independent auditors

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

Principal bankers

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

Financial PR advisers

IFC Advisory Limited
15 Bishopsgate
London
EC2N 3AR

Registrars

Link Market Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Directors' Report

Directors' Report
For the year ended 31 December 2017

Registered No. 03902895

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

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 9 and 10 and the Operating Review on pages 13 to 15.

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 63 to 66.

Dividends

The directors cannot propose the payment of a dividend (2017: £nil) for 2018.

Directors

The directors of the Group who served during the year are shown below. Biographical details are given on page 20 of the Report & Accounts.

- **Nigel Keen** .... Non-executive Chairman
- **Ewan Phillips** .... Chief Executive
- **Jonathan D Shaw** .... Group Finance Director
- **Julian Cazalet** .... Non-executive Director
- **Chris Jones** .... Non-executive Director
- **Sir Duncan Nichol** .... Non-executive Director
- **Mark Wippell** .... Non-executive Director

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 & Fees	Cash Settled £	Equity Settled £	Benefits £	Pension £	2017 Total £'000	2016 Total £'000
Nigel Keen	-	33,333	-	-	33,333	33,333
Ewan Phillips	183,333	17,292	6,875	8,000	215,500	215,500
Jonathan D Shaw	110,000	10,625	6,875	10,000	137,500	136,782
Julian Cazalet	-	24,000	-	-	24,000	24,000
Chris Jones	18,000	-	-	-	18,000	18,000
Sir Duncan Nichol	-	24,000	-	-	24,000	24,000
Mark Wippell	-	24,000	-	-	24,000	24,000
	311,333	**133,250**	**13,750**	**18,000**	**476,333**	475,615

1. Non-executive Directors do not have a permanent place of work specified in their service contracts. Therefore, all reasonable and properly incurred expenses incurred in performance of duties as Board Members are reimbursed by the Company.

Bonuses

Included in accruals at 31 December 2017, is an amount of £144,200 owed to Ewan Phillips relating to contractual bonuses that had been earned in the three years ended 31 December 2014. No bonuses have been accrued in respect of the years ended 31 December 2015, 31 December 2016 and 31 December 2017. In accordance with its usual practice, the Board intends to settle this outstanding amount when appropriate to do so under the Company's Enterprise Management Incentive Scheme.

Directors' Report (continued)

For the year ended 31 December 2017

Interests in share schemes

Ewan Phillips' interests in share options are detailed below:

At 1 January 2017 Number	Granted Number	Exercised Number	Expired Number	At 31 December 2017 Number	Exercise Price £	Exercise period from	Exercise period to
2001 Executive Share option scheme							
400,000	-	-	(400,000)	-	0.295	29 Jun-10	28 Jun-17
500,000	-	-	-	500,000	0.185	30 Jun-11	29 Jun-18
500,000	-	-	-	500,000	0.1275	12 Jun-12	11 Jun-19
2011 Executive Share option scheme							
1,000,000	-	-	-	1,000,000	0.1725	28 Sep-14	27 Sep-21
500,000	-	-	-	500,000	0.24	10 Oct-15	9 Oct-22
1,250,000	-	-	-	1,250,000	0.11	10 Jun-18	9 Jun-25
-	2,500,000	-	-	2,500,000	0.04	22 Sept-20	21 Sept-27
2003 Enterprise Management Incentive scheme							
92,700	-	-	-	92,700	0.01	30 Jun-08	29 Jun-18
510,638	-	-	-	510,638	0.01	12 Jun-09	11 Jun-19
43,478	-	-	-	43,478	0.01	30 Dec-09	29 Dec-19
31,250	-	-	-	31,250	0.01	24 Mar-10	23 Mar-20
34,884	-	-	-	34,884	0.01	25 Jun-10	24 Jun-20
690,104	-	-	-	690,104	0.01	13 Oct-10	12 Oct-20
20,270	-	-	-	20,270	0.01	23 Dec-10	23 Dec-20
13,636	-	-	-	13,636	0.01	19 Apr-11	18 Apr-21
507,692	-	-	-	507,692	0.01	27 Sep-11	26 Sep-21
277,174	-	-	-	277,174	0.01	10 Oct-12	9 Oct-22
115,385	-	-	-	115,385	0.01	23 Dec-13	22 Dec-23
-	658,743	-	-	658,743	0.01	22 Mar 17	21 Mar 27
6,487,211	3,158,743	-	(400,000)	**9,245,954**			

Jonathan Shaw's interests in share options are detailed below:

At 1 January 2017 Number	Granted Number	Exercised Number	Expired Number	At 31 December 2017 Number	Exercise Price £	Exercise period from	Exercise period to
2011 Executive Share option scheme							
-	1,562,500	-	-	1,562,500	0.04	22 Sept-20	21 Sept-27
2003 Enterprise Management Incentive scheme							
-	404,762	-	-	404,762	0.01	22 Mar-17	21 Mar-27
-	1,967,262	-	-	**1,967,262**			

Directors' Report (continued)

For the year ended 31 December 2017

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 & 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.

Events after the balance sheet date

On 12 February 2018, the company raised £2,208,125, before expenses, through subscriptions for 91,490,000 new ordinary shares at 1.25p per share and the placing of 85,160,000 new ordinary shares at the same price.

On the same day, it was agreed that £25,000 (plus accrued interest) of the Convertible Loan Note 2019 may be redeemed. The maturity date of the loan note was also extended to 26 February 2021 and, to fairly reflect the dilution caused by the share issues referred to above, the conversion price was reduced from 6p per share to 4p per share.

Statement of directors' responsibilities in respect of the financial statements

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

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 parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in directors report confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Pro-forma results includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

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

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

Directors' Report (continued)

For the year ended 31 December 2017

Independent auditors

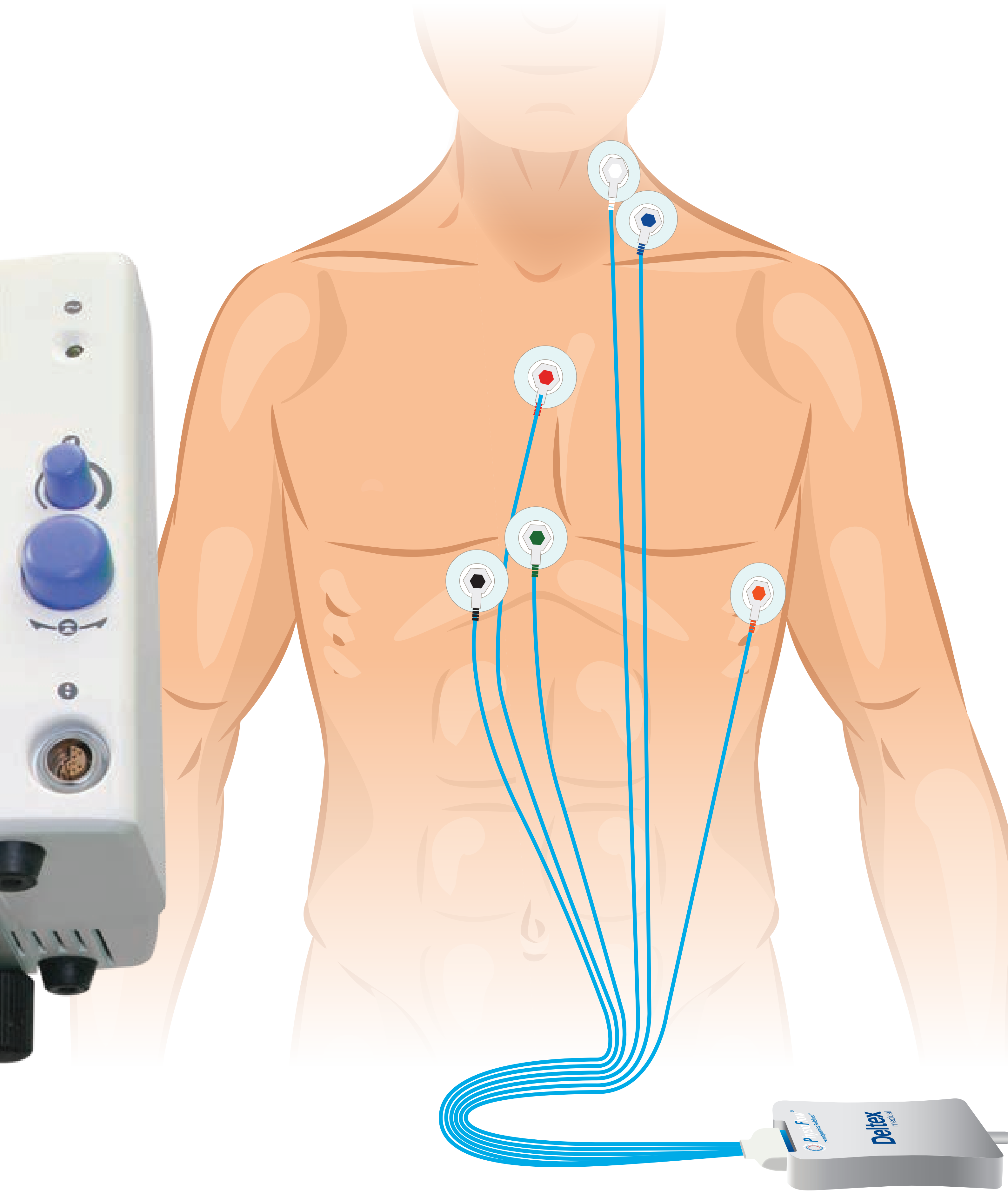
The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice convening the Annual General Meeting, which will take place on 20 June 2018 at 11.00am at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London, EC4A 1BN can be found at the back of this publication.

By order of the Board.

Jonathan D Shaw
Company Secretary
8 May 2018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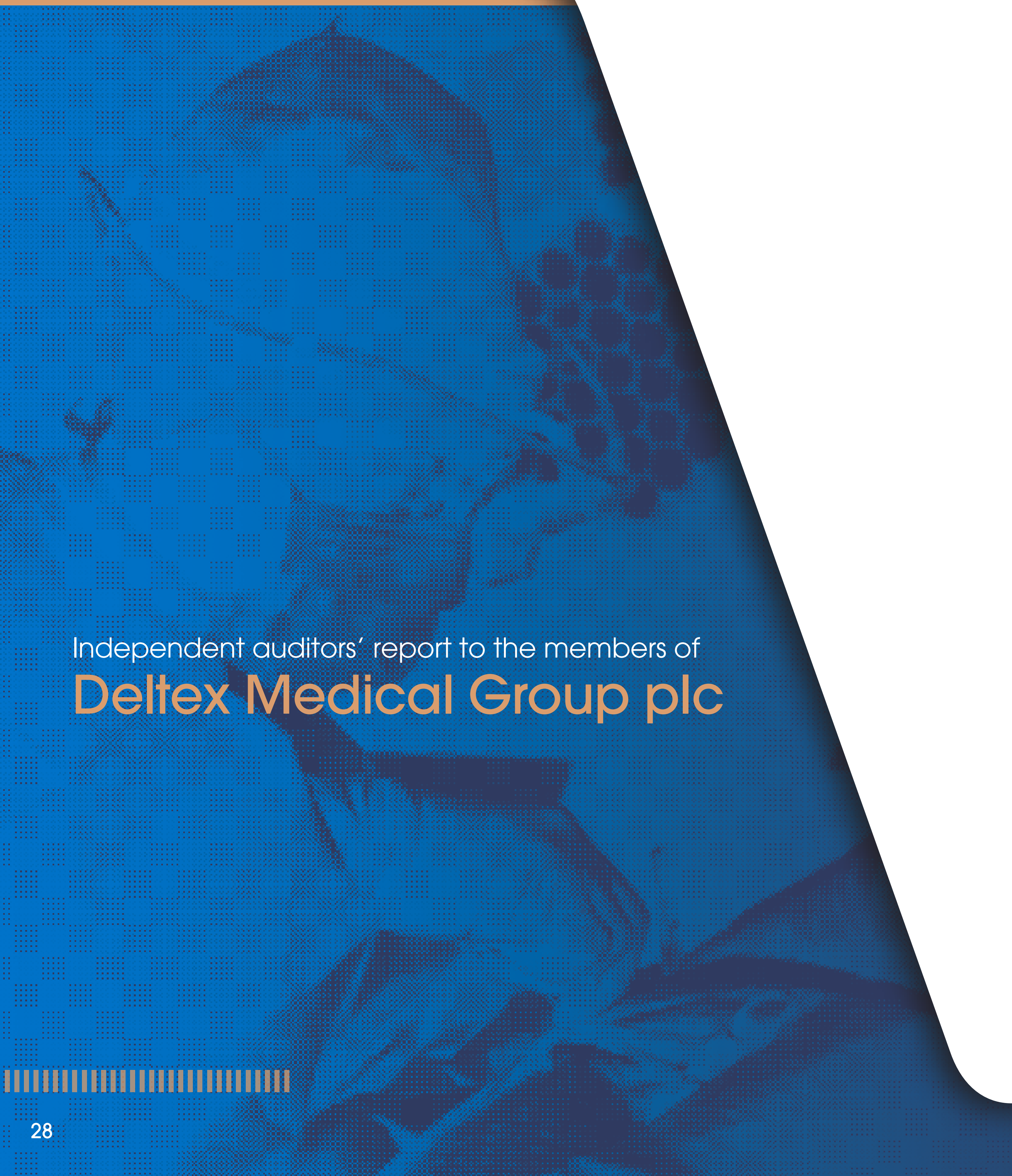

Independent auditors' report to the members of

Deltex Medical Group plc

Independent auditors' report to the members of Deltex Medical Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Deltex Medical Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts 2017 (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2017; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Parent Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: £134,000 (2016: £154,000), based on 5% of five year average loss before tax.
- Overall parent company materiality: £542,000 (2016: £520,900), based on 1% of total assets. The overall materiality used on financial statement line items within the parent company that have been audited for the purposes of the Group financial statements has been capped at £133,000 to ensure that the parent company did not have a higher materiality than the overall Group materiality allocation.

