2019 Annual Report & Accounts

Deltex Medical

A UK-headquartered international medical device company which develops and manufactures specialist haemodynamic monitoring devices.

The Deltex Medical Group at a glance

Our products

Deltex Medical's TrueVue System incorporates three best-in-class technologies. The TrueVue Doppler uses a single-use disposable ultrasound probe which is placed into a sedated or anaesthetised patient's oesophagus via their nose or mouth. TrueVue Doppler provides a clinician with beat-to-beat real-time information on the patient's circulating blood volume and heart function. This information is critical to enable the clinician to optimise both fluid and drug delivery to a patient. The second technology, TrueVue Impedance, uses impedance cardiography to enable non-invasive continuous monitoring of awake patients. Finally, the TrueVue PressureWave uses the most stable and extensively researched pulse pressure wave algorithm currently available to derive haemodynamic parameters, calibrated from the Doppler.

Our products are manufactured at the Group's headquarters in Chichester, West Sussex guided by a quality assurance system which allows our devices to be sold in regulated markets all over the world. Our research & development group, which is focussed on improving the performance of our current products and developing the next generation of the TrueVue system, is also based in our Chichester facility.

Our business model relies principally on the recurring revenues associated with the sale of the single-use disposable Doppler probes which are used in the TrueVue System. Monitors are sold or, due to hospitals' often protracted procurement times for capital items, we may loan monitors in order to encourage faster adoption of our technology.

Our customers

Our principal customers are anaesthetists working in the hospital's operating room and intensivists working in critical care units. In the UK we sell direct to the NHS. In the USA we sell direct to more than 30 major hospitals that appreciate the value of our evidence-based approach to haemodynamic management. We also sell through distributors in more than 40 countries in the European Union, Asia and South America.

We are seeing increased demand for our TrueVue Doppler haemodynamic monitoring equipment in intensive care units caring for Covid-19 patients.

Our objective

To see the adoption of our TrueVue System as the standard of care in haemodynamic monitoring for all patients from new-born to adult, awake or anaesthetised, across all hospital settings globally.

Visit us online for further information at www.deltexmedical.com

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Highlights

Financial

- the Group posted an operating profit (excluding exceptional items) of £90,000 (2018: loss £943,000) – an improvement of £1 million
- positive adjusted EBITDA of £0.4 million (2018: loss £0.7 million)
- revenues £4.3 million (2018: £5.0 million), reflecting a focus on profitable business, lower sales & marketing spend and cessation of a third-party distribution agreement
- overheads (before exceptional costs) decreased by £1.3 million to £3.2 million (2018: £4.5 million)
- sales & marketing spend decreased by 44% to £1.2 million (2018: £2.2 million), reflecting significantly smaller sales teams in the USA and UK
- cash and cash equivalents at 31 December 2019 of £0.9 million (2018: £0.6 million)

COVID-19

- demand increasing for Deltex Medical TrueVue Doppler systems in intensive care units in the UK and USA as a result of the COVID-19 pandemic
- reduced demand in Q1 for the Group's Doppler probes from operating rooms – due to cancellation of elective surgery in anticipation of COVID-19; although increased demand associated with "catch-up" expected later in the year

Business

- 2019 was a year of restructuring and refocusing Deltex Medical
- benefits of the new strategy - with a substantially lower cost base - clear from the financial results
- 22 randomised controlled trials which show the benefit of measuring aortic blood flow (via TrueVue Doppler) to optimise the clinical management of patients represent an extremely valuable asset for the Group
- work ongoing to extend and augment the technologies on the Group's TrueVue haemodynamic monitoring platform supported by a UK Innovate Smart Award

Commenting on the results, Nigel Keen, Chairman of Deltex Medical, said:

"I am pleased to see the Group generate a profit before exceptional costs at the operating level."

"The benefits of the restructuring and refocusing work, combined with the new strategy, are clear and give the Group a sound base to grow through and after the effects of the COVID-19 pandemic."

"Although the COVID-19 pandemic is horrifying, it is notable that UK and US intensive care units are beginning to order Deltex Medical's specialist haemodynamic monitoring technology to help clinicians select the optimal treatment regime for the ventilated COVID-19 patients."

Deltex Medical and COVID-19

Deltex Medical: COVID-19 and the hospital Intensive Care Unit ("ICU") setting

At the moment there is no approved drug or vaccine to treat COVID-19 patients. As a result, intensivists have limited therapeutic options available for the very sick COVID-19 patients who have been admitted to an ICU. A recently published research paper (Cunningham *et al.* "Treatment of COVID-19: old tricks for new challenges" Critical Care (2020) 24:91) stated that:

> "the management of patients mainly focuses on the provision of supportive care, e.g., oxygenation, ventilation, and fluid management." *[Emphasis added]*

UK ICUs

Since the start of the COVID-19 pandemic in the United Kingdom, Deltex Medical has seen an increase in demand for its TrueVue Doppler technology from NHS ICUs in order to help optimise the treatment of severely ill COVID-19 patients.

Given the rapidly evolving situation, it is currently not possible to quantify the financial implications of this increase in demand from NHS ICUs, as it is unclear how long the COVID-19 pandemic will last or the number of severely sick patients who will be affected. A number of NHS hospitals which have previously used the Group's TrueVue Doppler technology in their ICUs are placing orders as a result of the clinical challenges of treating COVID-19 patients in an ICU.

US ICUs

Deltex Medical has a small sales force in the USA which focuses on sales of its TrueVue Doppler technology principally into hospital operating rooms ("ORs"). However, the Group has recently started to see demand for its TrueVue Doppler technology from hospitals in the USA for use in the ICUs.

As a result of COVID-19 there could be strong demand for haemodynamic monitoring in US ICUs and there is likely to be an overall lack of capacity from existing suppliers to satisfy this potential demand for haemodynamic monitoring technology. In order to satisfy this potential demand, Deltex Medical is preparing for a significant increase in demand from the US ICU market. As in the UK, it is difficult to predict the financial implications for the Group of such increased demand from US ICUs as a result of COVID-19.

Rest of world ICUs

Deltex Medical sells its TrueVue range of haemodynamic monitoring to the rest of the world via a network of international distributors. Such sales are lower margin and the Group does not have direct access to, or communication with, the end-user customer. The Group works closely with its international distributors to support their sales and marketing efforts; however, at the moment the Group is focusing its primary sales activities on direct sales into the key UK and US healthcare markets. Nevertheless, activity is being seen in sales to ICUs in a number of international markets served by our distributors.

Deltex Medical: COVID-19 and elective surgery

In the first quarter of 2020, Deltex Medical has seen a decline in monitor and probe orders for use in elective surgery from UK and US hospitals and from its international distributors. This is as a result of the cancellation of elective surgical procedures with the corresponding decline in demand for the Group's Doppler probes in the OR which has been caused by the need to keep hospital facilities and resources available for COVID-19 patients.

Once the COVID-19 pandemic has subsided the Group believes that there will be significant demand from patients and their physicians to catch up with the postponed elective procedures to prevent them from developing into emergencies. This is expected to result in a pronounced uptick in demand in the future for TrueVue Doppler probes from the Group's existing OR-based customers. Preliminary feedback from some of the overseas markets which experienced the COVID-19 pandemic earlier than the UK, indicates that elective surgery is beginning to restart in those countries.

Conclusion

Deltex Medical promotes the benefits of its unique Doppler-based haemodynamic monitoring technology, backed by a substantial body of high quality scientific evidence, to anaesthetists in the OR and intensivists in the ICU. It currently appears that the COVID-19 pandemic is providing a powerful external stimulus to drive higher adoption rates of the Group's TrueVue Doppler technology in ICUs around the world.

At the moment it is too early to determine what proportion of the reduction in OR-related revenues experienced at the beginning of the year will be caught up later in the year. Nor is it possible to assess how large demand will be this year for TrueVue Doppler (and other modalities on its TrueVue haemodynamic monitoring system) in the ICU setting. However, it is already clear that there is increased demand for the Group’s TrueVue Doppler in the ICU setting.

As part of our management response to the pandemic, we have taken proactive steps to minimise expenditure and our cost base. This includes the cessation of all discretionary expenditure and a hiring freeze. (We have, to date, not furloughed any employees as they are busy serving, directly or indirectly, our customers, save for two members of staff for medical reasons.) As a consequence, we have been able to make significant savings which has further enhanced our ability to generate cash even at lower activity levels.

The Group had cash on hand at 31 December 2019 of £0.9 million. It is following closely the availability and structure of COVID-19 related Government-sponsored sources of finance, although it currently has no need to access such funding sources.

Chairman's Statement

Financial results

Since its foundation as a technologically driven start-up, Deltex Medical has invested in the development of the TrueVue System to provide clinicians with the ability to monitor their patients' haemodynamic condition throughout their journey through the healthcare system. To validate the safety benefits, improvements in patient outcomes and the financial savings for the healthcare system, we have invested heavily in supporting multiple randomised clinical trials ("RCTs"). There have now been in excess of 22 RCTs published which show the benefits of measuring aortic blood flow to optimise the clinical management of patients. This scientific evidence base derived using our technology is a unique asset associated with Deltex Medical's technology and a key differentiator for the Group.

2019 marked a significant milestone in Deltex Medical's long history as the Group operated profitably, posting an operating profit (excluding exceptional items) of £90,000.

Throughout the year we implemented the Group's new strategy of reducing overhead costs to target positive EBITDA and focusing selling activities on high-usage accounts, or accounts where the Group's TrueVue Doppler technology is already well established. Although COVID-19 is expected to have a significant effect, 2020 will be the first full year of trading of the re-baselined business under the new strategy.

The success of the strategy can be seen in the Group's results with adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation, share-based payments, non-executive directors' fees, as well as certain other non-cash costs) increasing to £0.4 million, up by £1.1 million from a loss of £0.7 million in 2018. The gross margin was also higher at 77% (2018: 71%). This is also reflected in the operating profit before exceptional items of £90,000 in contrast to a loss of £943,000 in 2018. The 2019 exceptional costs relate principally to payments in lieu of notice and compensation for loss of office to a former Director.

Overheads (before exceptional costs) declined by 29% (£1.2 million) to £3.2 million (2018: £4.5 million), included in which sales and marketing expenses were reduced by 44% to £1.2 million (2018: £2.2 million), reflecting significantly smaller sales teams in the USA and UK.

Reflecting the implementation of the new strategy, revenues for the year declined by 14% to £4.3 million (2018: £5.0 million). The decline in revenue was primarily as a result of:

- (i) focusing on the most profitable business and not pursuing market share at all costs;
- (ii) the termination of a distribution agreement relating to the sale of lower margin third-party goods in the UK;
- (iii) a substantial reduction in expenditure in sales and marketing, especially in the USA; and
- (iv) reduced levels of activity from the Group's French distributor as a result of some isolated commercial issues.