- We conducted audit testing over three components in two countries, with two of these components being subject to a full scope audit, with all work being performed by the Group audit engagement team.
- Specific audit procedures were performed on certain balances and transactions in respect of the parent company.
- The testing performed provided coverage over 98% of the total revenue and 81% of the absolute loss before tax of the Group.

- Risk of fraud in revenue recognition (Group).
- Capitalisation of research and development expenditure (Group).
- Carrying value of trade receivables with international distributors (Group).
- Carrying value of investments in subsidiaries (Parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Risk of fraud in revenue recognition (notes 2 and 3 of Group financial statements) Group The Group continues to focus on growth in revenues to meet market expectations. Revenue is recognised at the point when substantially all of the risks and rewards of ownership are transferred to the customer, typically on despatch of goods, and accordingly there is limited judgement applied in determining the point at which to recognise revenue. Consistent with previous years, revenue is not generated evenly throughout the year and there are typically higher revenues generated in June and December each year. Our audit risk focuses on the risk that revenues may be overstated to meet market expectations. We specifically identified risks that either revenue transactions recorded in the year may not exist (the risk of fictitious revenue transactions) or that revenues transactions recorded in the period prior to year end may not have been despatched to the customer before year end and therefore may have been recorded in the incorrect period.	We performed testing of revenues throughout the year using computer aided audit tools, which analyse revenue transactions throughout the period and enable us to identify any transactions which do not follow expected transaction flows. We then performed further detailed testing over any such unusual transactions identified. We performed further detailed testing of revenue transactions recognised in months of higher sales activity, being the periods where we determined there to be greater risk of overstatement of revenues. These transactions were agreed back to relevant supporting documents to validate that the revenues were valid transactions, including invoices, purchase orders and evidence of payment by customers, or despatch documents where payment had not been received at the time of our audit. We performed cut-off testing of revenue transactions recorded in the period before the year end, agreeing a sample of transactions back to supporting shipping documents to validate that these were recognised in the correct period. We obtained sufficient and appropriate evidence to support the accounting treatment adopted by management.
Capitalisation of research and development expenditure (note 11 of Group financial statements) Group The Group incurs material expenditure on self-initiated research and development activities in support of its core business services. This expenditure is capitalised when the development projects meet the criteria of International Accounting Standard 38 'Intangible Assets' (IAS 38). £286k was capitalised during the year. IAS 38 sets out specific criteria that must be met for an asset to be capitalised which includes whether it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and that the cost of the asset can be measured reliably. It is also necessary to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention to complete the intangible asset and use or sell it, the ability to use or sell the intangible asset and the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. Management apply judgement in determining whether or not these criteria are met and there is therefore a risk that expenditure may be incorrectly capitalised.	We focused on the Group's compliance with IAS 38 for amounts capitalised to assess whether amounts had been appropriately capitalised or expensed. We obtained an understanding of the products under development from management responsible for product development activities including an assessment of each of the capitalisation criteria set out in IAS 38. In addition we tested a sample of costs capitalised during the year by agreeing these back to timesheet records or other supporting documents, and for timesheet costs also validating with employees the nature of the work they were performing. We obtained sufficient and appropriate evidence to support the accounting treatment adopted by management.
Carrying value of trade receivables with international distributors (notes 1.5 and 14 of Group financial statements) Group The Group makes sales to international distributors in a number of overseas territories. Normal payment terms given by the group for international distributors are typically longer than for domestic customers, and the local economies in which these distributors operate are typically more volatile. Historically there have been a small number of defaults on payments by international distributors. These circumstances increase the audit risk over recoverability of trade receivable balances with international distributors.	We have performed detailed audit procedures over the recoverability of international trade receivables including: testing payments received during the year and assessing the collection history of receivables during the year from such customers to provide evidence over historic collection experience; testing of the ageing of invoices included within the aged receivables listing and assessment of the level of aged receivables by reference to previous years, prior collection experience and the level of provision against receivables; and obtaining year end third party confirmations for a sample of international trade receivable balances with the respective customers or, in the event of a confirmation not being received, obtaining evidence of post year end cash receipt or shipping documents to support that the underlying product sold had been despatched. We obtained sufficient and appropriate evidence to support the accounting treatment applied by management.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments in subsidiaries Parent The investments in subsidiaries held within the parent company, which comprise investments in share capital and intercompany loan balances, are held at cost less any provisions for impairment. There is an increased risk that the carrying value of these investments may be impaired due to the historic performance of the subsidiaries, in particular the negative cash flows from operating activities. Management has prepared a value in use calculation, in accordance with International Accounting Standard 36, 'Impairment of Assets' (IAS 36), using discounted cash flow forecasts for the subsidiaries based on Board approved budgets and forecasts which has resulted in an impairment charge of £20.1m being recognised in the parent company's individual financial statements, reducing the total investments in subsidiaries held to £12.2m. Future discounted cash flow forecasts of this nature are inherently judgmental and include a number of estimates about future performance and other assumptions. The estimates and assumptions that give rise to the greatest uncertainty relate to the discount rate at which to discount cash flows and revenue growth which underpins the ability of the Group to generate positive cash flows from operations. Any adverse changes to any of these estimates or assumptions would have resulted in a larger impairment charge.	We agreed that the forecasts used by management in the assessment of impairment in investments in subsidiaries are consistent with those approved by the Board. We tested the calculations within the model of future discounted cash flows to ensure calculations were accurate. We evaluated the future cash flow forecasts used by management in the assessment of impairment by reference to historic performance, and considered the adequacy of disclosures included in the financial statements regarding key areas of uncertainty. We assessed other key assumptions used by management in the cash flow forecasts including long term growth rates and discount rates, to ensure these were estimated appropriately. We read the disclosures relating to key estimates and judgements within these financial statements in relation to impairment of investment and were satisfied that these provided sufficient and appropriate disclosure to the users of the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of multiple components, including operating entities in the UK, USA, Canada and Spain.

We conducted work over three of these components, with a full scope audit being performed on two components, being the operating entities in the UK and USA, due to specific risk criteria and their size and contribution to the Group. A further component, being the parent company, was in scope for specific audit procedures based on the contribution to specific financial statement line items.

The accounting for all components and the group consolidation is performed centrally in the UK, with all audit work being performed by the Group audit engagement team and therefore there is no requirement to utilise separate component auditors.

The audit work performed obtained coverage over 98% of revenue and 81% of absolute loss before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	*Parent company financial statements*
Overall materiality	£134,000 (2016: £154,000).	£542,000 (2016: £520,900).
How we determined it	5% of five year average loss before tax.	1% of total assets.
Rationale for benchmark applied	Given the Group is focussed on moving to being profitable and cash generative, it is considered that loss before tax is an appropriate benchmark for assessing the Group. An average loss has been used given the volatility of loss before tax in recent years.	The parent company is a holding company for the Group and therefore total assets is considered to represent an appropriate benchmark for determining the parent company materiality. The overall materiality used on financial statement line items within the parent company that have been audited for the purposes of the Group financial statements has been capped at £133,000 to ensure that the parent company did not have a higher materiality than the overall Group materiality allocation.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £102,900 and £133,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £7,000 (Group audit) (2016: £8,000) and £27,000 (Parent company audit) (2016: £26,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 25, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Matthew Hall (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

8 May 2018

Primary Financial Statements

> Consolidated Statement of Comprehensive Income
> Consolidated Balance Sheet
> Consolidated Statement of Changes in Equity
> Consolidated Statement of Cash Flows

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

		2017			2016		
	Notes	Probes £'000	Other £'000	Total £'000	Probes £'000	Other £'000	Total £'000
Total revenue	3	4,936	934	5,870	5,458	873	6,331
Total cost of sales	4	(762)	(726)	(1,488)	(1,250)	(752)	(2,002)
Gross profit		**4,174**	**208**	**4,382**	4,208	121	4,329
Administrative expenses	4			(2,070)			(2,197)
Sales & distribution costs	4			(3,692)			(4,037)
Research, Development, Quality & Regulatory	4			(558)			(464)
Total costs	4			**(6,320)**			(6,698)
Operating loss*	4			**(1,938)**			(2,369)
Finance income	6			-			1
Finance costs	6			(163)			(150)
Loss before taxation				(2,101)			(2,518)
Tax credit on loss	7			100			142
Loss for the year				**(2,001)**			(2,376)
Other comprehensive (expense) / income							
Items that may be subsequently reclassified to profit or loss:							
Net translation differences on overseas subsidiaries				(113)			234
Other comprehensive (expense) / income for the year, net of tax				(113)			234
Total comprehensive loss for the year				**(2,114)**			(2,142)
Total comprehensive loss for the year attributable to:							
Owners of the Parent				(2,135)			(2,137)
Non-controlling interests				21			(5)
				(2,114)			(2,142)
Loss per share - basic and diluted	9			**(0.7p)**			(0.9p)

*Operating loss comprises:							
Cash loss				(1,039)			(1,619)
Non – cash charges (net)				(899)			(750)
Operating loss	4			**(1,938)**			(2,369)

The notes on pages 41 to 66 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As of 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	274	431
Intangible assets	11	2,486	2,396
Total non-current assets		**2,760**	2,827
Current assets			
Inventories	13	754	760
Trade and other receivables	14	2,050	2,499
Current income tax recoverable		94	107
Cash and cash equivalents	15	219	582
Total current assets		**3,117**	3,948
Total assets		**5,877**	6,775
Liabilities			
Current liabilities			
Borrowings	16	(813)	(858)
Trade and other payables	18	(2,645)	(2,414)
Total current liabilities		(3,458)	(3,272)
Non-current liabilities			
Borrowings	16	(1,004)	(967)
Provision for liabilities	19	(115)	(119)
Total non-current liabilities		**(1,119)**	(1,086)
Total liabilities		**(4,577)**	(4,358)
Net assets		**1,300**	2,417
Equity			
Share capital	21	3,132	2,849
Share premium account	21	32,915	32,268
Capital redemption reserve	27	17,476	17,476
Other reserves	27	4,752	4,685
Translation reserve	27	147	260
Convertible loan note reserve	27	84	84
Accumulated losses	27	(57,059)	(55,037)
Equity attributable to owners of the Parent	27	**1,447**	2,585
Non-controlling interests		(147)	(168)
Total equity		**1,300**	2,417

The notes on pages 41 to 66 form an integral part of these consolidated financial statements. The financial statements on pages 35 to 66 were approved by the Board of Directors and authorised for issue on 8 May 2018 and were signed on its behalf by:

Nigel Keen

Nigel Keen
Chairman

Jonathan D Shaw
Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Equity attributable to owners of the Parent