Cash and cash equivalents at 31 December, 2019 was £0.9 million (2018: £0.6 million) and net assets were £2.7 million (2018: £ 2.4 million).

Market positioning and proposition to clinicians

There is a large body of scientific evidence comprising RCTs which shows that the use of appropriate haemodynamic monitoring technology to assist the management of medium- and high-risk anesthetised surgical patients significantly improves patient outcomes and reduces the incidence rates of avoidable complications such as acute kidney injuries ("AKIs") and surgical site infections ("SSIs"). The 2018 Fedora study went further, showing that there were both clinical and financial benefits associated with the haemodynamic monitoring of low-risk surgical patients, and not just the medium- and high-risk patients assessed in earlier RCTs. Substantially all of the evidence supporting the use of haemodynamic monitoring described in these RCTs was generated using the Group's TrueVue Doppler technology.

Deltex Medical provides clinicians with a suite of haemodynamic monitoring technologies via its TrueVue platform led by its flagship TrueVue Doppler technology. The Doppler technology provides extremely accurate, real-time data on the haemodynamic status of patients which enables clinicians to optimise the clinical status of anaesthetised patients during surgery safely and rapidly.

Supported by the findings of RCTs, the Group's selling proposition to intensivists and anaesthetists is that TrueVue Doppler haemodynamic monitoring results in better outcomes for surgical and critical care patients with lower associated costs.

The Group plans to extend the utility and broaden the applicability of the haemodynamic monitoring technologies on its TrueVue platform via a number of targeted product development initiatives, many of which are part-funded by competitively-won grants.

We promote the use of Deltex Medical's TrueVue Doppler technology over lower-accuracy and clinically unproven alternatives to decision-makers in hospitals around the world. We also focus on the long-term profitability of the Group thereby providing us with the financial resources to grow the business.

Employees

The Group employs a significant number of talented individuals across a range of disciplines in the UK and overseas, who work to make Deltex Medical successful. On behalf of the Board I would like to thank all the Group's employees for their dedication and hard work during 2019 – and their resilience so far this year in the face of the COVID-19 pandemic.

Prospects

There are a number of underlying trends which are helping Deltex Medical's business, including:

- an ageing population worldwide with more complex health issues;
- a wider acceptance by clinicians of the need for haemodynamic monitoring;
- an increasing focus on patient safety, including the reduction of avoidable complications;
- the increasing reluctance of insurers to reimburse hospitals for the costs of avoidable complications, such as AKIs;
- pressure on hospitals, especially in the USA, to reduce the cost of in-patient treatment; and
- following the COVID-19 outbreak, an increasing focus on infectious diseases and pandemic preparedness.

The Board believes that Deltex Medical is well positioned to benefit from these trends which are seen in many healthcare markets around the world.

Over recent months the Group has seen a slowdown in elective surgical procedures in hospitals throughout the world as a result of measures taken to combat COVID-19. This has resulted in a decline in TrueVue Doppler probe usage. In contrast to the reduction in elective surgery in hospitals, sales of monitors and probes for critical care use to hospitals in countries fighting the COVID-19 virus have sharply increased, offsetting the decline from elective surgical procedures. It is too early to assess the quantum or timing of these effects on the Group's trading in 2020, in part as the Group trades through third party distributors in many of these countries. Further information on COVID-19 is set out in the section above entitled "Deltex Medical and COVID-19".

The Group's cost base is substantially lower. The sales and marketing activities are significantly more targeted. There is a strong emphasis on writing profitable business, as opposed to pursuing market share at any cost. The foundations are in place for the Group to target profitable revenue growth from this new platform with more focused commercial activities.

Nigel Keen

Nigel Keen
Chairman
24 April 2020

Business Review

Why clinicians choose TrueVue Doppler

It is widely accepted that, given the published scientific evidence, anaesthetised patients undergoing surgery should have their haemodynamic status closely monitored. If such patients are not monitored carefully with a device providing real-time, accurate haemodynamic information, then physicians are unable to administer optimally appropriate fluids and drugs. This can result in severe adverse outcomes and give rise to extended hospital stays as well as substantially higher attributable healthcare costs.

Haemodynamic monitoring is not just indicated for anaesthetised surgical patients but should also be used on other patients, including those severely unwell patients admitted to ICUs and Accident & Emergency units for trauma patients.

Multiple RCTs have demonstrated that a TrueVue Doppler haemodynamic monitoring protocol, which combines targeted fluid and pharmacological interventions, can improve patient outcomes significantly, including substantially lowering the risk of complications such as SSIs and AKIs.

Deltex Medical's TrueVue Doppler technology is acknowledged to be the "gold standard" for the monitoring of real-time bloodflow. Its Doppler technology is strongly differentiated from competing haemodynamic monitoring technologies, which are not supported by an equivalent evidence base, and which tend to rely on measuring blood pressure or deriving bloodflow from algorithms. Such information is, at best, imprecise and, at worst, misleading.

The precision and generation of real-time data from the TrueVue Doppler technology, along with the unrivalled evidence base supporting its use on patients with different risk profiles, lies at the heart of Deltex Medical's technology proposition to its customers.

New product development

The Group's new product development strategy is to optimise further the TrueVue Doppler technology as well as to improve and augment the other haemodynamic monitoring technologies available on Deltex Medical's TrueVue haemodynamic monitoring platform.

Over the last year the Group has been successful with a number of UK grant applications to help fund the development and extension of its technology. In October the Group announced that its principal subsidiary, Deltex Medical Limited ("DML"), had been awarded an Innovate UK Smart Award with eligible project costs of £0.5 million, of which 70% are eligible for reimbursement. Innovate Smart Award is a UK government sponsored research and development programme and we will use the grant to develop the next generation of our monitor. During 2019 DML was awarded five grants with total project costs worth £0.63 million, with £0.45 million eligible for reimbursement.

The award of these grants has allowed us to accelerate the investment in these new products which are expected to be completed over the next two years. Deltex Medical will continue to apply for grants during 2020 to assist with the funding of the development of its product range.

Changes in the international regulatory regime for medical device manufacturers

The Group operates in a number of highly regulated environments. The Group has a robust Quality Management System which was audited in October 2019 under the new Medical Device Single Audit Program ("MDSAP"). MDSAP comprises a single regulatory audit of a medical device manufacturer's quality management system to ensure that it satisfies the requirements of multiple regulatory jurisdictions. Following the MDSAP audit the Group's systems are now fully certified for product sales in the EU, USA, Canada and Australia until February 2023. The Group also welcomes the added requirements for proving competitive equivalence in the Medical Device Regulations ("MDR 2017"). The MDR 2017 specifically prohibits competitors claiming technical and clinical equivalence to products such as the Group's TrueVue Doppler monitor and probes without access to the detailed technical documentation needed to demonstrate equivalence. The guidance goes on to state "equivalence might be difficult or impossible in case of limited access to the technical documentation of the devices". The substantial body of evidence supporting the use of Deltex Medical's TrueVue Doppler system means that these changes to international regulations should be positive for the Group.

Update on the implementation of the new strategy

In 2019 we took a number of important steps to implement the new strategy which we had adopted in the second half of 2018. These included identifying further cost reductions, negotiating the termination of a distribution agreement for third party goods in the UK and increasing our commercial focus to ensure that the business opportunities we targeted, particularly in the USA, would be successful and profitable.

The next stage of the implementation of the strategy is focused around targeting profitable revenue growth from the new, reconfigured and leaner platform which we developed during 2019. This will, of course, be subject to the as yet unknown effect of COVID-19.

Three principal divisions: the USA, the UK and International

The sales and marketing activities of the Group are managed in three divisions: the USA, the UK and International.

United States

The USA remains the most important market for the Group's technologies. The addressable market is substantial and growing. Sales prices for medical device equipment and consumables in the USA are higher than in other territories. The patient safety advocacy groups are growing in influence. The 'payers', such as the private and public insurers, are ratcheting-up pressure to reduce the incidence of complications for patients as such payers are increasingly refusing to pay for SSIs and AKIs which they deem avoidable. The US Government has announced measures to encourage US hospitals to reduce the cost of healthcare, and this includes the costs associated with extended length-of-stay. The cost of healthcare has widely been reported as being one of the key issues in the upcoming US presidential election.

Given the opportunities and size of the US healthcare market, Deltex Medical continues to work on a number of initiatives to increase its US revenues and market share. For example, in July the Group announced that it had signed an innovative technology contract with Vizient, Inc., the largest membership-driven healthcare performance improvement company in the USA. This deal with Vizient helps to give our products greater visibility and credibility to US hospitals.

The principal challenge in the USA remains how to grow the revenue base significantly whilst controlling the associated sales and marketing overhead costs.

United Kingdom

The NHS remains extremely price sensitive and historically disinclined to spend money on technology to reduce future costs. It remains unclear whether if there are higher levels of future funding for the NHS this will substantially enhance our business. Based on previous experience our plans do not anticipate significantly higher revenues from the NHS; however, the COVID-19 crisis may change our market position in the UK.

Sales to the NHS also remains highly competitive, with other haemodynamic monitoring companies trying to increase their market share in the UK, albeit without high precision Doppler-based technology with its substantial associated scientific evidence base.

The majority of the research & development work associated with the TrueVue Doppler platform took place in the UK and as a result Deltex Medical retains close relationships with academic 'Key Opinion Leaders' in the UK. These relationships remain important for the Group's ongoing product development programmes aimed at expanding and extending the haemodynamic monitoring technologies on the TrueVue platform.

Although the UK remains an important market, the Group's principal plans for revenue growth by its own direct sales teams are focussed on the US market.

International

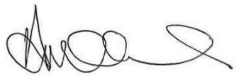
Deltex Medical sells its TrueVue Doppler technology into approximately 40 other countries via a network of distributors.

During the year we continued to increase the number of distributors selling the Group's technology and we expect this division to grow in 2020. Recently signed distribution agreements covering Asia and South America are expected to help increase our International revenues this year.

Our French distributor continued to face a number of commercial challenges during 2019 which resulted in them ordering significantly less product from us in the year. Although these issues appear to have been resolved, the adverse effect of COVID-19 on elective surgery in France, as with other territories, has held back sales to France so far this year.

Conclusion

After approximately 18 months of restructuring and refocusing the Group, we believe that we now have a stable and appropriately funded platform from which we can target profitable growth from a new, lower baseline of activities. However, the COVID-19 pandemic will inevitably impact the Group’s trading in the short-term, both in a positive and a negative way as has been described above, and it is currently too early to assess the quantum or timing of these effects on the Group’s trading in 2020.



Andy Mears
Chief Executive
24 April 2020

Directors

Non-executive directors

Nigel Keen Chairman, MA FCA FIET

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; 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; and MedAccess Guarantee Limited, a UK-based social finance company with the pioneering mission to make global healthcare markets work for everyone.

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 Chairman of the Audit Committee. Julian is considered as an Independent Non-Executive Director by the Board because of the quality of his judgment derived from his extensive experience of corporate boards gained throughout his career. 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 The Lindsell Train Investment Trust plc and Trustee of a number of charities.

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, who joined the Board in 2014, has broad international commercial experience gained through working extensively with UK, North American and other overseas based companies. He is Chairman of the American European Business Association, an Association Member of BUPA and mentors, and invests in, technology businesses. He is also a trustee of various charities. He was formerly a senior corporate partner of Allen & Overy LLP and is a past member of three advisory committees at Oxford University. Mark qualified as a lawyer in the UK and the US.

Christopher Jones

Chris Jones joined the Board in June 2015 and brings over 30 years of experience in Fortune 500 and VC funded healthcare companies in both the UK and the USA. He is Executive Chairman of Mologic Ltd, Executive Chairman of Elasmogen Ltd, and Non-executive Director of MediSieve, Causeway Therapeutics 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. Chris 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. He has a Degree of Bachelor of Science in Molecular Biophysics and Biochemistry from Yale University.

Executive directors

Andy Mears, Chief Executive

Andy joined Deltex Medical in 1989 as an Electronics Engineer. Throughout his career with Deltex Medical, he has held a number of roles, including Product Manager; Production Manager and Operations Director. Andy was appointed Group Sales Director in 2010, Managing Director in 2015 and Chief Executive in 2018.

Andy is an adviser to the All-Party Parliamentary Group (APPG) for Trade & Investment and member of the UK Life Science Export Trade Advisory Group (ETAG).

David Moorhouse, Group Finance Director

David joined the Board in October 2019. He has a degree in French and German from Cambridge University and qualified as a Chartered Accountant with Price Waterhouse. He worked initially as a corporate financier with European Banking Company Ltd and then joined the executive search firm Russell Reynolds where he became a Managing Director in London and Chief Executive of its German office. He was appointed Chief Financial Officer of Deltex Medical Ltd in 1996 and became Managing Director, Europe. He managed several rounds of private finance and the Company's public listing in 2002. From 2004 to 2016 he was Head of Finance and Administration at the International Coffee Organization, an intergovernmental entity based in London.

Directors' Responsibility Statement

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. 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 the Directors report, confirm that, to the best of their knowledge:

- the Parent Company's 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 information contained within this document comprises 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.

Company Secretary and Advisers

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Corporate Governance Statement

Chairman's introduction

Our purpose is to provide returns for our shareholders by enabling improvements in outcomes for patients around the world by creating, validating and delivering innovative healthcare solutions. We aim to achieve this by:

- supporting evidence-based medicine to create sustainable health benefits in the communities which we serve;
- investing in our products, services and people;
- partnering with clinicians to adopt the TrueVue System;
- communicating openly and honestly with our customers and with each other;
- providing excellent levels of support, education and training;
- continuing to be thought-leaders to drive innovation; and
- establishing appropriate committees of the Board and related governance structures, including those required under section 172 of the Companies Act 2006, to help monitor and guide the aims described above

The Board of Deltex Medical has chosen to adopt the QCA Corporate Governance Code (the QCA Code) that was published by the Quoted Companies Alliance in April 2018. The Code is structured around a number of broad principles which the Board seeks to apply and which are summarised below. Further information in relation to how the Board applies the Code is set out in the Corporate Governance section of the Group's website.

1) Establish a strategy and business model which promote long-term value for shareholders

Deltex Medical's strategy and business model are described within this document and, in particular, within the Chairman's Statement and the Business Review where reference is made to the new strategy adopted by the Board in the second half of 2018. The Board keeps the Group's strategy and business model under close review.

2) Seek to understand and meet shareholder needs and expectations

The Board's primary contact with both private and institutional shareholders is through the Chairman, the Chief Executive ("CEO") and the Group Finance Director ("FD"). The CEO and FD typically meet with the Group's institutional shareholders, who wish to meet with them, twice a year around the publication of the annual accounts and interim results.

3) Take into account wider stakeholder and social responsibilities and their implications for long-term success.

Engaging with our stakeholders strengthens the Group's relationships and helps it to make better business decisions to deliver on its commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and, by extension, the Group's business.

4) Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on page 20 of this document

5) Maintain the Board as a well-functioning, balanced team led by the Chair

The Group is led by the Board of directors which comprises the Non-Executive Chairman, two executive directors and four non-executive directors. Nigel Keen, the Non-Executive Chairman, is responsible for the running of the Board and Andy Mears, the Chief Executive Officer, has executive responsibility both for managing the Group's business activities and implementing the Group's strategy.

The Group is satisfied that the composition of the current Board is sufficient to enable it to carry out its governance obligations on behalf of the Group's stakeholders.

To allow the Board to discharge its duties effectively, all directors are provided with relevant information on a timely basis. In this regard, management reports are provided to all directors in advance of all Board and Committee meetings.

6) Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board comprises individuals with wide ranging commercial experience for business management in the healthcare market supported by members with careers in investment banking and the law. Each director brings experience of other relevant businesses which helps the Board. as a whole, benchmark the Group's progress.

7) Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board has chosen not to undertake formal reviews of board performance. Instead, the Chairman periodically discusses the input of each director with the individual concerned to ensure that their contribution to the Board is, and remains, both effective and relevant - and that they remain committed to the success of the Group.

8) Promote a corporate culture that is based on ethical values and behaviours

As a provider of regulated medical devices to patients across the world, ethical behaviour by its directors and employees is critically important to the Group. Our products are designed and manufactured by our well-trained employees in Chichester who comply with our established Quality System. Our sales teams promote our products to clinicians and healthcare systems in an open way. Further, we provide extensive training to customers, or potential customers, to allow them to gain the maximum advantage from Deltex Medical's products for their use in the clinical setting.

9) Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has established a regular programme of Board Meetings at which the executive directors report on the progress of the business and the risks and opportunities for the forthcoming periods. The Chairman maintains contact both with the Board and the executive directors and employees between Board Meetings. As a result, Board decisions are made in the light of up to date and relevant information. The Group's Quality System, which is regularly audited by outside regulatory bodies, also helps provides a governance regime appropriate for the Group.

10) Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Extensive dialogue is maintained with shareholders and other stakeholders to discuss the opportunities for the Group. Although the dialogue is built around the Group's annual and interim results, shareholders are informed of significant developments through the periodic announcements that the Group makes describing significant events in the business.

It is the Board's role to ensure that Deltex Medical Group plc is managed for the long-term benefit of all Deltex Medical's stakeholders with effective, efficient and timely decision making. Corporate governance is an important element of that task, which reduces risk and adds value to Deltex Medical. As your Chairman, I am committed that the Group should uphold the highest standards of governance commensurate to its size and the complexity of its business.

Nigel Keen

Nigel Keen
Chairman
24 April 2020

Strategic Report

The Directors have set out below their Strategic Report for the year ended 31 December 2019.

The Strategic Report incorporates, and should be read in conjunction with, the rest of this document and in particular the following sections:

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 the Chairman's Statement and the Business Review.

	2019	2018
Adjusted EBITDA (£000)	391	(718)
Op. profit (before exceptional costs) (£000)	90	(943)
Gross profit margin	77%	71%
Cash and cash equivalents (£000)	908	580
Probe revenues (£000)	3,533	4,035
Monitor revenues (£000)	260	301

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 including, if appropriate, applying for Government-supported finance associated with the COVID-19 pandemic.

The Directors have reviewed detailed budgets and forecasts until 30 June 2021, which take into account the possible effects of COVID-19. This review indicates that the Group is expected to continue trading as a going concern based on increasing net cash inflows from sales over expenditure of the Group. Over recent months the Group has seen a slow-down in elective surgical procedures in hospitals throughout the world as a result of measures taken to combat COVID-19. This has resulted in a decline in TrueVue Doppler probe usage. In contrast to the reduction in elective surgery in hospitals, sales of monitors and probes for critical care use to hospitals in countries fighting the COVID-19 virus have sharply increased. The Directors recognise, however, that whilst the short-term impact of COVID-19 has resulted in an increase in demand in parts of the business, demand over the coming year is by its nature uncertain.

Notwithstanding the uncertainties over the impact for the Group that COVID-19 causes, the Directors consider that they have reasonable grounds to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and it is therefore appropriate to prepare the financial statements on the going concern basis.

On 9 April 2019, the Board resolved to waive the non-interest-bearing intra-group loan owing to the Company from its wholly owned subsidiary undertaking, Deltex Medical Limited. The gross balance owed to the Company at 31 December 2018 was £45,164,000. This has been accounted for as a capital contribution in the Annual Report & Accounts 2019.

The Convertible Loan Notes of £1,072,000, which originally had a maturity date of February 2021, were extended to February 2022 with the consent of the Noteholders in March 2020 (see Note 17 to the financial statements).

Section 172 statement

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

> A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as whole and, in doing so, have regards (amongst other matters) to:
>
> - the likely consequences of any decisions in the long-term;
> - the interests of the company's employees;
> - the need to foster the company's business relationships with suppliers, customers and others;
> - the impact of the company's operations on the community and the environment;
> - the desirability of the company maintaining a reputation for high standards of business conduct; and
> - the need to act fairly between shareholders of the company.

Within Deltex Medical the Directors fulfil their duties, as summarised above, through a corporate governance structure that delegates day-to-day decision making to the employees of the Company and which is described on pages 15 to 16 within this document. In addition, the following paragraphs summarise how the Directors' fulfil other aspects of their duties.

Risk management

We provide highly regulated medical devices to our customers who operate principally in hospital intensive care units and operating rooms. Accordingly, it is important that we effectively identify, evaluate, manage and mitigate the risks we face and that we continue to evolve our approach to risk management. For further information see the section entitled 'Principal Risks of the Group' on page 20

Our employees

The Company is committed to be a responsible business. Our behaviour is aligned with the expectations of our employees, customers, shareholders, communities and society as whole. We are a medical device company and improving outcomes for patients is at the heart of what we do. For our business to succeed we need to manage our employees' performance and develop talent whilst ensuring that we operate as efficiently as possible. In 2019, as part of the implementation of our new strategy, it became clear that we needed further reductions in our headcount to lower our cost base. Mindful of the disruptive and unsettling effect of redundancies, we decided to rely in the UK on 'natural attrition' during the year, in the form of ordinary course staff turnover, to achieve the lower level of headcount that we required. For further information see the Chairman's Statement, the Business Review and the report of the Remuneration Committee.