Group	Share capital	Share premium account	Capital redemption reserve	Other reserve	Convertible loan note reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016	2,196	30,394	17,476	4,661	-	26	(52,666)	2,087	(163)	1,924
Comprehensive expense										
Loss for the year	-	-	-	-	-	-	(2,371)	(2,371)	(5)	(2,376)
Other comprehensive income										
Exchange movements taken to reserves	-	-	-	-	-	234	-	234	-	234
Total comprehensive income / (loss) for the year	-	-	-	-	-	234	(2,371)	(2,137)	(5)	(2,142)
Shares issued during the year	653	-	-	-	-	-	-	653	-	653
Premium on shares issued during the year	-	1,992	-	-	-	-	-	1,992	-	1,992
Issue expenses	-	(118)	-	-	-	-	-	(118)	-	(118)
Equity element of convertible loan	-	-	-	-	84	-	-	84	-	84
Credit in respect of service cost settled by award of options	-	-	-	24	-	-	-	24	-	24
Balance at 31 December 2016	2,849	32,268	17,476	4,685	84	260	(55,037)	2,585	(168)	2,417
Comprehensive expense										
Loss for the year	-	-	-	-	-	-	(2,022)	(2,022)	21	(2,001)
Other comprehensive expense										
Exchange movements taken to reserves	-	-	-	-	-	(113)	-	(113)	-	(113)
Total comprehensive income / (loss) for the year	-	-	-	-	-	(113)	(2,022)	(2,135)	21	(2,114)
Shares issued during the year	283	-	-	-	-	-	-	283	-	283
Premium on shares issued during the year	-	694	-	-	-	-	-	694	-	694
Issue expenses	-	(47)	-	-	-	-	-	(47)	-	(47)
Credit in respect of service cost settled by award of options	-	-	-	67	-	-	-	67	-	67
Balance at 31 December 2017	**3,132**	**32,915**	**17,476**	**4,752**	**84**	**147**	**(57,059)**	**1,447**	**(147)**	**1,300**

The notes on pages 41 to 66 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Net cash used in operations	23	(920)	(1,880)
Interest paid		(123)	(96)
Income taxes received		115	160
Net cash used in operating activities		**(928)**	(1,816)
Cash flows from investing activities			
Purchase of property, plant and equipment		(6)	(26)
Capitalised development expenditure		(286)	(533)
Interest received		-	1
Net cash used in investing activities		**(292)**	(558)
Cash flows from financing activities			
Issue of ordinary share capital		952	2,508
Expenses in connection with share issue		(47)	(118)
Outflow from decrease in invoice discounting facility		(7)	(109)
Repayment of borrowings		-	(1,000)
Proceeds from borrowings		-	1,125
Expenses in connection with new borrowings		-	(42)
Repayment of obligations under finance leases		(28)	(37)
Net cash generated from financing activities		**870**	2,327
Net decrease in cash and cash equivalents		**(350)**	(47)
Cash and cash equivalents at beginning of the year		582	575
Exchange (loss) / gain on cash and cash equivalents		(13)	54
Cash and cash equivalents at end of the year		**219**	582

The notes on pages 41 to 66 form an integral part of these consolidated financial statements.


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ODM+
TrueVue SYSTEM
Your Patients
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Haemodynamic Risk Assessment
Negligible Risk
Moderate Risk
High Risk
MONITOR
Choose best suited TrueVue technology to MONITOR haemodynamics
INTERVENE
Choose best suited TrueVue technology for INTERVENTION with fluid or drugs or both
Signs of Haemodynamic stress?
Haemodynamic marker(s) high or low?
Haemodynamic marker(s) high or low?
Yes
No
Yes
No
Yes
Deltex medical
TrueVue DOPPLER
ard
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ction biomarkers
ltex
e what we see
TrueVue LOOPS
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dynamic picture
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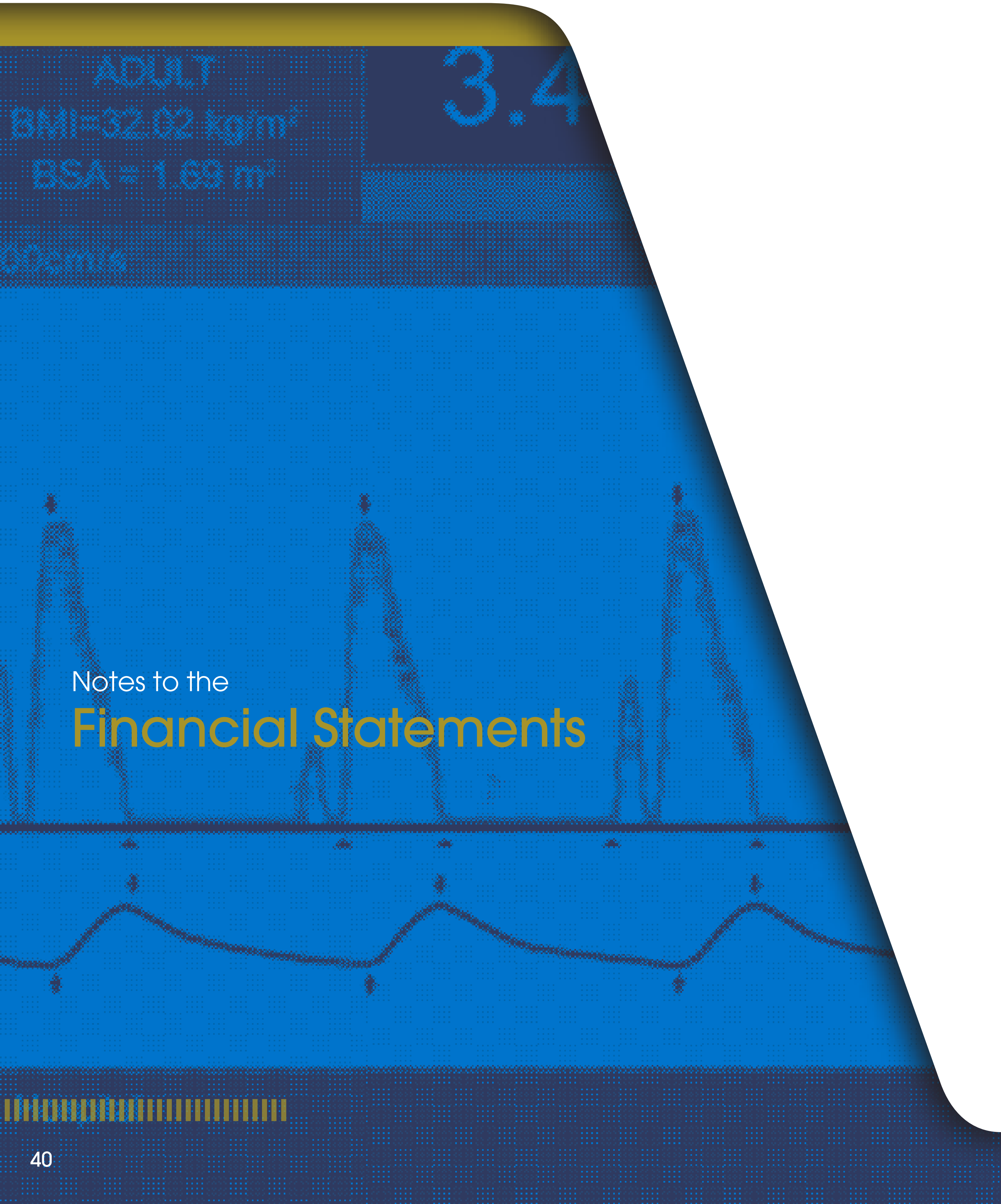


Notes to the

Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2017

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 2017 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 General information

These financial statements are the consolidated financial statements of Deltex Medical Group plc, a public company limited by shares registered in England and Wales, and its subsidiaries ('the Group'). Deltex Medical Group plc is listed on the Alternative Investment Market of the London Stock Exchange. The address of the registered office is Deltex Medical Group plc, Terminus Road, Chichester, PO19 8TX, registered number 03902895.

1.2 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 International Financial Reporting Interpretations Committee (IFRS IC) 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, with the exception of fair value accounting for share based payments, and on a going concern basis as discussed in more detail under the 'Basis of Preparation' section of this note.

No new accounting standards have become effective during the year. No amendments that have become effective from 1 January 2017 have had any effect on previously published accounting policies or required any adjustments on their adoption.

The amendments to IAS 7, 'Statement of Cash Flows', that became effective from 1 January 2017 requires the Group to provide disclosures about the changes in liabilities that arise from financing activities. These liabilities at 31 December 2017 comprised amounts outstanding under the convertible loan note, the invoice discounting facilities and obligations under finance lease arrangements. The Group has categorised those changes between cash flows and non cash flows with further sub-categories as required by IAS 7. The disclosure is provided in note 23.1 on page 62.

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:

New accounting standards

At the date of authorisation of these financial statements, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published by the International Accounting Standards Board (IASB). None of these standards, amendments to standards or interpretations have been adopted early by the Group. Management expects that all relevant pronouncements will be adopted on or after the effective date of the pronouncement. New standards, amendments to existing standards and interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material effect on the Group's annual accounts.

IFRS 9, 'Financial Instruments'

The new Standard for financial instruments (IFRS 9) replaces IAS 39, 'Financial Instruments: Recognition and Measurement' and becomes effective for the Group from 1 January 2018. The Standard makes substantial changes to the previous guidance on the classification and measurement of financial assets and liabilities and introduces an 'expected credit loss' model for the impairment of financial assets.

IFRS 9 also includes new requirements on the application of hedge accounting which will be applied when and if the Group's decides to implement a hedging strategy and seeks to apply hedge accounting principles.

Management does not expect the adoption of the standard will have a material effect on the Group's annual accounts as from a classification perspective, the Group holds virtually all of its financial assets to hold and collect the associated cash flows and will, therefore, continue to be measured on an amortised cost basis.

Management notes that the impairment requirements of the new standard are substantially different. However, given the nature of its business and its past history of credit losses, management does not consider that the new approach to determining impairment losses will have a material effect.

IFRS 15, 'Revenues from Contracts with Customers'

IFRS 15, 'Revenues from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenues from Contracts with Customers' (referred to as IFRS 15) replace both IAS 18, 'Revenue', and IAS 11, 'Construction Contracts' and several revenue-related interpretations and becomes effective from 1 January 2018.

Given the nature of the Group's sales activities, namely the sale of advanced haemodynamic monitoring technologies which are typically sold on standard terms of trade, the Group does not anticipate any material changes to reported revenue following the adoption of the standard. It has indentified that revenue attributed to separate components of a single sales contract such as certain sales incentives and training and support will have to change which will affect components of reported revenue but should not have any affect on either the timing or the amount of revenue reported.

IFRS 16, 'Leases'

IFRS 16 will replace IAS 17, 'Leases' and three related interpretations. The standard becomes effective from 1 January 2019 and will require leases to be recorded in the Consolidated Balance Sheet in the form of a right-of-use asset and a lease liability.

At 31 December 2017, other than the long-term operating lease over land and buildings in the UK, the Group does not have a substantial number of lease agreements in place.

Management is yet to fully assess the impact of the standard and, therefore, is unable to to provide quantified information. However, so as to properly assess the affect of the standard, the Group is undertaking the following:

- completing a full review of all agreements to determine whether any additional agreements would meet the definition of a lease under IFRS 16
- deciding which transitional provisions should be adopted
- assessing the current disclosures for both finance leases and operating leases as these are likely to form the basis of the amounts that are recognised under the standard as right-of-use assets
- determining which optional accounting simplifications are available and whether to apply them
- assessing the additional disclosures that will be required.

1.3 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 it 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.

1.4 Foreign currency translation

The functional and presentational currency for the Parent Company is UK 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 re-translated 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. Exchange differences arising on non-monetary assets and liabilities are recognised directly in equity.

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 dealt with through the Group's reserves, 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. 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. The following are the principal foreign exchange rates that have been used in the preparation of the financial statements:

2017

	Average Rate	Closing rate
GBP / US Dollar	**1.2931**	**1.3452**
GBP / Euro	**1.1450**	**1.1250**
GBP / Canadian Dollar	**1.6786**	**1.6923**

2016

	Average Rate	Closing rate
GBP / US Dollar	1.3545	1.2333
GBP / Euro	1.2255	1.1720
GBP / Canadian Dollar	1.8067	1.6579

1.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance sheet date. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Consolidated Statement of Comprehensive Income (SOCI) when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

1.6 Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.
Gains and losses are recognised in net profit or loss when the liabilities are de-recognised as well as through the amortisation process. Borrowing costs are recognised as an expense when incurred.

1.7 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 at the Group's cost of capital.