Business relationships

Our strategy prioritises organic growth in the UK and internationally, driven by cross-selling our sophisticated medical device products to existing customers and distributors, and securing new customers for the Group. To do this we need to develop and maintain strong customer and distributor relationships. We also need to develop close relationships with our suppliers, many of whom we have worked with for a number of years. During the year, following its purchase by one of our competitors, we entered into discussions with a distributor whose products we sold in the UK. We had professional and constructive discussions resulting in an equitable agreement to terminate the distribution agreement. For more information see the Chairman's Statement and Business Review.

Community and environment

The Company's approach is to use its position, as far as it can and on a proportionate and responsible basis, as an employer and medical device vendor to hospitals to create positive change for the people and communities with which we interact.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with large institutional investors, private or employee shareholders.

For more information on our approach to interacting with shareholders please see the Corporate Governance Statement on page 15.

The Strategic Report comprising pages 17 to 19 has been approved by the Directors and signed.

By order of the Board

David Moorhouse
Company Secretary
24 April, 2020

Principal Risks of the Group

Principal Risks of the Group

The Directors have summarised below what they believe to be the principal risks and uncertainties facing the Group.

Personnel

Deltex Medical undertakes continuous reviews of its staff with a focus on encouraging high performance and an increase in the skills base. The successful selling of the Company's technology depends on a number of factors: the skill and experience of sales personnel in guiding clinicians in the effective use of its products; the manufacturing of its products to the highest specification in terms of engineering precision and sterility; the experience and innovation of its research and development personnel developing novel products; and the skill and thoroughness of its quality assurance team in ensuring that all products leaving the factory in Chichester conform to the highest standards and prevailing regulatory requirements.

Regulatory environment

The Group operates in a number of highly regulated environments. It has a robust Quality Management System which is maintained on the Entropy document control system hosted by the British Standards Institute (BSI). The system is reviewed regularly by the European Union regulatory body, BSI and the USA's Food and Drug Administration (FDA). Both bodies conducted detailed audits of the Group's systems in the course of 2019 and did not raise any matters of significant concern. It is probable that Brexit will have an important impact on the Group's procedures in exporting both monitors and probes. It is too early to predict what new regulatory procedures will need to be adopted, and indeed what measures will need to be taken in order to ensure that supplies are maintained to its US subsidiary and to its distributors in many jurisdictions. The Group maintains a continuous watch on regulatory-associated developments and has plans in place to mitigate any likelihood of stock shortages associated with changes in the regulatory framework.

Clinical environment

The Group operates in an environment where, by their very nature, surgical procedures are being undertaken on infirm, and sometimes highly infirm, patients. In an increasingly litigious hospital atmosphere, the Group may be subject to litigation. However, it should be noted that the Group's whole ethos is to minimise the risks to which those patients are exposed and to aid their effective and speedy recovery. It is also the case that no such litigation has ever been taken against the Group or its products.

Competition

A number of competitors sell products to the same group of clinicians as Deltex Medical with the same objective: to measure a patient's haemodynamic status. Some of these competitors are significantly larger and have substantially greater financial resources. All use different technologies to the Doppler-based technology used by the Group. However, none of these has a clinical evidence base which is equivalent to that which supports the use of the Group's technology.

Financial

The Group is exposed to currency fluctuations. Its principal cost base is in pounds sterling. However, it receives a significant proportion of its revenue in US dollars and euros. As a result, movements in the exchange rates between sterling and other currencies have a direct impact on revenue and profits.

COVID-19

There is a risk to the Group from the global spread of COVID-19 whose effects are, at the time of writing this Report, uncertain. Further information on the potential effect of COVID-19 on the Group is set out earlier in this document in a section entitled "Deltex Medical and COVID-19".

There are other risks posed by the COVID-19 virus, including the impact on our employees and our suppliers of components necessary for the manufacture of our technologies. As part of its risk mitigation planning the Group currently has a relatively high level of stocks, both of components and finished goods so that this risk is minimised, at least in the near future.

Other risks and uncertainties

Other risks and uncertainties which could affect the Group include:

- changes in government policies and spending plans, particularly in respect of healthcare systems;
- lower than anticipated rates of adoption of the Group's products in existing key markets; and
- the availability to the Group of resources, including cash, to pursue its strategy and other opportunities that it comes across.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

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 discussion on COVID-19 on page 4, the Chairman's Statement on page 6, the Business Review on page 8 and the Principal Risks of the Group on page 20.

It is clear that COVID-19 will affect the Group's trading in 2020. The Directors' current view on the effect that COVID-19 will have for Deltex Medical is summarised in the section entitled "Deltex Medical and COVID-19" on page 4.

Financial risk management

The financial risk management objectives and policies of the Group, including exposure to currency risk, interest rate risk and liquidity risk are set out in note 23 to the financial statements on pages 72 to 75.

Dividends

The Directors cannot propose the payment of a dividend (2018: £nil) for 2019.

Directors

The Directors of the Group who served during the year are shown below. Biographical details are given on pages 11 and 12.

Nigel Keen	Non-executive Chairman
Andy Mears	Chief Executive
David Moorhouse*	Group Finance Director
Julian Cazalet	Non-executive Director
Chris Jones	Non-executive Director
Sir Duncan Nichol	Non-executive Director
Mark Wippell	Non-executive Director

* David Moorhouse was appointed to the Board on 20 November 2019
Jonathan Shaw, Group Finance Director, resigned from the Board on 4 October 2019

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 the Group's principal manufacturing activities. Further information on the Group's research and development activities can be found earlier in this document.

Independent auditors

The independent auditors, Nexia Smith & Williamson, 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 3 June 2020 at 12.00pm at the Company's offices at Terminus Road, Chichester PO19 8TX can be found at the back of this Report.

By order of the Board.

David Moorhouse
Company Secretary
24 April 2020

Directors' Remuneration Report

Introduction from Nigel Keen, Chairman of the Remuneration Committee

I am pleased to present this report on behalf of the Remuneration Committee.

Deltex Medical has appointed all the Non-Executive Directors to the Remuneration Committee and the Committee meets regularly during the year to discuss matters concerning the Executive Directors of the Group and more broadly on other topics concerning the Group's employees.

The Board considers that this oversight by the Remuneration Committee is an important component of good corporate governance for the Group as a whole.

During the year the Committee has been involved in reviewing the remuneration of all the Group's employees following the changes made in 2018 and in particular for the executive directors and senior managers. During the year the Group appointed a new Finance Director and the Committee was engaged with the procedures around this change.

The Committee believes that the remuneration policy continues to both support and motivate our senior team to achieve the Company's strategic objectives and long-term growth for our shareholders.

I will be pleased to respond to any queries should any shareholder require more information about our remuneration policies.

Yours sincerely

Nigel Keen
Chairman of the Remuneration Committee
24 April 2020

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The Remuneration Committee

The Remuneration Committee (the "Committee") is responsible for recommending to the Board the remuneration packages for Executive Directors and has oversight of the bonus and share incentive strategy for the Group's executive management. The Chairman and the Executive Directors are responsible for determining the remuneration of the Non-Executive Directors, and the Remuneration Committee, excluding Mr. Keen, is responsible for determining the remuneration of the Chairman.

The role of the Committee includes:

- considering and determining the remuneration policy for the Executive Directors;
- within this agreed policy, considering and determining the total remuneration packages of each Executive Director of the Group;
- approving the design and performance targets for all performance-related plans for executives as well as the overall total annual payments made under such plans;
- reviewing and noting remuneration trends across the Group; and
- determining the policy for pension arrangements, service agreements and termination payments to Executive Directors.

The members of the Committee are appointed by the Board and comprise all the independent non-executive Directors: Julian Cazalet, Chris Jones, Sir Duncan Nichol and Mark Wippell; and the Chairman of the Board, Nigel Keen. Nigel is the Chairman of the Committee. The Board considers that Nigel, with his experience of working at senior levels in global companies, including technology companies, has the most appropriate blend of skills and experience to make a successful Chairman of the Remuneration Committee.

All members served throughout the year.

This report sets out the Directors' remuneration policy for 2019 and beyond. As a company listed on AIM, the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"), nor is it required to comply with the principles relating to directors' remuneration in the UK Corporate Governance Code 2016 (the "Code"). This report has not been audited. It should be read in conjunction with details of Directors' remuneration in notes 5.4 and 5.5 which forms part of the audited financial statements.

The remuneration policy promotes the delivery of the Group's strategy and seeks to align the interests of directors and shareholders. The Committee regularly reviews the link between incentive structure and strategy to ensure that remuneration packages are appropriate to attract, motivate and retain the high calibre executives who are needed to deliver the Group's strategy.

The Group has an incentive driven policy that seeks to reward executives fairly and responsibly based on Group performance and their individual contribution. The Group has a strategy aimed at delivering profitable growth and it is important for motivation and retention that the remuneration of the executives reflects its sustainable, profitable growth and the increasing complexity of the business.

The Committee considers carefully the motivational effects of the incentive structure in order to ensure that it is effective and does not have any unintentionally negative impact on matters such as governance, environmental or social issues. More generally, the Committee ensures that the overall remuneration policy does not encourage inappropriate risk taking.

During the year the Committee considered whether the current policy remains appropriate for 2020 and concluded that it has a remuneration policy which is a good balance between competitive pay, incentives to develop and grow the Company in line with the strategy and effectively rewards for success and does not reward where targets are not met. As in previous years, the Committee had set stretching performance targets for the annual bonus which were clearly linked to the strategy and financial performance of the Group. The financial targets were met; however, no bonus was paid out as management elected not to propose bonus payments for some at a time when salary increases for the work force as a whole had been held back for some time. Salary increases were implemented across the Group from 1 July 2019.

The Executive Directors' base salary will be reviewed on 1 July 2020. Awards under the Deltex Medical Share Option Scheme for each Executive Director will be made at a maximum of 100% of salary. Vesting of the awards after three years will be determined by EPS performance.

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for executive directors and the most senior individuals in the management team. Outside the senior management team, the Group aims to provide remuneration structures for employees which reflect market norms.

Executive Directors' service contracts and policy on cessation

Details of the service contracts of the Executive Directors, available for inspection at the Group's registered office and at the Company's AGM, are as follows:

Executive director	Contract date	Unexpired term of contract
Andy Mears	6 November 2018	Rolling contract; 6 months' notice
David Moorhouse	6 April 2020	Rolling contract; 3 months' notice

Non-executive Directors

For the appointment of a new Chairman or non-executive Director, the fee arrangement would be in accordance with the approved remuneration policy in place at the time.

Non-executive Directors do not have service contracts but are appointed under letters of appointment. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

Chairman

Under an arrangement between the Group and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Group. His current term of appointment commenced on 19 April 2009. This arrangement can be terminated by either party at any time by the giving of six months' notice.

Directors' remuneration

The remuneration paid to the Directors during the year under review and the previous year is summarised in the tables below:

Executive Director	**Year**	**Cash-settled salary**	**Benefits**	**Pension**	**Annual bonus**	**Total**
		£	**£**	**£**	**£**	**£**
Andy Mears*	2019	170,000	7,500	5,623	**-**	183,123
	2018	77,000	4,120	3,080	**-**	84,200
Jonathan Shaw**	2019**	93,392	5,734	7,645	**-**	106,771
	2018	120,000	7,500	10,000	**-**	137,500
David Moorhouse***	2019	14,250	**-**	**-**	**-**	14,250
Total	**2019**	**277,642**	**13,234**	**13,268**	**-**	**304,144**
	2018	**197,000**	**11,620**	**13,080**	**-**	**221,700**

* Andy Mears was appointed to the Board as an Executive Director on 13 June 2018. The 2018 comparative figure only includes his earnings as a director for that portion of the year during which he served as a director of the Company.

** Jonathan Shaw resigned from the Board as an Executive Director on 4 October 2019.

*** David Moorhouse was appointed to the Board on 20 November 2019.

'Benefits' comprise the provision of a car allowance paid in cash.

'Annual bonus' represents the full annual bonus, payable in cash and share options.

Andy Mears has an interest in 2,387,500 share options under the 2011 Executive share option scheme with exercise periods ranging from 28 September 2014 to September 2020 and expiry dates from 27 September 2021 to 21 September 2027 at exercise prices from 17.25p to 4p. He also has an interest in 10,000,000 share options under the 2003 Enterprise Management Incentive Scheme exercisable from 1 April 2020 to 5 August 2028 at a price of 1p.

Payments for loss of office

On 4 October 2019 Jonathan Shaw left the Group. He received the following payments: base salary, benefits and pension to the date of cessation; payment of £65,000 in lieu of six months' notice; payment of £30,000 as compensation for loss of office; car allowance in respect of his contractual notice period; and payment in lieu of holiday not taken. Jonathan Shaw had an interest in 404,762 share options under the 2003 Enterprise Management Incentive Scheme which were exercised on 27 November 2019 at a price of 1p.

Non-executive Directors	Year	Cash settled Directors' fees	Equity settled Directors' fees	Benefits	Pension	Annual bonus	Long term incentive awards	Total
		£	£	£	£	£	£	£
Nigel Keen	2019	-	33,333	-	-	-	-	33,333
	2018	-	33,333	-	-	-	-	33,333
Julian Cazalet	2019	-	24,000	-	-	-	-	24,000
	2018	-	24,000	-	-	-	-	24,000
Chris Jones	2019	-	24,000	-	-	-	-	24,000
	2018	9,000	12,000	-	-	-	-	21,000
Sir Duncan Nichol	2019	-	24,000	-	-	-	-	24,000
	2018	-	24,000	-	-	-	-	24,000
Mark Wippell	2019	-	24,000	-	-	-	-	24,000
	2018	-	24,000	-	-	-	-	24,000
Total	**2019**	**-**	**129,333**	**-**	**-**	**-**	**-**	**129,333**
	2018	**9,000**	**117,333**	**-**	**-**	**-**	**-**	**126,333**

All NED fees are planned to be settled by the issue of equity instruments in the Group. Fees planned to be settled by shares remain outstanding from 1 April 2016 and in aggregate total £446,827. Of this amount, £330,165 is included within accrued liabilities and £116,662 within trade payables in the balance sheet.

Dilution limits

The ESOS provides that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the Group's issued share capital over a ten-year period. The Committee monitors the position prior to the making of any award under these share option schemes to ensure that the Group remains within this limit. As at the date of this Report, the Group's headroom position remains within the 10% limit.

Directors' shareholdings

Directors' shareholdings as at 31 December 2019 are shown in the table below.

	Legally owned	**Unexercised Options**	**Unvested options subject to performance under the EMI scheme**	**Unvested options subject to performance under the ESOS**
Andy Mears	2,781,808	-	10,000,000	2,387,500
David Moorhouse	459,834	-	-	-
Nigel Keen	64,740,491	-	-	-
Julian Cazalet	9,397,927	-	-	-
Chris Jones	525,862	-	-	-
Sir Duncan Nichol	2,754,136	-	-	-
Mark Wippell	2,481,831	-	-	-

Approval

This report was adopted by the Committee on 24 April 2020 and has been approved subsequently by the Board.

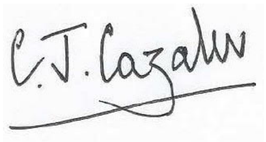
Nigel Keen
Chairman of the Remuneration Committee
24 April 2020

Report of the Audit Committee

Introduction from Julian Cazalet MA FCA, Chairman of the Audit Committee

I am pleased to present this report on behalf of the Audit Committee. I have been Chair of the Audit Committee since 2015 and consider that I have recent and relevant financial experience.

During the year, I have met with a number of shareholders to discuss various matters and I look forward to continuing to do so in the coming year.



Julian Cazalet MA FCA
Audit Committee Chairman
24 April 2020

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Key responsibilities

The primary responsibility of the Audit Committee is to assist the Board fulfil its oversight responsibilities. Accordingly, the Audit Committee is required to:

- monitor the integrity of both the Group's interim and annual report and accounts;
- review any significant financial reporting matters that may arise and agree on the reasonableness of the judgements they may contain;
- advise on the clarity of disclosure of information provided in the report with the objective of ensuring that the Annual Report & Accounts, as a whole, is fair and balanced.
- ensure that the both the Group's interim and annual accounts have been prepared in accordance with applicable accounting standards and that any significant estimates made are considered to be reasonable;
- review the adequacy and effectiveness of the Group's system of internal control and risk management; and
- oversee the relationship with the Group's independent auditors, reviewing the effectiveness of the external audit and advising the Board on their appointment and remuneration.

Audit Committee governance

The Audit Committee comprises all the non-executive Directors and was chaired during the year under review by Julian Cazalet who is a Chartered Accountant with recent and relevant financial experience.

The other non-executive Directors who served during the year under review are all considered to have the ability and experience necessary to understand both interim and annual reports and accounts.

The Audit Committee usually meets twice a year along with the Executive Directors, by invitation. A private meeting is also held with the Group's independent auditors without the Executive Directors in attendance.

Activities of the Audit Committee during the year

Internal controls and risk management

The Board has collective responsibility for the effectiveness of the Group's system of internal control. The Audit Committee has assisted the board with its review of the effectiveness of the internal controls and risk management during the year principally through discussion with the executive directors and other senior managers within the Group. In addition, the Audit Committee receives reports from its external auditors that contain control findings that are relevant to its work.

Information relating to the Group's principal risks and uncertainties can be found on page 20.

Financial reporting matters and judgements

The Audit Committee received updates on the key judgemental financial reporting areas in the Annual Report & Accounts from the Group Finance Director and considered the findings from the external auditors on these matters. The significant reporting matters that were considered by the Audit Committee during the year were:

The carrying value of investments in subsidiaries in the Parent Company's Individual Financial Statements. The Committee reviewed the key assumptions used in the underlying cash flow forecast that was used as basis for the value in use calculation required by accounting standards. The key assumptions reviewed in the cash flow forecast were the sales growth rates, gross margins and overheads. In the context of the value in use calculation, the Committee satisfied itself that the pre-tax discount rate was appropriate to use.

External audit

The Audit Committee has received an audit planning document from the auditors that sets out the auditor's perceived audit risks and the scope of the work to be performed. The Audit Committee was satisfied that the risks identified were aligned with its own assessment and that the proposed approach was sufficient for a high-quality audit to be performed.

Following the completion of the audit, the Audit Committee received from the auditors a post-audit management letter that set out the key findings from the audit. The auditors also confirmed their independence and how they comply with their professional and regulatory requirements.

The Audit Committee has confirmed that it is satisfied with the independence, objectivity and the effectiveness of Nexia Smith & Williamson's audit and has recommended to the Board that they are reappointed.

A resolution to this effect will be proposed at the forthcoming Annual General Meeting.

Opinion

We have audited the financial statements of Deltex Medical Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- 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 2019 and of the group's loss 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;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – impact of COVID-19

We draw attention to notes 1.7 and 26 of the financial statements which describes the impact of COVID-19 on the company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- 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 or the 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.

Key audit matters

We identified the key audit matters described below as those which were most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address each matter in the context of the financial statements as a whole and in forming our opinion thereon.

Key audit matter	Description of risk	How the matter was addressed in the audit
The cash flow projections which support going concern for group and parent and parent company investment and intercompany balances with subsidiaries	The Group is loss-making and has relied on equity funding to provide working capital in previous years. Management have prepared a budget and cash flow forecast indicating that the group and parent company can operate as a going concern for at least 12 months from the date the financial statements are approved. Cash flow projections are inherently judgemental and subject to fluctuation with expenditure requirements. As a result, the ability of the group and parent company to operate as a going concern for 12 months from the date of approval of the financial statements was a key area of audit focus. Furthermore, the parent company has significant balances relating to investments in subsidiaries and receivables due from group companies. The group's assessment of carrying value requires significant judgement in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions to derive a value in use.	We challenged the assumptions used in the cash flow forecasts. The main procedures performed on the forecasts and areas where we challenged management were as follows: • testing the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes; • discussion with Management over the basis and appropriateness of key assumptions used in the cashflow forecasts. • verifying the consistency of forecasts used in the impairment calculations with those used for going concern assessment before consideration of COVID-19; • performing sensitivity calculations to understand the impact of changing the key assumptions and the effect on cashflows and value in use • Reviewing the disclosures around going concern in the financial statements to ensure they are consistent with the work performed. In performing our procedures, we used our internal valuation specialists to assess the appropriateness of the model and the discount rate and long term growth rates applied.

Revenue recognition including contract liabilities	Revenue growth continues to be a key focus for the group to meet market expectations.	As part of our procedures we: • traced a sample of sales from customer order to the nominal ledger, ensuring contract liability postings were complete for these transactions • reviewed transactions around the year end and traced to supporting documentation to determine if the sale was recorded in the correct period • performed testing of contract liability balances to ensure that revenue was being correctly deferred • reviewed the revenue recognition policies disclosed in the financial statements to determine if these policies were in accordance with IFRS15 and in line with the accounting treatment adopted, including consideration of the accounting for the termination of a distribution agreement.
Capitalisation of development costs and impairment of development costs	The group has significant intangible assets arising from the capitalisation of the costs relating to products in development. For products in development the main risk is assessing the ability to successfully commercialise the individual product concerned to the extent that future revenues from the products will generate sufficient returns to cover the development costs over its useful economic life. This can be a highly judgemental area.	A sample of project development costs capitalised in the year were traced to supporting documentation ensuring they were valid capital expenditure and the relevant capitalisation criteria under IAS 38 were met. A sample of development projects in progress and completed at the year end were discussed with management and individuals overseeing the projects to understand the future prospects of the projects and consider whether any impairment was required. The useful economic life of a sample projects has also been reviewed to determine if the useful economic life is appropriate.