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 (or cash generating unit) is reduced to its recoverable amount. Non-financial assets other than goodwill which have suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

1.8 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 SOCI. Prepaid clinical and other trials amounts are included within prepayments and accrued income in trade and other receivables in the Consolidated Balance Sheet.

1.9 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. However, there are no key assumptions or estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year. The key judgements made by the directors in applying the Company's accounting policies are set out below:

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 impairments.

1.10 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.

Pro-forma results - Chairman's statement

This presents our progress against key performance indicators: consumables sales and margins, cash costs, net income from or cost of increasing the installed base and profit before and after non-cash items.

Adjusted operating loss beneath the Consolidated Statement of Comprehensive Income

This is defined as operating loss before non-cash charges to the Consolidated SOCI. Non-cash costs comprise share-based payments, equity settled costs, clinical trial charges arising from non-cash barter transactions and depreciation and amortisation. An analysis of non-cash costs is provided on page 13 of the Report & Accounts 2017. A reconciliation of the operating loss to the adjusted operating loss is shown beneath the Consolidated Statement of Comprehensive Income.

1.11 Basis of preparation

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 over stretching the funding capabilities of the business. The funds the Group has available to it are impacted by the results of its commercial activities and through the new funding provided to it by the capital markets and secured lending. The Group invests in 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 2019. This review indicates that the Group is expected to continue trading at current levels as a going concern based on increasing net cash inflows from sales over expenditure of the Group. The directors believe it is appropriate to prepare the financial statements on the going concern basis.

2 Revenue recognition

2.1 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 normally this is when the goods are accepted at the customers specified delivery address and for international customers this is normally 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.

Managed care service contracts

Where contracts exist which provide 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 in the Consolidated 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.

3 Segmental Analysis

3.1 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, with the geographical split a secondary segment. The Group has a single group of related products and services, being the supply of probes, monitors and other related services. Segment information is provided on the basis of probe, monitor, third-party, carriage and other revenues, which is the basis on which the Group Chief Operating Decision Maker makes operating decsions in the management of the Group's worldwide activities.

The Chief Operating Decision Maker is the Group's Chief Executive Officer.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

3.2 Note

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

3.3 Segment results

The reportable segment results for the year ended 31 December 2017 are:

	Probes £'000	Other £'000	Total £'000
Revenue from customers	4,936	934	**5,870**
Reconciliation to result for the year:			
Cost of goods sold			(1,488)
Total costs			(6,320)
Operating loss			**(1,938)**
Finance income			-
Finance costs			(163)
Loss before taxation			(2,101)
Tax credit on loss			100
Loss for the year			**(2,001)**

The reportable segment results for the year ended 31 December 2016 are:

	Probes £'000	Other £'000	Total £'000
Revenue from customers	5,458	873	6,331
Reconciliation to result for the year:			
Cost of goods sold			(2,002)
Total costs			(6,698)
Operating loss			(2,369)
Finance income			1
Finance costs			(150)
Loss before taxation			(2,518)
Tax credit on loss			142
Loss for the year			(2,376)

The table overleaf provide an analysis of the Group's sales by revenue stream and markets:

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2017

	Probes units*	Monitors units*	Probes £'000	Monitors £'000	Third Party £'000	Carriage £'000	Other £'000	Total £'000
Direct Markets								
United Kingdom (UK)	14,430	13	1,272	92	378	17	101	**1,860**
United States of America (USA)	8,670	7	1,444	117	-	6	15	**1,582**
Spain	310	-	36	-	-	-	-	**36**
Canada	405	1	53	15	-	1	5	**74**
	23,815	**21**	**2,805**	**224**	**378**	**24**	**121**	**3,552**
Managed care contracts								
UK								
Probes shipped	865	-	75	-	-	-	-	**75**
Probes not shipped	85	-	7	-	-	-	-	**7**
	950	**-**	**82**	**-**	**-**	**-**	**-**	**82**
USA								
Probes shipped	2,055	-	275	-	-	-	-	**275**
Probes not shipped	1,195	-	153	-	-	-	-	**153**
	3,250	**-**	**428**	**-**	**-**	**-**	**-**	**428**
Total direct markets	**28,015**	**21**	**3,315**	**224**	**378**	**24**	**121**	**4,062**
Distributor markets								
Rest of Europe	19,220	33	1,125	109	-	2	33	**1,269**
Rest of the World (Excluding USA)	10,470	11	496	25	-	-	18	**539**
Total distributor markets	**29,690**	**44**	**1,621**	**134**	**-**	**2**	**51**	**1,808**
Total units and revenues	**57,705**	**65**	**4,936**	**358**	**378**	**26**	**172**	**5,870**

2016

	Probes units*	Monitors Units *	Probes £'000	Monitors £'000	Third Party £'000	Carriage £'000	Other £'000	Total £'000
Direct Markets								
United Kingdom	19,325	9	1,744	69	355	18	97	2,283
United States of America	8,660	3	1,333	45	-	4	3	1,385
Spain	420	-	44	-	-	-	-	44
Canada	445	-	55	7	-	-	1	63
	28,850	12	3,176	121	355	22	101	3,775
Managed care contracts								
UK								
Probes shipped	1,060	-	79	-	-	-	-	79
Probes not shipped	465		42	-	-	-	-	42
	1,525	-	121	-	-	-	-	121
USA								
Probes shipped	3,365	-	455	-	-	-	-	455
Probes not shipped	635	-	81	-	-	-	-	81
	4,000	-	536	-	-	-	-	536
Total direct markets	34,375	12	3,833	121	355	22	101	4,432
Distributor markets								
Rest of Europe	19,425	29	1,082	91	-	1	13	1,187
Rest of the World (Excluding USA)	10,615	81	543	155	-	5	9	712
Total distributor markets	30,040	110	1,625	246	-	6	22	1,899
Total units and revenues	64,415	122	5,458	367	355	28	123	6,331

unaudited information

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

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	2017 UK £'000	2017 Other £'000	2017 Total £'000	2016 UK £'000	2016 Other £'000	2016 Total £'000
Property, plant and equipment	170	104	274	225	206	431
Intangible assets	2,486	-	2,486	2,396	-	2,396
	2,656	**104**	**2,760**	2,621	206	2,827

4 Expenses

4.1 Expenses by nature

	2017 £'000	2016 £'000
Changes in inventories and work in progress	(86)	20
Raw materials and consumables used	910	1,468
Employee benefit costs	4,412	4,545
Other employee costs	889	714
Non executive directors fees	116	123
Depreciation and amortisation charges (notes 10 and 11)	460	425
Net research and development expenditure	67	144
Operating lease rentals	104	103
Net foreign exchange loss / (gain)	40	(69)
Audit and accountancy costs	120	140
Meeting and other PR costs	106	150
Professional and consultancy fees	196	309
Barter prepayment release	192	-
Other	282	628
	7,808	8,700

4.2 Auditors' remuneration

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

Group	2017 £'000	2016 £'000
Fees payable to company's auditors for the audit of the parent company and consolidated financial statements	25	31
Under-accrual in respect of prior years	-	9
	25	40
Fees payable to the company's auditors for other services:		
The audit of the company's subsidiaries	76	68
	101	108

5 Employees

5.1 Employee benefit expense

	2017 £'000	2016 £'000
Wages and salaries	4,052	4,286
Social security costs	404	434
Pension costs – defined contribution plans	101	96
Share-based payment expense, including bonus accruals	107	120
	4,664	4,936
Less amounts capitalised as research and development costs	(252)	(391)
	4,412	4,545

5.2 Average monthly number of people employed

	2017 Number	2016 Number
Number of employees	85	83
Average monthly number of people (including executive directors) employed:		
Sales and marketing	40	40
Production	23	16
Office and management	12	16
Quality and regulatory	5	5
Research and development	5	6
Total average headcount	**85**	83

5.3 Directors' emoluments

	2017 £'000	2016 £'000
Aggregate emoluments	379	411
Sums paid to third parties for directors' services	51	51
Contributions to directors' personal pension schemes	18	14
	448	476

Benefits are accruing to two (2016: two) directors under personal pension plans.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Sums paid to third parties for the services of a director comprise:

Third party payee	Director	2017 £'000	2016 £'000
Imperialise Limited	Nigel Keen	33	33
Rockridge Medical Limited	Chris Jones	18	18
		51	51

5.4 Highest paid director

	2017 £'000	2016 £'000
Aggregate emoluments	190	208
Contributions to director's personal pension scheme	8	8
	198	216

There were no director share sales or the exercise of share options during 2017 or 2016.

6 Finance income and costs

	2017 £'000	2016 £'000
Finance income - Bank interest receivable	-	(1)
Invoice discount facility	16	20
Convertible loan note 2007	-	16
Convertible loan note 2019 (Note 16.4)	131	107
Other interest payable	12	-
Finance lease liability	4	7
Finance costs	**163**	150

7 Tax credit on loss

7.1 Accounting policy

The tax credit represents the sum of current tax and deferred tax. Tax is recognised in profit or loss in the Consolidated Statement of Comprehensive Income (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 Consolidated 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.

Current tax	2017 £'000	2016 £'000
Research and development tax credit	(92)	(107)
Adjustment in respect of prior years	(8)	(35)
Total Current Tax	(100)	(142)
Total Deferred Tax	-	-
Total tax credit on loss	**(100)**	(142)

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017.

The taxable credit on the loss for the year is lower (2016: lower) than the effective rate of corporation tax in the UK of 19.25% (2016: 20%) applied to the Group's loss on ordinary activities before tax. The differences are explained below:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	(2,101)	(2,518)
Loss on ordinary activities multiplied by the standard rate in the UK of 19.25% (2016: 20%)	(404)	(504)
Effects of:		
Expenses not deductible for tax purposes	12	47
Losses carried forward for which no deferred tax asset has been recognised	347	444
Other movements in unrecognised deferred tax	(9)	(53)
Tax rate on difference on receivable research and development tax credit	(68)	(81)
Difference on tax rate on payable research and development tax credit	30	40
Adjustment in respect of prior years	(8)	(35)
Total tax credit on loss	**(100)**	(142)

8 Deferred tax

8.1 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. 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.

8.2. Note

At 31 December 2017, the Group had accumulated trading losses carried forward which are available to offset against future profits of £30,575,000 (2016: £29,866,000) resulting in an unrecognised potential deferred tax asset of £5,669,000 (2016: £7,354,000) and share option charges of £48,000 (2016: £94,000) with an unrecognised deferred tax asset of £8,000 (2016: £16,000).

President Trump signed into law on 22 December 2017 extensive changes to the US tax system. This included the reduction of the US federal corporate income tax rate from the existing rate of 35% to 21% with effect from 1 January 2018. As this change was substantively enacted in the period to 31 December 2017, closing US deferred tax balances been revalued using the reduced rate.

Loss relief is available indefinitely in the UK and for 20 years in the USA. Trading losses in the USA do not begin to expire until 2028. The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction is set out below:

Deferred tax liabilities	2017 £'000	2016 £'000
Development costs	411	396
Accelerated capital allowances	37	61
	448	457
At 1 January	457	461
Effect of tax rate change	-	(49)
(Credited) / charged to profit or loss in the Consolidated SOCI	(9)	45
At 31 December	**448**	457

Deferred tax asset on losses	2017 £'000	2016 £'000
At 1 January	(457)	(461)
Effect of tax rate change	-	49
Credited / (charged) to profit and loss in the Consolidated SOCI	9	(45)
At 31 December	**(448)**	(457)

9 Basic and diluted loss per share

The loss per share calculation is based on the loss of £2,022,000 and the weighted average number of shares in issue of 301,117,957. For 2016, the loss per share calculation was based upon the loss of £2,371,000 and weighted average number of shares in issue of 270,435,477. While the Company is loss-making, the diluted loss per share and the loss per share are the same.

10 Property, plant and equipment

10.1 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 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 term, if shorter
- 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

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 six 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 six months and it is expected that the monitors will be sold thereafter, the monitors are included within inventories.