Our application of materiality

The materiality for the financial statements of the group as a whole was set at £85,100. This has been determined with reference to the benchmark of the group's turnover, which we consider to be one of the principal considerations in assessing the performance of the group. Materiality represents 2% of turnover.

The materiality for the financial statements of the parent as a whole was set at £68,080. This represents 1% of net assets.

An overview of the scope of our audit

Of the group's five reporting components, we subjected two to a full scope audit in their own right and the other three reporting components were subjected to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and audited to group performance materiality.

The components within the scope of our work covered 100 per cent of group revenue, 100 per cent of group profit before tax and 100 per cent of group net assets.

Other information

The other information comprises the information included in Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith + Williamson

Julie Mutton

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor

Chartered Accountants

15-17 Cumberland Place

Southampton

Hampshire

SO15 2BG

Date: 24 April, 2020

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	**3**	**4,256**	4,955
Cost of sales	**4**	**(974)**	(1,424)
Gross profit		**3,282**	3,531
Administrative expenses		**(1,515)**	(1,721)
Sales and distribution expenses		**(1,220)**	(2,189)
Research and Development, Quality and Regulatory		**(446)**	(526)
Impairment loss on trade receivables	**23**	**(11)**	(38)
Exceptional costs	**9**	**(137)**	(287)
Total costs	**4**	**(3,329)**	(4,761)
Operating profit / (loss) before exceptional costs and other gain		**90**	(943)
Exceptional costs	**9**	**(137)**	(287)
Other gain	**7, 17**	**13**	80
Operating loss		**(34)**	(1,150)
Finance costs	**6**	**(176)**	(188)
Loss before taxation		**(210)**	(1,338)
Tax credit on loss	**7**	**51**	74
Loss for the year		**(159)**	(1,264)
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Net translation differences on overseas subsidiaries		**(8)**	2
Other comprehensive (expense)/income for the year, net of tax		**(8)**	2
Total comprehensive loss for the period/year		**(167)**	(1,262)
Total comprehensive loss for the period/year attributable to:			
Owners of the Parent		**(169)**	(1,268)
Non-controlling interests		**2**	6
		(167)	(1,262)
Loss per share – basic and diluted	**10**	**(0.03p)**	(0.3p)

The notes on pages 42 to 76 form an integral part of these consolidated financial statements.

Consolidated balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 Restated £'000	At 1 January 2018 Restated £'000
Assets				
Non-current assets				
Property, plant and equipment	**11**	**395**	500	701
Intangible assets	**12**	**2,651**	2,528	2,486
Financial assets at amortised cost	**15**	**157**	155	-
Total non-current assets		**3,203**	3,183	3,187
Current assets				
Inventories	**14**	**915**	680	754
Trade receivables	**15**	**1,062**	1,410	1,618
Financial assets at amortised cost	**15**	**214**	245	378
Other current assets	**15**	**113**	190	54
Current income tax recoverable		**80**	74	94
Cash and cash equivalents		**908**	580	219
Total current assets		**3,292**	3,179	3,117
Total assets		**6,495**	6,362	6,304
Liabilities				
Current liabilities				
Borrowings	**17**	**(188)**	(553)	(840)
Trade and other payables	**17**	**(2,198)**	(1,983)	(2,650)
Total current liabilities		**(2,386)**	(2,536)	(3,490)
Non-current liabilities				
Borrowings	**17**	**(1,072)**	(1,035)	(1,004)
Trade and other payables	**17**	**(320)**	(352)	(385)
Provisions	**19**	**(62)**	(56)	(56)
Total non-current liabilities		**(1,454)**	(1,443)	(1,445)
Total liabilities		**(3,840)**	(3,979)	(4,935)
Net assets		**2,655**	2,383	1,369
Equity				
Share capital	**20**	**5,249**	4,927	3,132
Share premium	**25**	**33,230**	33,230	32,915
Capital redemption reserve	**25**	**17,476**	17,476	17,476
Other reserve	**25**	**439**	953	4,752
Translation reserve	**25**	**141**	149	147
Convertible loan note reserve	**25**	**82**	82	84
Accumulated losses	**25**	**(53,823)**	(54,293)	(56,990)
Equity attributable to owners of the Parent		**2,794**	2,524	1,516
Non-controlling interests		**(139)**	(141)	(147)
Total equity		**2,655**	2,383	1,369

The notes on pages 42 to 76 form an integral part of these consolidated financial statements. The financial statements on pages 37 to 76 were approved by the Board of Directors and authorised for issue on 24 April 2020 and were signed on its behalf by:

Nigel Keen

Nigel Keen
Chairman

David Moorhouse
Group Finance Director

Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital	Share premium	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 2019, as restated	**4,927**	**33,230**	**17,476**	**953**	**82**	**149**	**(54,293)**	**2,524**	**(141)**	**2,383**
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(161)	(161)	2	(159)
Other comprehensive income for the period	-	-	-	-	-	(8)	-	(8)	-	(8)
Total comprehensive income for year	-	-	-	-	-	(8)	(161)	(169)	2	(167)
Transactions with owners of the Group										
Equity-settled share-based payment	-	-	-	117	-	-	-	117	-	117
Transfers	-	-	-	(631)	-	-	631	-	-	-
Share options exercised	322	-	-	-	-	-	-	322	-	322
Balance at 31 December 2019	**5,249**	**33,230**	**17,476**	**439**	**82**	**141**	**(53,823)**	**2,794**	**(139)**	**2,655**

The notes on pages 42 to 76 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital	Share premium	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 2018, as previously reported	**3,132**	**32,915**	**17,476**	**4,752**	**84**	**147**	**(56,961)**	**1,545**	**(147)**	**1,398**
Effect of prior period adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**(29)**	**(29)**	**-**	**(29)**
Balance at 1 January 2018, as restated	**3,132**	**32,915**	**17,476**	**4,752**	**84**	**147**	**(56,990)**	**1,516**	**(147)**	**1,369**
Comprehensive income										
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,270)**	**(1,270)**	**6**	**(1,264)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**	**-**	**2**
Total comprehensive income for year	**-**	**-**	**-**	**-**	**-**	**2**	**(1,270)**	**(1,268)**	**6**	**(1,262)**
Transactions with owners of the Group										
Shares issued during the year	**1,787**	**447**	**-**	**-**	**-**	**-**	**-**	**2,234**	**-**	**2,234**
Issue expenses	**-**	**(132)**	**-**	**-**	**-**	**-**	**-**	**(132)**	**-**	**(132)**
Equity-settled share-based payment	**-**	**-**	**-**	**166**	**-**	**-**	**-**	**166**	**-**	**166**
Transfers	**-**	**-**	**-**	**(3,965)**	**(2)**	**-**	**3,967**	**-**	**-**	**-**
Share options exercised	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**8**
Balance at 31 December 2018, as restated	**4,927**	**33,230**	**17,476**	**953**	**82**	**149**	**(54,293)**	**2,524**	**(141)**	**2,383**

The notes on pages 42 to 76 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss before taxation	**(210)**	(1,338)
Adjustments for:		
Net finance costs	**176**	188
Depreciation of property, plant and equipment	**149**	246
Profit on disposal of loan monitors	**(36)**	(12)
Amortisation of intangible assets	**84**	173
Modification gain on convertible loan note	**-**	(80)
Share-based payment expense	**117**	166
Effect of exchange rate fluctuations	**(2)**	(9)
	278	(666)
(Increase)/decrease in inventories	**(235)**	38
Decrease in trade and other receivables	**427**	52
Increase/(decrease) in trade and other payables	**212**	(694)
Increase/(decrease) in provisions	**6**	(1)
Net cash generated from / (used in) operations	**688**	(1,271)
Interest paid	**(139)**	(141)
Income taxes received	**60**	94
Net cash generated from / (used in) operating activities	**609**	(1,318)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(10)**	(18)
Proceeds from the sale of loan monitors	**59**	18
Capitalised development expenditure	**(250)**	(214)
Net cash used in investing activities	**(201)**	(214)
Cash flows from financing activities		
Issue of ordinary share capital	**322**	2,216
Expenses in connection with share issue	**-**	(132)
Net movement in invoice discount facility	**(356)**	(171)
Principal lease payments	**(33)**	(36)
Net cash (used in) / generated from financing activities	**(67)**	1,877
Net increase in cash and cash equivalents	**341**	345
Cash and cash equivalents at beginning of the period	**580**	219
Exchange (loss)/gain on cash and cash equivalents	**(13)**	16
Cash and cash equivalents at end of the period	**908**	580

The notes on pages 42 to 76 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2019

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 2019 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 AIM of the London Stock Exchange. The address of the registered office is Deltex Medical Group plc, Terminus Road, Chichester, PO19 8TX, registered number 03902895. The Group is principally involved with the manufacture and sale of advanced haemodynamic monitoring technologies.

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 (IFRIC) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis as discussed in more detail under the 'Basis of Preparation' section of this note.

These financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2018, except for the restatement explained in note 11. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

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:

	2019		**2018**	
	Average Rate	**Closing rate**	**Average rate**	**Closing rate**
Sterling/US Dollar	**1.28**	**1.31**	1.33	1.27
Sterling/Euro	**1.14**	**1.17**	1.13	1.11
Sterling/Canadian Dollar	**1.70**	**1.71**	1.73	1.73

1.5 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.

1.6 Use of judgements and estimates

In preparing these consolidated financial statements, management has had to make judgements and estimates that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. However, actual results may differ from these results.

Judgements

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 these criteria. There is a risk that the intangible asset will not generate the required future economic benefits and therefore could result in potential impairments.

Revenue recognition – bill and hold sales

Bill and hold sales occasionally feature in the Group’s sales profiles both in the UK and international markets served by third party distributors around the year-end date. In determining when the transaction may be recognised as revenue, management must be satisfied that:

- the request to hold stock on the customer’s behalf reflects a substantive arrangement;
- the customer acknowledges the deferred delivery instructions, confirms that it has accepted title and accepts the invoice which is payable in accordance with usual payment terms; and
- the products ordered by the customer are on hand, identified and ready for delivery at the time the sale is recognised.

Revenue recognised under bill and hold arrangements for the year ended 31 December 2019 amounted to £71,000 (2018: £142,300).

Distribution agreement
As has been noted in the Chairman's statement, the Group negotiated the termination of a distribution agreement relating to the sale of low margin third-party goods in the UK during the year. The directors do not consider that this constituted a major line of business and do not therefore believe that this meets the definition of a discontinued operation.

Estimates
Information about estimation uncertainties at 31 December 2019 that have a significant risk of adjustment to the carrying amount of assets in the next financial year is contained in the following note:

Trade receivables
Note 23 provides information on the measurement of expected credit losses in respect of trade receivables, staff advances and other receivables.