10.2 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 2016	236	723	56	1,484	2,499
Exchange difference	-	6	5	97	108
Additions	-	19	7	-	26
Transferred from inventory	-	-	-	121	121
Disposals	-	-	-	(79)	(79)
At 31 December 2016	236	748	68	1,623	2,675
Exchange difference	-	(3)	(3)	(110)	(116)
Transfers	7	-	(7)	-	-
Additions	-	6	-	-	6
Transferred from inventory	-	-	-	181	181
Disposals	-	-	(28)	(98)	(126)
At 31 December 2017	**243**	**751**	**30**	**1,596**	**2,620**
Accumulated depreciation					
At 1 January 2016	234	590	56	1,046	1,926
Exchange differences	-	5	5	81	91
Depreciation charge	1	56	-	225	282
Disposals	-	-	-	(55)	(55)
At 31 December 2016	235	651	61	1,297	2,244
Exchange differences	-	(3)	(3)	(32)	(38)
Depreciation charge	4	40	-	221	265
Disposals	-	-	(28)	(97)	(125)
At 31 December 2017	**239**	**688**	**30**	**1,389**	**2,346**
Net book value					
At 1 January 2016	2	133	-	438	573
At 31 December 2016	1	97	7	326	431
At 31 December 2017	**4**	**63**	**-**	**207**	**274**

Depreciation charges have been included in the following expenses in profit or loss in the Consolidated SOCI:

	2017 £'000	2016 £'000
Cost of sales	221	250
Administration expenses	30	19
Research and development expenses	14	13
	265	282

The net book value of property, plant and equipment includes amounts of £13,000 (2016: £46,000) in respect of assets held under finance lease arrangements.

11 Intangible assets

11.1 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.

11.2 Note

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 allocable 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. Amortisation only commences once the related asset is brought into use.

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.

	Development expenditure £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2016	2,663	66	2,729
Amounts written off	(25)	-	(25)
Additions	533	-	533
At 31 December 2016	3,171	66	3,237
Amounts written off	(3)	-	(3)
Additions	286	-	286
At 31 December 2017	**3,454**	**66**	**3,520**
Accumulated amortisation			
At 1 January 2016	723	-	723
Amounts written off	(25)	-	(25)
Amortisation expense	143	-	143
At 31 December 2016	841	-	841
Amounts written off	(2)	-	(2)
Amortisation expense	195	-	195
At 31 December 2017	**1,034**	**-**	**1,034**
Net book value			
At 1 January 2016	1,940	66	2,006
At 31 December 2016	2,330	66	2,396
At 31 December 2017	**2,420**	**66**	**2,486**

Amortisation of £195,000 (2016: £143,000) has been categorised as research and development expenditure in profit or loss in the Consolidated SOCI.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Included within development costs are costs amounting to £1,331,000 (2016: £1,299,000) relating to the Group's new monitor development project. This amount has not been amortised as the project has not yet been completed.

The Group also has costs of £335,000 (2016: £131,000) relating to the development of its new high definition impedance cardiography product which became available for sale in May 2017 and has been amortised from that date. Other individually material projects are:

	Carrying amount	
Project description	2017 £'000	2016 £'000
TrueVue Velocity Pressure Loops	**184**	131
UK Enhanced Recovery App	**152**	126
Suprasternal Doppler Probe	**111**	72
Spanish Enhanced Recovery App	**92**	138

12 Subsidiary undertakings

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

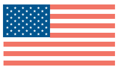
Name	Country of incorporation and place of business		Proportion of ordinary shares held directly by the parent %	Proportion of shares held by non-controlling interests %
Deltex Medical Limited	UK	Manufacture and marketing of medical devices	100	-
Deltex Medical, SC, Inc	USA	Marketing and sales of medical devices in the USA	100	-
Deltex Medical Espana SL	Spain	Marketing and sales of medical devices in Spain	100	-
Deltex Medical Canada Limited	Canada	Marketing and sales of medical devices in Canada	51	49
Deltex Medical Holdings Inc	USA	Dormant	100	-
Deltex Inc	USA	Dormant	100	-
Deltex Medical Inc	USA	Dormant	100	-

The registered address of the UK incorporated subsidiary is:

Terminus Road,
Chichester,
West Sussex
PO19 8TX.

The registered address of the Spanish incorporated subsidiary is:

C/ del Mirador,
3A, 17250 Playa de Aro,
Girona,
Spain.



The registered address of the US incorporated subsidiary is:

330 East Coffee St.,
Greenville,
South Carolina.

The registered address of the Canadian incorporated subsidiary is:

Baine Johnston Centre,
10 Fort William Place,
St. John's
NL A1C 5W4

13 Inventories

13.1 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 their stage 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 in the normal course of business, less all estimated costs of completion and applicable variable selling expenses. Provision is made for obsolete, slow-moving or defective items where appropriate.

13.2 Note

Included within finished goods are third-party products for resale of £82,000 (2016: £151,000).

Based on inventory holdings and sales history, there are specific provisions for slow-moving inventory of £18,000 (2016: £40,000), which have been categorised as finished goods.

	2017 £'000	2016 £'000
Raw materials and consumables	220	140
Work in progress	53	52
Finished goods	481	568
	754	760

14 Trade and other receivables

14.1 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 the Consolidated Statement of Comprehensive Income 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 the Consolidated SOCI. Trade and other receivables are classified as 'loans and receivables'.

14.2 Note

Current	2017 £'000	2016 £'000
Trade receivables	1,647	2,207
Less: provision for impairment of trade receivables	(27)	(330)
	1,620	1,877
Other receivables	376	352
Other receivables - prepayments	54	270
	2,050	2,499

Trade receivables that are less than two months past due are considered to be recoverable. At 31 December 2017, trade receivables of £75,000 (2016: £190,000) 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 of these balances is set out below:

Current	2017 £'000	2016 £'000
Three to six months overdue	31	10
Six to twelve months overdue	42	157
More than twelve months overdue	2	23
	75	190

At 31 December 2017, specific trade receivables of £27,000 (2016: £330,000) had been identified as impaired and were fully provided for. The ageing of these receivables was as follows:

	2017 £'000	2016 £'000
More than twelve months overdue	**27**	330

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

Current	2017 £'000	2016 £'000
Sterling	454	575
Euros	465	383
US dollars	692	893
Canadian dollars	9	26
	1,620	1,877

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

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

Current	2017 £'000	2016 £'000
At 1 January	330	329
Foreign exchange	1	5
Amounts written off	(304)	-
Amounts recovered	-	(4)
At 31 December	**27**	330

Impairment losses recognised and amounts written off during the year as uncollectible have been categorised as administrative expenses in profit or loss in the Consolidated SOCI.

The other financial assets categorised as trade and receivables do not contain impaired assets. The directors consider that the carrying amounts of trade and other receivables approximate to their fair values. The maximum exposure for trade and other receivables to credit risk is the carrying value of each class of financial asset shown above. The Group does not hold any collateral as security.

15 Cash and cash equivalents

15.1 Accounting policy

Cash and cash equivalents includes cash in hand and deposits held with banks with an original maturity of less than three months.

15.2 Note

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

16 Borrowings

16.1 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 Consolidated 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. Compound financial instruments issued by the Group comprise convertible loan notes that can be converted to share capital at the option of the holder, 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 financial liability that does not have an equity conversion feature.

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 financial liability component

Any directly attributable finance costs are allocated to the financial liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the financial liability component 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.

16.2 Note

	2017 £'000	2016 £'000
Current borrowings		
Invoice discounting facility	719	739
Convertible loan note	90	90
Obligations under finance lease liabilities	4	29
	813	858
Non-current borrowings		
Convertible loan note	1,004	963
Obligations under finance lease liabilities	-	4
	1,004	967
	1,817	1,825

16.3 Invoice discounting facility

The amount shown represents the cash drawn down under an invoice discounting facility; £1,000 remained undrawn (2016: £16,000). 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$ and Euro currencies.
The facility is subject to six months' notice on either side and is not subject to an annual review.

16.4 Convertible loan note

The convertible loan notes 2019 were repayable in full on 25 February 2019 or could, at the option of the holder, be converted at any time into ordinary shares of the Company at a conversion price of £0.06 per share. The value of both the liability component and the equity conversion element was determined when the convertible loan notes 2019 were issued. The convertible loan note recognised in the balance sheet is calculated as:

	Liability £'000	Equity £'000	Total £'000
Carrying amounts at 31 December 2016	1,053	84	1,137
Interest expense (note 6)	131	-	131
Interest paid	(90)	-	(90)
Carrying amounts at 31 December 2017	**1,094**	**84**	**1,178**

The directors consider that the coupon payable of 8% on the convertible loan note continues to be at a market rate of interest and, therefore, its carrying amount approximates to its fair value. The effective rate of interest is 13.14% (2016: 13.14%).

16.5 Borrowings in foreign currencies

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

	2017 £'000	2016 £'000
Sterling	**1,396**	1,485
Euro	**272**	206
US Dollars	**149**	134
	1,817	1,825

The average effective interest rates paid were as follows:

	2017 %	2016 %
Invoice discount facility		
- Sterling	**2.79**	2.92
- Euro	**2.75**	2.76
- US Dollar	**4.44**	3.87
Convertible loan note	**13.14**	13.14
Finance leases	**15.00**	15.00

The Group has borrowings at both fixed and floating rates as shown below:

	2017 £'000	2016 £'000
Fixed rates		
Finance leases	4	33
Convertible loan note	1,094	1,053
	1,098	1,086
Floating rates		
Invoice discounting facility	719	739
	1,817	1,825

17 Obligations under finance lease arrangements

17.1 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 are 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 Consolidated SOCI on a straight-line basis over the lease term.

17.2 Note

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2017 £'000	2016 £'000
Gross finance lease liabilities minimum lease payments		
No later than one year	4	31
Later than one year and no later than five years	-	5
	4	36
Less future finance charges on finance lease liabilities	-	(3)
	4	33

The present value of lease obligations are as follows:

	2017 £'000	2016 £'000
No later than one year	4	29
Later than one year and no later than five years	-	4
	4	33

18 Trade and other payables

18.1 Accounting policy

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

18.2 Note

Current liabilities	2017 £'000	2016 £'000
Trade payables	898	1,007
Social security and other taxes	380	205
Other payables	13	46
Deferred income	116	100
Accrued expenses	1,238	1,056
	2,645	2,414

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

19 Provision for Liabilities

19.1 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 an interest expense in profit or loss in the Consolidated SOCI. A provision for national insurance that may become payable on share option gains is calculated based on the closing share price.

19.2 Note

	National Insurance £'000	Dilapidation provision £'000	Total £'000
At 1 January 2017	17	102	119
Charged to profit or loss in the Consolidated SOCI	-	(4)	(4)
Amounts utilised in the year	-	-	-
At 31 December 2017	**17**	**98**	**115**

National Insurance

The provision for Employer's National Insurance may become payable on gains on share options that are exercisable over the next one to ten years and is, therefore, classified as a non-current liability.

Dilapidation provision

Under the terms of the operating leases over land and buildings, predominantly in the UK, the Group has an obligation to return the property in a specified condition at the end of the lease. As the unexpired lease term is more than one year, the provision has been classified as a non-current liability. It is expected that the provision will be utilised within the next 10 years.

20 Retirement benefits

20.1 Accounting policy

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.

20.2 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 £101,000 (2016: £96,000).

21 Share capital and share premium

21.1 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.

21.2 Note

At 1 January 2017 and 31 December 2017, the authorised share capital of the Company comprised 6,568,546,210 ordinary shares with a nominal value of £0.01 each. The movement in the Company's issued share capital is set out below:

	Number of shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2016	219,585	2,196	30,394	32,590
Shares issued to Non-Executive Directors in lieu of fees	1,851	18	56	74
Shares issued to third parties as payment for services rendered	1,566	16	47	63
Share issues				
- 25 February 2016	38,568	385	1,157	1,542
- 10 March 2016	12,900	129	387	516
-1 July 2016	10,465	105	345	450
Share issue expenses				
- 25 February 2016	-	-	(118)	(118)
At 31 December 2016	284,935	2,849	32,268	35,117
Shares issued to third parties as payment for services rendered	663	7	17	24
Exercise of options	285	3	-	3
Share issues				
- 27 March 2017	11,035	110	290	400
- 27 July 2017	16,296	163	387	550
Share issue expenses				
- 27 March 2017	-	-	(5)	(5)
- 27 July 2017	-	-	(42)	(42)
At 31 December 2017	**313,214**	**3,132**	**32,915**	**36,047**

Net proceeds from share issues, after expenses of £47,000 (2016: £118,000), were £903,000 (2016: £2,390,000)

22 Share-based payments

22.1 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 the Consolidated 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.