1.7 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 any 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 2021. This review indicates that the Group is expected to continue trading as a going concern based on increasing net cash inflows from sales over expenditure of the Group. The directors recognise that, whilst the short-term impact of COVID-19 has resulted in an increase in demand in parts of the business, demand over the coming year is by its nature uncertain.

Notwithstanding the uncertainties over the impact for the Group that COVID-19 causes, the directors consider that they have reasonable grounds to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and it is therefore appropriate to prepare the financial statements on the going concern basis.

2. Revenue recognition

2.1 Accounting policy

Revenue arises predominantly from the sale of advanced haemodynamic monitoring equipment which comprise monitors and consumable items such as single use probes and other ancillary items such as cables, roll stands etc. Revenue is also earned from after sales maintenance contracts.

In determining whether to recognise revenue, the Group applies the following 5-step process:

1. Identifying the contract with the customer;
2. Identifying the performance obligations set out in the contract;
3. Determining the overall transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue either when or as performance obligation(s) are satisfied.

The Group recognises contract liabilities for consideration received in advance of unsatisfied performance obligations and reports these amounts as other liabilities in the Consolidated Balance Sheet. Typically, these amounts relate to consideration received in advance for after-sales maintenance contracts or, occasionally, consideration received from new customers in settlement of pro-forma sales invoices.

Monitor and consumable revenues
Revenue on monitors and consumables is recognised when the Group transfers the control of the assets to the customer. For customers in both the UK and the USA, this is when the goods are accepted for delivery at the customer's specified delivery address. For our network of independent distributors which form our 'International'

business stream, the transfer of control occurs on despatch of the goods in accordance with the Group's distributor agreements.

Preventative planned maintenance (PPM) agreements
The Group enters into PPM agreements with customers for the provision of an annual service for their monitors. These agreements can range in length from 1 to 3 years and provide for an annual service for each monitor specified by the serial number on the PPM agreement. Revenue is recognised when the service has been completed and the monitor is ready for use by the customer. As noted above, consideration received from customers in advance of completing the service of their monitors is recognised as other liabilities in the Consolidated balance sheet.

Managed care contracts
The Group occasionally enters into managed care contracts with customers in both the UK and USA. These contracts typically provide for a specified number of patients to be treated over a period of one year. The contracts specify the maximum number of patients that can be treated under the contract. In the USA, the annual contract amount is invoiced to the customer in equal monthly instalments irrespective of the fact that the hospital may not have ordered sufficient consumable probes in any particular month. The contracts provide the customer with the ability to treat patients at any time during the contract period. Accordingly, revenue is recognised on a straight-line basis over the life of the contract.

In the event that a customer wished to treat more patients than specified in the contract, the customer can choose to either pay in full the invoiced amount outstanding under the contract and enter into a new agreement or continue to pay the monthly amounts due under the contract along with a specified amount charged for each additional consumable probe ordered. In the event of this occurring, any revenue that had not been recognised under the contract would be recognised in full when the contracted number of probes had been delivered.

In the UK, the annual contract amount is invoiced at the start of the contract. Revenue is recognised on a straight-line basis over the life of the contract. Payments received in advance are recognised as contract liabilities in the balance sheet. In the event that a customer wishes to order more consumable probes than that set out in the contract, a fixed price per probe is specified in the contract. In such circumstances, any revenue that had not been recognised under the contract would be recognised in full when the contracted number of probes had been delivered and revenue for any additional consumable probes ordered would be recognised at the time of delivery to the customer.

At the end of the contract term, the customer has neither the right to a refund nor to the delivery of consumable probes that may not have been ordered under the contract.

3. Segmental analysis

3.1. Accounting policy
Performance and the allocation resources is made on the basis of results derived from the sale of probes, monitors and third-party products of which revenues and gross margins are regularly reported to the Group's Chief Executive Officer who has been identified as the Chief Operating Decision Maker (CODM). The CODM also monitors a profit measure described internally as 'adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA). However, this measure is reported at a Group level rather than an operating segment which is based on the nature of the goods provided rather than the geographical market in which they are sold.

3.2. Note

The segment results for 2019 are:

	Probes[1]	**Monitors**	**Third party products**	**Other**	**Unallocated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenues	**3,533**	**260**	**293**	**170**	**-**	**4,256**
Adjusted gross profit[2]	**2,881**	**232**	**127**	**113**	**-**	**3,353**
Sales and marketing costs	-	-	-	-	(1,304)	**(1,304)**
Administration costs	-	-	-	-	(1,297)	**(1,297)**
R&D costs	-	-	-	-	(139)	**(139)**
Quality and regulation costs	-	-	-	-	(222)	**(222)**
Adjusted EBITDA	**-**	**-**	**-**	**-**	**-**	**391**

1. Managed care service revenue is categorised as probe revenue
2. Gross profit excluding the depreciation charge relating to machines loaned to customers and production equipment

The operating segment results for 2018 were:

	Probes[1]	Monitors	Third party products	Other	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues	4,035	301	448	171	-	4,955
Adjusted gross profit[2]	3,240	154	216	86	-	3,696
Sales and marketing costs	-	-	-	-	(2,324)	(2,324)
Administration costs	-	-	-	-	(1,751)	(1,751)
R&D costs	-	-	-	-	(139)	(139)
Quality and regulation costs	-	-	-	-	(200)	(200)
Adjusted EBITDA	-	-	-	-	-	(718)

1. Managed care service revenue is categorised as probe revenue.
2. Gross profit excluding the depreciation charge relating to machines loaned to customers and production equipment.

The reconciliation of the profit measure used by the Group's CODM to the result reported in the Group's consolidated SOCI is set out below:

	2019 £'000	2018 £'000
Adjusted EBITDA	**391**	(718)
Non-cash items:		
Depreciation of property, plant and equipment	**(149)**	(246)
Amortisation of development costs	**(84)**	(173)
Non-executive directors' fees and employer's NIC	**(136)**	(140)
Share-based payment expenses	**(117)**	(166)
Change in accumulated absence cost liability	**26**	24
Bonus accrual releases	**22**	189
Gain on convertible loan note	**-**	80
Cash item:		
Other tax income	**13**	-
	(425)	(432)
Operating loss	**(34)**	(1,150)
Finance costs	**(176)**	(188)
Loss before tax	**(210)**	(1,338)
Tax credit on loss	**51**	74
Loss for the year	**(159)**	(1,264)

The following table provides an analysis of the Group's sales by revenue stream and markets. This information is regularly provided to the Group's CODM:

For the year ended 31 December 2019

	Direct markets				**Indirect markets**			
	Probes £'000	**Monitors £'000**	**Third Party £'000**	**Other £'000**	**Probes £'000**	**Monitors £'000**	**Other £'000**	**Total £'000**
UK	**902**	**49**	**293**	**107**	**-**	**-**	**-**	**1,351**
USA	**1,443**	**45**	**-**	**42**	**-**	**-**	**-**	**1,530**
France	**-**	**-**	**-**	**-**	**289**	**9**	**6**	**304**
Scandinavia	**-**	**-**	**-**	**-**	**83**	**-**	**1**	**84**
South Korea	**-**	**-**	**-**	**-**	**277**	**10**	**3**	**290**
Peru	**-**	**-**	**-**	**-**	**258**	**-**	**3**	**261**
Other countries	**29**	**-**	**-**	**-**	**251**	**148**	**8**	**436**
	2,374	**94**	**293**	**149**	**1,158**	**167**	**21**	**4,256**

For the year ended 31 December 2018

	Direct markets				Indirect markets			
	Probes £'000	Monitors £'000	Third Party £'000	Other £'000	Probes £'000	Monitors £'000	Other £'000	Total £'000
UK	1,051	5	448	108	-	-	-	1,612
USA	1,534	17	-	17	-	-	-	1,568
France	-	-	-	-	799	66	35	900
Scandinavia	-	-	-	-	62	-	-	62
South Korea	-	-	-	-	258	-	1	259
Peru	-	-	-	-	116	165	-	281
Other countries	49	14	-	-	166	34	10	273
	2,634	36	448	125	1,401	265	46	4,955

The Group's revenue disaggregated between the sale of goods and the provision of services is set out below. All revenues from the sale of goods are recognised at a point in time; maintenance income is recognised over time.

	2019	2018
	£'000	£'000
Sale of goods	**4,176**	4,882
Maintenance income	**80**	73
	4,256	4,955

The following table provides information about trade receivables and contract liabilities from contracts with customers. There were no contract assets at either 31 December 2019 or 31 December 2018.

	31 December 2019	31 December 2018
	£'000	£'000
Trade receivables which are in 'Trade and other receivables'	**1,062**	1,410
Contract liabilities (Note 17.4)	**(53)**	(151)

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2019:

	2020	2021	2022	**Total**
	£'000	£'000	£'000	**£'000**
Revenue expected to be recognised	50	3	-	**53**

4. Expenses

4.1. Expenses by nature

	2019 £'000	2018 £'000
Changes in inventories and work in progress	**173**	(62)
Raw materials and consumables used	**755**	888
Employee benefit costs	**2,350**	3,498
Other employee costs	**315**	562
Non-executive directors' fees	**128**	124
Depreciation of property, plant and equipment	**149**	246
Amortisation of development costs	**84**	173
Net research and development expenditure	**43**	70
Short-term leases	**23**	29
Net foreign exchange loss/(gain)	**43**	(4)
Audit and accountancy costs	**59**	57
Meeting and other public relations costs	**48**	103
Professional and consultancy costs	**189**	213
Gain on convertible loan note	**-**	(80)
Other income	**(13)**	-
Other	**(56)**	288
	4,290	6,105

4.2. Auditors' remuneration

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

Nexia Smith & Williamson

	2019 £'000	2018 £'000
Fees payable to the Group's auditors for the audit of Parent Company and consolidated financial statements	**10**	10
Fees payable to the Group's auditors for other services:		
The audit of the Group's subsidiaries	**32**	28
Tax compliance services	**7**	6
Tax advisory services	**-**	3
	49	47

5. Employees

5.1. Accounting policy

Short-term obligations

Liabilities for wages and salaries, including annual leave, that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the financial reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are categorised as current liabilities within trade and other payables in the Consolidated Balance Sheet.

Post-employment obligations

The Group operates two defined contribution schemes for its employees. One scheme is for UK based employees and the other is for US-based employees. In addition, contributions are also paid into private personal pension schemes that belong to certain employees.