22.2 Note

The Group has three share option schemes:

- Deltex Medical Group plc 2001 Executive Share Option Scheme (ESOS) (HMRC Approved Scheme);
- Deltex Medical Group 2011 Executive Share Option Scheme (HMRC Approved Scheme); and
- Deltex Medical 2003 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. Details of share options outstanding during the year for the Group's share option schemes are as follows:

	2001 Executive Share Option Scheme		2011 Executive Share Option Scheme		2003 Enterprise Management Incentive Scheme		
	Number of options No.	**Weighted average exercise price** £	**Number of options** No.	**Weighted average exercise price** £	**Number of options** No.	**Weighed average exercise price** £	**Total** No.
Options outstanding at 1 January 2016	4,218,300	0.20	9,147,750	0.15	3,109,398	0.01	16,475,448
Granted during the year	-		-	-	207,560	0.01	207,560
Lapsed during the year	(52,800)	(0.21)	(135,000)	(0.21)	(42,064)	(0.01)	(229,864)
Expired during the year	(908,000)	(0.21)	-	-	(17,222)	(0.01)	(925,222)
Options outstanding at 31 December 2016	3,257,500	0.20	9,012,750	(0.15)	3,257,672	0.01	15,527,922
Granted during the year	-	-	10,405,000	0.04	1,474,616	0.01	11,879,616
Lapsed during the year	(6,000)	(0.16)	(513,250)	(0.13)	(166,460)	0.01	(679,710)
Expired during the year	(1,042,000)	(0.29)	-	-	(34,908)	0.01	(1,082,908)
Exercised during the year	-	-	-	-	(285,338)	0.01	(285,338)
Options outstanding at 31 December 2017	**2,209,500**	**0.16**	**18,904,500**	**0.09**	**4,245,582**	**0.01**	**25,359,582**
Options exercisable at 1 January 2016	4,218,300	0.20	4,379,000	0.20	3,109,398	0.01	11,706,698
Options exercisable at 31 December 2016	3,257,500	0.20	4,244,000	0.20	3,257,672	0.01	10,759,172
Options exercisable at 31 December 2017	**2,209,500**	**0.16**	**4,177,000**	**0.20**	**4,245,582**	**0.01**	**10,632,082**

The weighted average market price of the Group's shares at the date of exercise for options under the 2003 EMI scheme was £0.04 in 2017. No share options were exercised during 2016. The middle-market closing price of the Company's shares was £0.0213 (2016: £0.0388).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

22.3 Information for share options awards granted during the year

Share options granted under the 2003 EMI had an estimated weighted average fair value of £0.029 (2016: £0.035) and £39,719 in aggregate (2016: £7,209). The fair value of share option awards made under both schemes is determined using a Black-Scholes option pricing model. The key assumptions used in determining the fair value of the options granted under the 2003 EMI scheme were:

	March 2017	February 2017	December 2016	September 2016
Share price	3.8p	3.9p	3.9p	5.1p
Exercise price	1.0p	1.0p	1.0p	1.0p
Expected volatility	60%	60%	60%	55%
Expected option life (expressed as weighted average life used in modelling)	1 year	1 year	1 year	1 year
Risk free interest rate	0.55%	0.55%	0.55%	0.46%
Fair value at measurement date	**2.8p**	**2.9p**	**2.9p**	**4.1p**

Share options granted under the 2011 ESOS had a fair value of £0.017 and £13,970 in aggregate. No options were granted under this scheme during 2016. The key assumptions used in determining the fair value of the options granted were:

	September 2017
Share price	3.25p
Exercise price	4.0p
Expected volatility	65%
Expected option life (expressed as weighted average life used in modelling)	5.6 years
Risk free interest rate	0.55%
Fair value at measurement date	**1.7p**

For both schemes, the expected volatility has been based on the historical volatility over a period of the same length as the expected option length 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, therefore, is recognised in the subsidiary operating company with the equity reserve recognised in the Parent Company.

Notes to the Financial Statements
For the year ended 31 December 2017

22.4 Share options outstanding

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Current and past employees

Exercise period from	Exercise period to	Exercise price £	Number 2017	Number 2016
29-Jun-07	29-Jun-17	0.01	-	34,908
29-Jun-10	28-Jun-17	0.2950	-	1,042,000
01-Jul-11	30-Jun-18	0.1850	1,113,000	1,116,000
30-Jun-08	30-Jun-18	0.01	114,128	114,128
12-Jun-12	12-Jun-19	0.1275	1,096,500	1,099,500
12-Jun-09	11-Jun-19	0.01	531,915	531,915
30-Dec-09	30-Dec-19	0.01	43,478	43,478
24-Mar-10	24-Mar-20	0.01	31,250	31,250
25-Jun-10	25-Jun-20	0.01	34,884	34,884
13-Oct-10	13-Oct-20	0.01	740,105	740,105
23-Dec-10	23-Dec-20	0.01	20,270	20,270
15-Apr-11	15-Apr-21	0.01	13,636	13,636
27-Sep-11	27-Sep-21	0.01	538,163	538,163
27-Sep-11	29-Sep-21	0.01	46,154	46,154
27-Sep-14	27-Sep-21	0.1725	2,582,000	2,591,000
10-Oct-12	10-Oct-22	0.01	547,627	549,801
10-Oct-15	10-Oct-22	0.2400	1,595,000	1,653,000
20-Nov-13	20-Nov-23	0.01	36,035	36,035
23-Dec-13	23-Dec-23	0.01	115,385	115,385
23-Jun-15	22-June-25	0.01	35,714	200,000
10-Jun-15	10-Jun-25	0.1100	4,322,500	4,768,750
30-Sep-16	29-Sep-26	0.01	-	97,560
30-Dec-16	29-Dec-17	0.01	-	110,000
22-Mar-17	21-Mar-27	0.01	1,063,505	-
24-Mar-17	23-Mar-27	0.01	333,333	-
20-Sep 20	19-Sep-27	0.04	10,405,000	-
			25,359,582	**15,527,922**

Contractors

Exercise period from	Exercise period to	Exercise price £	Number of Options 2017	2016
01-Mar-11	28-Feb-18	0.1875	252,000	252,000**
01-Nov-10	31-Oct-17	0.215	-	250,000*
16-Apr-10	15-Apr-17	0.235	-	100,000**
1-May-14	30-Apr-23	0.145	250,000	250,000**
			502,000	**852,000**

*Options are exercisable in whole on any one occasion during the exercise period

**Options are exercisable in part or in whole at any time during the exercise period

23 Notes to the Consolidated Statement of Cash Flows

	2017 £'000	2016 £'000
Loss before taxation	(2,101)	(2,518)
Adjustments for:		
Net finance costs	163	149
Depreciation of property, plant and equipment	265	282
Amortisation of intangible assets	195	143
Effect of exchange rate fluctuations	7	(30)
Loss on disposal of property, plant and equipment	-	23
Share-based payment expense	91	25
Operating cash flow before movements in working capital balances	(1,380)	(1,926)
(Increase) / decrease in inventories	(203)	53
Decrease in trade and other receivables	404	447
Increase / (decrease) in trade and other payables	251	(455)
Increase in provisions	8	1
Net cash used in operations	**(920)**	(1,880)

23.1 Reconciliation of liabilities arising from financing activities

		Invoice discount facility				
	Convertible loan note £'000	Sterling denominated £'000	Euro denominated £'000	Dollar denominated £'000	Finance lease £'000	Total £'000
At 1 January 2016	1,000	478	231	118	71	1,898
Cash flows:						
Proceeds	1,037	2,722	1,035	1,354	-	6,148
Issue costs	(38)	-	-	-	-	(38)
Repayments	(1,069)	(2,820)	(1,084)	(1,364)	(45)	(6,382)
Non-cash flows:						
Interest charged at the effective rate	123	11	4	5	7	150
Finance charges	-	8	6	13	-	27
Foreign exchange movements	-	-	14	8	-	22
At 31 December 2016	1,053	399	206	134	33	1,825
Cash flows:						
Proceeds	-	2,236	1,205	1,560	-	5,001
Repayments	(90)	(2,346)	(1,153)	(1,543)	(33)	(5,165)
Non- cash flows:						
Interest charged at the effective rate	131	5	4	7	4	151
Finance charges	-	4	6	16	-	26
Foreign exchange movements	-	-	4	(25)	-	(21)
At 31 December 2017	**1,094**	**298**	**272**	**149**	**4**	**1,817**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

24 Commitments – operating lease

The Group leases land and buildings and various items of plant and machinery under non-cancellable operating lease agreements. The majority of the lease agreements are renewable at the end of the lease term at a prevailing market rent.

The lease expenditure charged to profit or loss in the Consolidated SOCI is disclosed in note 4. The future aggregate minimum lease payments under non-cancellable leases are as follows:

	2017 £'000	2016 £'000
No later than one year	92	96
Later than one year and no later than five years	300	304
Later than five years	282	357
	674	757

The lease over UK land and buildings has a break clause 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. The first rent review is expected to be during H2 2018.

25 Financial Instruments

25.1 Accounting policy

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.

25.2 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.

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.

Credit risk

The Group is exposed to credit related losses in the event of non-performance by counter parties 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 14 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.

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, trade and other payables, net obligations under finance leases and long-term loans. Interest on the invoice discounting facility is payable at floating rate of 2.5% to 3.25% above LIBOR.

The table overleaf 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

	2017			2016		
	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Invoice discounting facility	719	-	-	739	-	-
Convertible loan note	90	1,139	-	90	90	1,139
Finance lease liabilities	4	-	-	31	5	-
Trade and other payables	2,148	-	-	2,105	-	-
	2,961	**1,139**	**-**	2,965	95	1,139

Fair value of financial assets and liabilities

There is a close approximation between book and fair value of all the Group's financial assets and liabilities. All such fair value measures would be categorised as level 3 fair values in the fair value hierarchy. The Group's financial assets and liabilities are categorised as follows:

	2017			2016		
	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total carrying amount £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total carrying amount £'000
Financial assets						
Trade receivables	1,620	-	1,620	1,877	-	1,877
Other receivables	376	-	376	352	-	352
Cash and cash equivalents	219	-	219	582	-	582
	2,215	**-**	**2,215**	2,811	-	2,811
Financial liabilities						
Trade and other payables	-	2,148	2,148	-	2,109	2,109
Invoice discounting facility	-	719	719	-	739	739
Convertible loan note	-	1,094	1,094	-	1,053	1,053
Finance lease liabilities	-	4	4	-	33	33
		3,965	**3,965**	-	3,934	3,934

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

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 reasonably 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 Canadian Dollar exchange rates is effective throughout the financial year and all other variables remain constant.

However, these potential changes are hypothetical and actual foreign exchange rates may differ significantly depending on developments occurring in global financial markets.

2017

	Sensitivity %	Profit £'000	Equity £'000
Euros	**3.5**	**(31)**	**(31)**
US Dollar	**3.5**	**42**	**42**
Canadian Dollar	**3.5**	**(1)**	**(1)**

2016

	Sensitivity %	Profit £'000	Equity £'000
Euros	10	(127)	(127)
US Dollar	10	78	78
Canadian Dollar	10	(9)	(9)

The following table shows the Group's sensitivity to a reasonably possible change in interest rates throughout the year, with all other variables remaining constant.

2017

	Sensitivity %	Profit £'000	Equity £'000
Euros	**1**	**(1)**	**(1)**
US Dollar	**1**	**(2)**	**(2)**
Sterling	**1**	**(1)**	**(1)**

2016

	Sensitivity %	Profit £'000	Equity £'000
Euros	1	(2)	(2)
US Dollar	1	(2)	(2)
Sterling	1	(2)	(2)

26 Related party transactions

26.1 Key management compensation

The Group has defined its key management personnel to be its Board of Directors.

	2017 £'000	2016 £'000
Short-term employee benefits	424	461
Short term benefits paid to third parties	51	51
Post-employment benefits	18	14
Share-based payments	38	5
	531	531

26.2 Other transactions

Rockridge Medical Limited, a company partly owned by CM Jones, a non-executive director, was engaged by the Group to provide sales and marketing related consultancy support to the UK sales team. The total amount due for these consultancy services was £11,969 (2016: £15,343) excluding VAT, of this £11,969 was outstanding at the year-end (2016: £8,815). In addition, an amount of £Nil (2016: £4,300) was included within accruals at the year-end.

During the year, £40,000 of interest (2016: £23,671) was paid to Imperialise Limited, a company controlled by NJ Keen, non-executive Chairman, that was due on its Convertible Loan Notes 2019 holding. At 31 December 2017, £10,082 (2016: £10,082) was owing in respect of interest payable for the quarter ended 31 December 2017 (2016: quarter ended 31 December 2016).

27 Capital and reserves

The Capital reserve represents the nominal value of shares that were re-purchased and subsequently cancelled during the year ending 31 December 2001. The other reserve represents the reserve for cumulative share-based payment charges since 1 November 2002. The translation reserve comprises of all foreign exchange differences arising since 1 January 2006, from the translation of the Group's net investments in foreign subsidiaries into sterling.
The convertible loan note reserve relates to the residual value attributed to the equity conversion right at the time of issue of the 2019 loan notes (see note 16).

28 Events after the balance sheet date

On 12 February 2018, the company raised £2,208,125, before expenses, through subscriptions for 91,490,000 new ordinary shares at 1.25p per share and the placing of 85,160,000 new ordinary shares at the same price.

On the same day, it was agreed that £25,000 (plus accrued interest) of the Convertible Loan Note 2019 may be redeemed. The maturity date of the loan note was also extended to 26 February 2021 and, to fairly reflect the dilution caused by the share issues referred to above, the conversion price was reduced from 6p per share to 4p per share.

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- **180 measurements** a second
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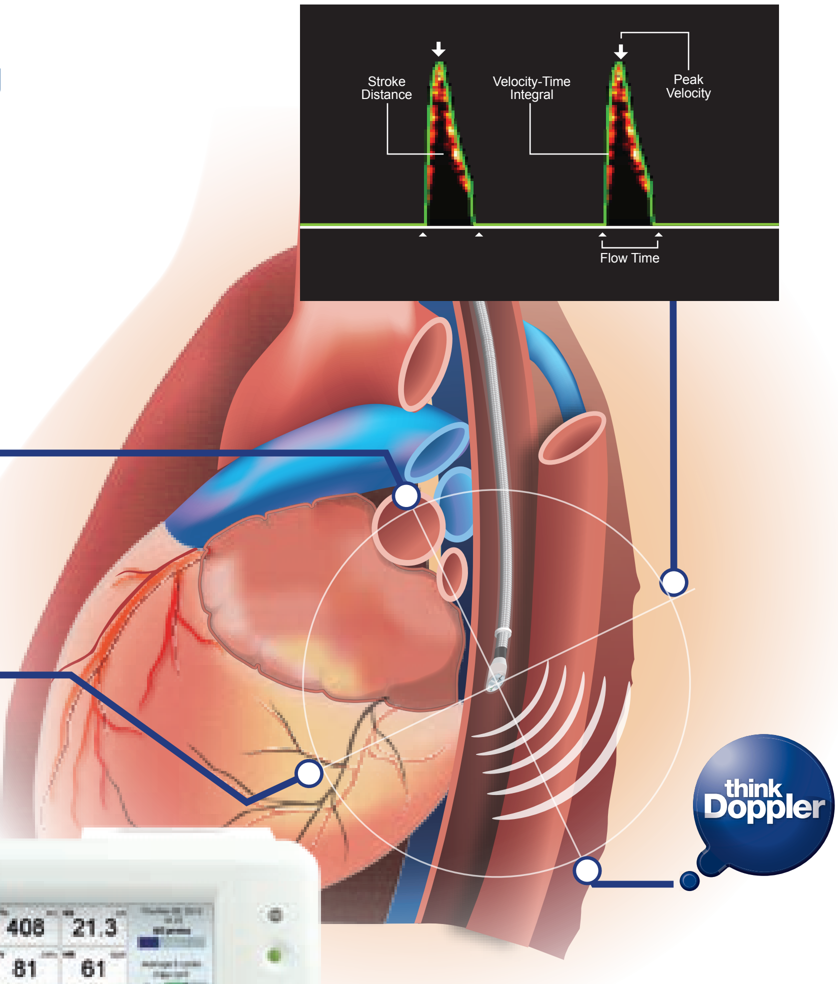


Measure	Flow Velocity Directly
Monitor	Change Precisely
Manage	Hemodynamics Confidently

Deltex Medical Group plc

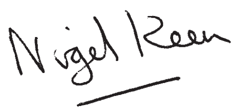
Parent Company Financial Statements

Parent Company Balance Sheet

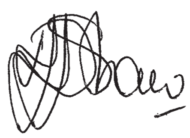
As of 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets – Goodwill	5	66	66
Investments	6	12,218	27,583
Trade and other receivables	7	3,000	6,342
		15,284	33,991
Current assets			
Trade and other receivables	7	18	10
Cash and cash equivalents		-	236
		18	246
Creditors – amounts falling due within one year	8	(438)	(303)
Net current liabilities		(420)	(57)
Total assets less current liabilities		14,864	33,934
Creditors – amounts falling due after more than one year	9	(1,004)	(963)
Net assets		**13,860**	32,971
Equity			
Share capital	10	3,132	2,849
Share premium account		32,915	32,268
Capital redemption reserve		17,476	17,476
Other reserve		4,752	4,685
Convertible loan note reserve		84	84
Accumulated losses:			
At 1 January		(24,391)	(24,657)
(Loss) / profit for the year		(20,108)	266
Accumulated losses		(44,499)	(24,391)
Total shareholders' funds		**13,860**	32,971

The notes on pages 71 to 74 form an integral part of these financial statements. The financial statements on pages 69 to 74 were approved by the Board of Directors and authorised for issue on 8 May 2018 and were signed on its behalf by:



Nigel Keen
Chairman



Jonathan D Shaw
Group Finance Director

Parent Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Convertible loan note reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2016	2,196	30,394	17,476	4,661	-	(24,657)	30,070
Comprehensive income							
Profit for the year	-	-	-	-	-	266	266
Total comprehensive income for the year	-	-	-	-	-	266	266
Shares issued during the year	653	-	-	-	-	-	653
Premium on shares issued during the year during the year	-	1,992	-	-	-	-	1,992
Issue expenses	-	(118)	-	-	-	-	(118)
Equity element of convertible loan note	-	-	-	-	84	-	84
Credit in respect of service cost settled by award of options	-	-	-	24	-	-	24
Balance at 31 December 2016	2,849	32,268	17,476	4,685	84	(24,391)	32,971
Comprehensive expense							
Loss for the year	-	-	-	-	-	(20,108)	(20,108)
Total comprehensive expense for the year	-	-	-	-	-	(20,108)	(20,108)
Shares issued during the year	283	-	-	-	-	-	283
Premium on shares issued during the year	-	694	-	- -	-	-	694
Issue expenses	-	(47)	-	-	-	-	(47)
Credit in respect of service cost settled by award of options	-	-	-	67	-	-	67
Balance at 31 December 2017	**3,132**	**32,915**	**17,476**	**4,752**	**84**	**(44,499)**	**13,860**

The notes on pages 71 to 74 form an integral part of these parent company financial statements.

Notes to the Parent Company Financial Statements

1 Principal accounting policies

1.1 Basis of preparation

These financial statements are the financial statements for Deltex Medical Group plc, the parent of the Deltex Medical Group, which operates as a group holding company.
It is a public company, limited by shares and is incorporated in England and Wales. It is listed on the Alternative Investment Market of the London Stock Exchange.
The 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 as applicable to companies using FRS 101. 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 B67 of 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'; and
  - 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'; and
- 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.

1.2 Judgements and key sources of estimation uncertainty

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 IAS 39, 'Financial Instruments: Measurement', or whether, in fact, it represents an interest in a subsidiary which is outside the scope of IAS 39 and accounted for in accordance with IAS 27, '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 IAS 27 and are carried at their historical cost less provision for impairment, if any.

The carrying amount of these loans are tested for impairment if events occur which may indicate that these assets are impaired. The carrying value of these loans are compared to the value in use of the relevant subsidiary which is also the cash generating unit (CGU). The estimation of the value in use of a CGU requires the Group to make an estimate of the expected future cash flows from the CGU and also the selection of a suitable pre-tax discount rate to calculate the present value of those cash flows.

The key assumptions in the value in use calculation are revenue growth rates used in the management approved budgets and forecasts which underpins the ability of the Group to generate positive cash flows and the pre-tax discount rate used to discount the cash flows.

1.3 Significant accounting policies.

The accounting policies set out below have been consistently applied in both 2017 and 2016.

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 investment's 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.

Notes to the Parent Company Financial Statements (continued)

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 exception of 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 profit or loss in the Statement of Comprehensive Income 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.

Related party transactions

The Company is the ultimate parent undertaking of the Deltex Medical Group plc and is therefore included in the consolidated financial statements of that Group, which are on pages 35 to 66 of the Report & Accounts 2017.

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, apart from a £3,000,000 10% fixed interest bearing loan.

Compound financial instruments

Compound financial instruments issued by the Company 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 Company 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 Company 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

Deltex Medical Group plc reported a loss for the financial year ended 31 December 2017 of £20,108,000 (2016: profit for the year of £266,000).

Notes to the Parent Company Financial Statements (continued)

3 Auditors remuneration

The audit fee in respect of the Parent Company's financial statements was £25,000 (2016: £31,000)

4 Directors' emoluments

	2017 £'000	2016 £'000
Aggregate emoluments	72	72
Short term benefits paid to third parties	51	51
	123	123

There are no (2016: Nil) benefits accruing to directors under personal pension plans.

Included in the above figure are amounts payable to the employing company, Imperialise Limited, of £33,333 (2016: £33,333), and Rockridge Medical Limited of £18,000 (2016: £18,000), for the services of those directors.

Remuneration, including Executive directors, is disclosed on page 23 of this Report & 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 categorised as administrative for both years was 5 (2016: 5). None of the directors had contracts for service so the monthly average number of employees was nil (2016: nil).

5 Intangible fixed assets – Goodwill

This amount represents the goodwill that arose in 2013 on the acquisition of the trade and assets of Deltex Medical Canada Limited. As the amount is considered by the directors to be immaterial in the context of the company's accounts the balance has not been tested for impairment as the directors consider the balance to be recoverable. Deltex Medical Canada Limited reported a profit of £42,000 (2016: loss of £10,000).

6 Investments

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

Loans to subsidiary undertakings in the amount of £12,053,000 relate to long-term balances with Deltex Medical Limited and Deltex Medical, SC, Inc. The directors consider that these balances are intended to be, for all practical purposes, permanent as equity and do not expect them to be repayable in the foreseeable 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 underlying transactions. Details of the Company's subsidiary undertakings are set out on page 53 of this Report & Accounts.

	Investments in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2016	437	27,146	27,583
Reclassifications	-	3,342	3,342
Additions	-	1,375	1,375
At 31 December 2017	**437**	**31,863**	**32,300**
Accumulated impairment			
At 1 January 2016	-	-	-
Impairment charge	272	19,810	20,082
At 31 December 2017	**272**	**19,810**	**20,082**
Net book value			
At 31 December 2016	437	27,146	27,853
At 31 December 2017	**165**	**12,053**	**12,218**

As the carrying amount of the Company's net assets at the balance sheet date exceeded its market capitalisation by £21.5m, the carrying value of investments in subsidiaries were compared to their recoverable amounts based on valuation in use calculations derived from management approved budgets and forecasts covering the four year period ending 31 December 2021. A terminal value was calculated using the forecast cash flows for the year ended 31 December 2021 using a long term growth rate of 2.25%. Forecast cash flows were discounted using a pre-tax discount rate of 15%. This impairment review resulted in the recognition of an impairment charge of £20,082,000 in profit or loss in the parent company's Statement of Comprehensive Income.

7 Trade and other receivables

In 2013, the Group reclassified £3,000,000 of the long-term investments by Group in Deltex Medical Limited as a long-term loan. This loan is being charged interest at a rate of 10% per annum, is unsecured and falls due for repayment on 1 January 2018. During the year, amounts relating to rolled up interest payable and management charges from prior years were re-classified as inter-company loans to reflect the nature of these transactions.

	2017 £'000	2016 £'000
Amounts falling due within one year		
Other receivables	14	10
Prepayments	4	-
	18	10
Amounts falling due after more than one year		
Amounts owed by subsidiary undertaking	3,000	6,342
	3,018	6,352

Notes to the Parent Company Financial Statements (continued)

8 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade payables	173	117
Accruals	175	96
Convertible loan notes	90	90
	438	303

9 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Convertible loan notes	**1,004**	963

Information relating to the convertible loan note is in note 16.4 of the Consolidated Financial Statements.

10 Share capital

See notes 21 and 22 of the Consolidated Financial Statements on pages 57 to 61 for full details of the share capital and share option schemes operated by the Company.

11 Deferred tax

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 £'000	Total £'000
At 1 January 2016	67	67
Credited to profit or loss in the SOCI	(12)	(12)
At 31 December 2016	55	55
Credited to profit or loss in the SOCI	(12)	(12)
At 31 December 2017	**43**	**43**

Deferred tax asset	Tax losses £'000	Total £'000
At 1 January 2016	(67)	(67)
Charged to profit or loss in the SOCI	12	12
At 31 December 2016	(55)	(55)
Charged to profit or loss in the SOCI	12	12
At 31 December 2017	**(43)**	**(43)**

12 Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2017 or 31 December 2016.

13 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 transactions, other than those disclosed in note 26.2, with the Company during the year, other than as a result of service agreements. Details of the directors' remuneration is disclosed in the Directors' Report in the Consolidated Financial Statements on page 23.

14 Events after the balance sheet date

On 12 February 2018, the company raised £2,208,125, before expenses, through subscriptions for 91,490,000 new ordinary shares at 1.25p per share and the placing of 85,160,000 new ordinary shares at the same price.

On the same day, it was agreed that £25,000 (plus accrued interest) of the Convertible Loan Note 2019 may be redeemed. The maturity date of the loan note was also extended to 26 February 2021 and, to fairly reflect the dilution caused by the share issues referred to above, the conversion price was reduced from 6p per share to 4p per share.

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 2017 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 03902895)

NOTICE OF ANNUAL GENERAL MEETING

Notice of an Annual General Meeting of Deltex Medical Group plc (the "Company") to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London, EC4A 1BN at 11:00 am on 20 June 2018 (the "AGM") is set out on pages 78 and 79 (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, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time of the meeting.

Deltex

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

Deltex Medical Group plc
Terminus Road,
Chichester,
PO19 8TX
United Kingdom

Enquiries: +44 **(0)1243 774837**

8 May 2018

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 2017

I am pleased to send you details of arrangements for our annual general meeting (The "AGM"), together with the annual accounts of the Company, which contain the reports of the directors and the auditors, for the year ended 31 December 2017 (the "Report & Accounts 2017").

The formal notice of the AGM of the Company, which will take place at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London, EC4A 1BN at 11:00 am on 20 June 2018, is set out on pages 78 and 79 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 2017.

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

Resolution 2 proposes the re-election of Julian Cazalet as a director, Resolution 3 proposes the re-election of Christopher Jones as a director and Resolution 4 proposes the re-election of Jonathan Shaw as a director. The Company's articles of association require that at each AGM one third of the directors (excluding directors being elected for the first time) must retire by rotation; accordingly, Julian Cazalet, Christopher Jones and Jonathan Shaw offer themselves for re-election as proposed by resolutions 2, 3 and 4.

Biographical details of Julian Cazalet, Christopher Jones and Jonathan Shaw are set out on page 20 of the Report & Accounts 2017. The Board considers that the experience of these directors will continue to be beneficial to the Company.

Resolution 5 – Re-appointment of auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue as the Company's independent auditors. Resolution 5 proposes their re-appointment and authorises the directors to determine their remuneration.

Resolution 6 – 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 9 June 2017 (the "2017 AGM"), the directors were given authority to allot relevant securities up to a maximum aggregate nominal value of £989,129 (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 the 2018 AGM and the directors are seeking a fresh shareholder authority to allot relevant securities.

Since the authorities granted at the general meeting of the company on 9 February 2018 (the "2018 GM") were specific to the transaction described in the circular dated 24 January 2018, it is proposed that the directors are given general authority to allot relevant securities up to an aggregate nominal value of £1,635,544 (being one-third of the issued ordinary share capital as at 30 April 2018) and in addition to allot relevant securities only in connection with a Rights Issue (as defined in the resolution) up to a further aggregate nominal value of £1,635,544.

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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 aggregate nominal value of £3,271,089 representing an amount equal to two-thirds of the Company's issued share capital as at 30 April 2018. 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, if granted, will expire on the earlier of the conclusion of the Company's next annual general meeting after the passing of this resolution and 15 months from the date of passing this resolution. The Board intends to seek its renewal at subsequent annual general meetings of the Company.

Resolution 7 – 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 employee 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 7 proposes, in substitution for the powers that were granted to the directors at the 2017 AGM and the 2018 GM, that power be granted to allot securities for cash on a non-pre-emptive basis up to a maximum aggregate nominal value equal to £490,663 (representing approximately ten per cent. of the nominal issued share capital of the Company as at 30 April 2018).

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, if granted, will expire on the earlier of the conclusion of the Company's next annual general meeting after the passing of this resolution and 15 months from the date of passing this resolution. The Board intends to seek its renewal at subsequent annual general meetings of the Company.

Resolution 7 will be proposed as a special resolution.

Resolution 8 - Allotment of share capital to consultants

As part of certain consultancy arrangements, the Company is in the process of renegotiating existing arrangements with certain of the Company's consultants in order to reward appropriately these consultants through the granting, in aggregate, of options over 500,000 ordinary shares of 1 pence each in the Company to allow them to share in the success of the Company, to which they would have contributed. These types of arrangements allow the Company to enter into a mutually beneficial relationship with these key consultants where both the Company shareholders and its key consultants share in the success of these growing markets. The exercise price for these options will be set as being the closing market price on the dealing day prior to the respective agreements being signed.

Resolution 8 will be proposed as a special resolution.

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 receive, by post, 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, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive no later than 11:00 am on 18 June 2018 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 60,336,330 ordinary shares in aggregate, representing approximately 12.3 per cent. of the ordinary shares currently in issue.

Yours sincerely

Nigel Keen

Nigel J Keen
Chairman

NOTICE is hereby given that the ANNUAL GENERAL MEETING of Deltex Medical Group plc will be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London, EC4A 1BN at 11:00 am on 20 June 2018 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 2017, together with the reports of the directors and of the auditors thereon.
2. To re-elect as a director Julian Cazalet.
3. To re-elect as a director Christopher Jones.
4. To re-elect as a director Jonathan Shaw.
5. 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.

Special Business

As special business, to consider and if thought fit pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 as special resolutions:

6. THAT, in accordance with section 551 of the Companies Act 2006 (the **"Act"**), the directors be generally and unconditionally authorised to allot Relevant Securities (as defined below):

6.1 comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £3,271,089 in connection with an offer by way of a rights issue:

(a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(b) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

6.2 in any other case, up to an aggregate nominal amount of £1,635,544,

provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

In this resolution, **"Relevant Securities"** means:

(a) shares in the Company, other than shares allotted pursuant to:

(i) an employee share scheme (as defined in section 1166 of the Act);

(ii) a right to subscribe for shares in the Company where the grant of the right itself constitutes a Relevant Security; or

(iii) a right to convert securities into shares in the Company where the grant of the right itself constitutes a Relevant Security; and

(b) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined in section 1166 of the Act).

References to the allotment of Relevant Securities in this resolution include the grant of such rights.

7. THAT, subject to the passing of resolution 6, the directors be authorised to allot equity securities (as defined in section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:

(a) the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under 6.1, by way of a rights issue only):

(i) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to clause 7(a) of this resolution) to any person up to an aggregate nominal amount of £490,663.

The authority granted by this resolution will expire 15 months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired. This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities or sell treasury shares as if section 561 of the Act did not apply but without prejudice to any allotment of equity securities or sale of treasury shares already made or agreed to be made pursuant to such authorities.

8. THAT, subject to the passing of resolution 6, but in addition and without prejudice to the passing of resolution 7 above, the directors be empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred by resolution 6 above as if section 561 of the Act did not apply to such allotment, such power, if granted, will expire on the earlier of the conclusion of the Company's next annual general meeting after the passing of this resolution and 15 months from the date of passing this resolution unless previously revoked, varied or extended by the Company in general meeting, but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities 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 allotments of equity securities in connection with the granting of options to subscribe for up to an aggregate of 500,000 ordinary shares of 1 pence each in the capital of the Company at a price payable upon exercise equal to the closing market price on the dealing day last preceding the date on which the relevant option is granted, pursuant to the terms of option agreements to be entered into between the Company and certain consultants.

By order of the Board

Jonathan D Shaw
Company Secretary, 8 May 2018

Registered office,
Terminus Road,
Chichester,
West Sussex,
PO19 8TX

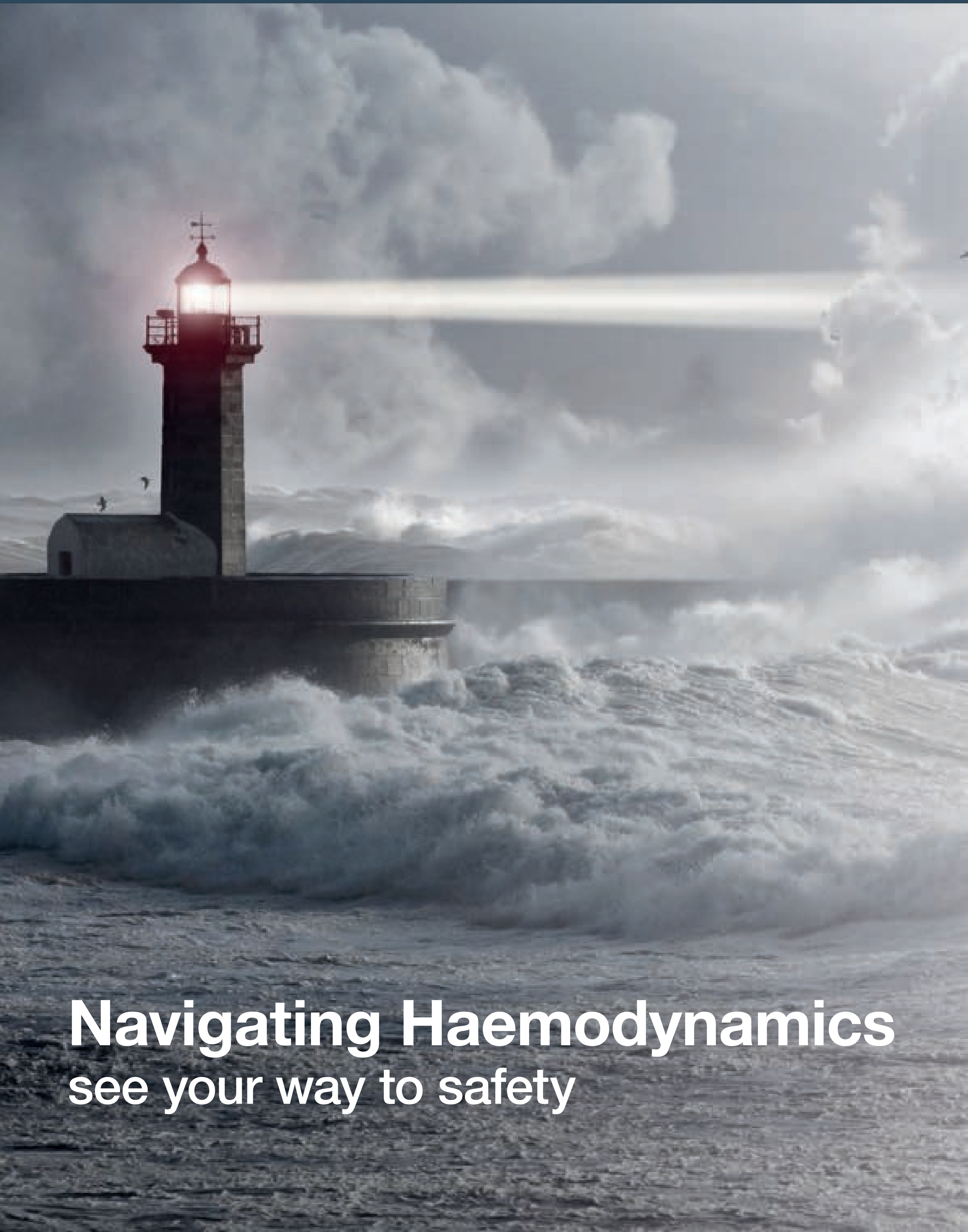
Any member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting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

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 6:00 pm on 18 June 2018 (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. A copy of this notice, within the Annual Report & Accounts 2017, can be found on the Company's website www.deltexmedical.com.

Shareholders can, at no cost, obtain copies of the audited financial statements of the Company for the year ended 31 December 2017 and the directors' and auditors' reports on those financial statements by application to the Company Secretary at the registered office of the Company. 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 year ended 31 December 2017. 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 11.00 am on 18 June 2018 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. As at 30 April 2018, the Company's issued share capital consists of 490,663,367 ordinary shares of 1 pence each, carrying one vote each. No shares are held in treasury.



Navigating Haemodynamics

see your way to safety