For defined contribution schemes, the Group pays contributions to privately administered pension schemes on a mandatory, contractual or discretionary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

5.2. Employee benefit expense

	2019 £'000	2018 £'000
Wages and salaries	**2,232**	3,369
Social security costs	**244**	333
Pension costs – defined contribution plans	**65**	85
	2,541	3,787
Less amounts capitalised as research and development expenses	**(201)**	(220)
	2,340	3,567
Accumulated absence liability movement	**(26)**	(25)
Accrued bonuses for the year	**43**	37
Accrued bonuses from prior periods released	**(124)**	(247)
Share-based payment expense	**117**	166
	2,350	3,498

The pensions cost expense of £65,000 (2018: £85,000) represents the aggregate amount paid and payable into defined contribution pension schemes on behalf of employees.

5.3. Average monthly number of people employed

	2019 Number	2018 Number
Number of employees	**52**	71
Average monthly number of people (including executive directors) employed:		
Sales and marketing	**15**	28
Production	**17**	21
Office and management	**10**	13
Quality and regulatory	**4**	3
Research and development	**6**	6
Total monthly average headcount	**52**	71

5.4. Directors' emoluments

	2019 £'000	2018 £'000
Aggregate emoluments	**363**	373
Payment in lieu of notice	**65**	119
Compensation for loss of office	**30**	76
Sums paid to third parties for directors' services	**57**	54
Contributions to directors' personal pension schemes	**8**	14
Contributions to the Group's defined contribution scheme	**6**	3
	529	639

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

Third party payee	Director	2019 £'000	2018 £'000
Imperialise Limited	Nigel Keen	**33**	33
Rockridge Medical Limited	Chris Jones	**24**	21
		57	54

5.5. Highest paid director

	2019 **£'000**	2018 £'000
Aggregate emoluments	**177**	128
Contributions to director's personal pension scheme	**6**	10
	183	138

During the year, one director exercised 404,762 (2018: 800,000) share options with an exercise price of 1 penny per share. The market price per share at the date of exercise was 1.25 (2018: 1.25) pence leading to a gain of £1,012 (2018: £2,000) on that day.

6. Finance income and costs

	2019 **£'000**	2018 £'000
Invoice discount facility	**3**	9
Convertible loan note	**126**	135
Lease liability finance expense	**47**	42
Other interest payable	**-**	2
	176	188

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.

7.2. Note

Current tax	**2019** **£'000**	2018 £'000
Research and development tax credit	**(64)**	(63)
Adjustment in respect of prior years	**13**	(11)
Total current tax	**(51)**	(74)
Total deferred tax	**-**	-
Total tax credit on loss	**(51)**	(74)

In 2019, the other gain amount of £13,000 comprises tax income arising from the Research and Development Expenditure Credit scheme which is accounted for as a government grant. There was no such income in 2018.

The taxable credit on the loss for the year is higher (2018: lower) than the effective rate of corporation tax in the UK of 19% (2018: 19%) applied to the Group's loss on ordinary activities before tax. The differences are explained below:

	2019 **£'000**	2018 £'000
Loss on ordinary activities before tax	**(210)**	(1,338)
Loss on ordinary activities multiplied by the standard rate in the UK of 19% (2018: 19%)	**(40)**	(254)
Effects of:		
(Non-taxable income)/items disallowed for tax purposes	**(496)**	(138)
Losses carried forward for which no deferred tax asset has been recognised	**485**	365
Other movements in unrecognised deferred tax	**-**	10
Tax rate of difference on receivable research and development tax credit	**(49)**	(65)
Research and development expenditure credit	**3**	-
Difference on tax rate on payable research and development tax credit	**21**	19
Rate change adjustment	**28**	-
Share based payment deduction	**(17)**	-
Adjustment in respect of prior years	**14**	(11)
Total tax credit on loss	**(51)**	(74)

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 2019, the Group had accumulated trading losses carried forward which are available to offset against future profits of £34,608,000 (2018: £32,779,000) resulting in an unrecognised potential deferred tax asset of £6,486,000 (2018: £6,201,000).

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	**2019 £'000**	2018 £'000
Development costs	**399**	430
Accelerated capital allowances	**5**	93
	404	523

	2019 £'000	2018 £'000
At 1 January	**523**	448
(Credited)/charged to profit or loss in the Consolidated SOCI	**(119)**	75
At 31 December	**404**	523

Deferred tax asset on losses	**2019 £'000**	2018 £'000
At 1 January	**(523)**	(448)
Charged/(credited) to profit or loss in the Consolidated SOCI	**119**	(75)
At 31 December	**(404)**	(523)

9. Exceptional items

9.1. Accounting policy

As permitted by IAS1, 'Presentation of Financial Statements', certain items are presented separately in the Consolidated SOCI as exceptional items where, in the judgement of the directors, they need to be presented separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance.

9.2. Note

Exceptional items comprised:

	2019 £'000	2018 £'000
Payments in lieu of notice	**65**	119
Compensation for loss of office	**30**	76
Share-based payment expense relating to settlement of contractual bonuses owed	**-**	123
Redundancy costs	**-**	142
Legal and professional costs relating to redundancies	**-**	29
Bonus accrual release	**-**	(202)
Write off of research and development obsolete projects	**42**	-
	137	287

10. Basic and diluted loss per share

The loss per share calculation is based on the loss of £161,000 and the weighted average number of shares in issue of 509,679,881. For 2018, the loss per share calculation is based on the loss of £1,270,000 and the weighted average number of shares in issue of 471,460,901. While the Group is loss-making, the diluted loss per share and the loss per share are the same.

11. Property, plant and equipment

11.1. 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

- Right of use asset: over the period of the lease term
- Plant and equipment: three to five years
- Machines loaned to customers: five years
- Fixtures and fittings: three to five years

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

Machines loaned to customers

In order to support key accounts and increased probe usage, monitors may be placed on long-term loan with customers. Where these monitors are expected to be placed for a period longer than 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.

Other than managed care contracts, the Group has no contractual obligation to provide loan monitors for a specified period of time. The Group monitors probe usage by customers that have loan monitors and where, for various reasons, probe volumes do not support the loaned monitor estate the under-utilised monitors are removed and held ready to meet future demand for monitors by other customers.

11.2. Note

	Leasehold property and improvements £'000	Right of use asset £'000	Plant and equipment £'000	Fixtures and fittings £'000	Machines loaned to customers £'000	Total £'000
Cost						
At 1 January 2018, as previously stated	243	514	751	30	1,596	3,134
Effect of prior period adjustment	-	(87)	-	-	-	(87)
At 1 January 2018, as restated	243	427	751	30	1,596	3,047
Exchange difference	-	-	4	2	30	36
Additions	-	-	18	-	-	18
Transferred from inventory	-	-	-	-	64	64
Disposals	(68)	-	(300)	(29)	(26)	(423)
At 31 December 2018, as restated	175	427	473	3	1,664	2,742
Exchange difference	-	-	-	(1)	(44)	(45)
Additions	5	-	5	-	-	10
Transferred from inventory	-	-	-	-	62	62
Disposals	-	-	-	-	(112)	(112)
At 31 December 2019	**180**	**427**	**478**	**2**	**1,570**	**2,657**
Accumulated depreciation						
At 1 January 2018	239	-	688	30	1,389	2,346
Exchange differences	-	-	2	2	54	58
Depreciation charge	3	59	45	-	139	246
Disposals	(68)	-	(297)	(29)	(14)	(419)
At 31 December 2018, as restated	174	59	438	3	1,568	2,242
Exchange differences	-	-	-	(2)	(39)	(41)
Depreciation charge	2	48	27	1	71	149
Disposals	-	-	-	-	(88)	(88)
At 31 December 2019	**176**	**107**	**465**	**2**	**1,512**	**2,262**
Net book value						
At 1 January 2018, as restated	4	427	63	-	207	701
At 31 December 2018, as restated	1	368	35	-	96	500
At 31 December 2019	**4**	**320**	**13**	**-**	**58**	**395**

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

	2019 £'000	2018 £'000
Cost of sales	**71**	168
Administration expenses	**69**	65
Research and development expenses	**9**	13
	149	246

The net book value of property, plant and equipment includes amounts of £320,000 (restated 2018: £368,000) in respect of assets held under leasing arrangements. During the year, the directors reviewed the treatment under IFRS 16 of right of use assets. As a result, a prior period adjustment has been made to remove the capitalised dilapidation from Property, Plant and Equipment, as well as the associated depreciation, and also to discount the dilapidation provision (see Note 19). An interest charge for the unwinding of the discount has also been made. The net impact on the prior year Consolidated SOCI relating to the prior period adjustments are immaterial, and therefore the comparatives have not been restated.

12. Intangible assets

12.1. Accounting policy

Expenditure on research and development is charged to profit or loss in the Consolidated SOCI in the year in which it is incurred with the exception of expenditure incurred in respect of the development of new products where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility and the costs incurred can be reliably measured. Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that sales of the product are first made. The Useful Economic Life (UEL) is assessed annually by the directors to reflect the pattern of benefits expected to flow from the intangible asset. At 31 December 2019, the directors have reviewed the current intangible assets and deemed the UEL should reflect the life of the asset. As such, the amortisation period has been changed from the straight-line method over 5 years, to a specific period to reflect the benefits being between 6 and 10 years. If the estimate had not changed, amortisation for the year ended 31 December 2019 would have been £141,000.

Government grants are received for innovative research and development projects. The grants are recognised when there is reasonable assurance that the conditions of the grant will be complied with and that the grants will be received. Government grants are offset against the development costs to which they relate to. During the year to 31 December 2019, £48,000 (2018: £nil) was recognised from government grants.

12.2. Note

	Development costs £’000	Goodwill £’000	Total £’000
Cost			
At 1 January 2018	3,454	66	3,520
Amounts written off	(38)	-	(38)
Additions	253	-	253
At 31 December 2018	3,669	66	3,735
Amounts written off	(149)	-	(149)
Additions	250	-	250
At 31 December 2019	**3,770**	**66**	**3,836**
Accumulated amortisation			
At 1 January 2018	1,034	-	1,034
Amounts written off	-	-	-
Amortisation expense	173	-	173
At 31 December 2018	1,207	-	1,207
Amounts written off	(106)	-	(106)
Amortisation expense	84	-	84
At 31 December 2019	**1,185**	**-**	**1,185**
Net book value			
At 1 January 2018	2,420	66	2,486
At 31 December 2018	2,462	66	2,528
At 31 December 2019	**2,585**	**66**	**2,651**

Amortisation expense of £84,000 (2018: £173,000) has been categorised as research and development expenditure in profit or loss in the Consolidated SOCI.

Included within development costs are costs amounting to £1,575,000 (2018: £1,424,000) 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 £186,000 (2018: £224,000) 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:

Project description	**2019 £'000**	2018 £'000
Suprasternal Doppler Probe	**301**	220
TrueVue Velocity Pressure Loops	**208**	207
UK Enhanced Recovery App	**192**	181

13. Subsidiary undertakings

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

Name	Country of incorporation and place of business	Nature of trading activities	Proportion of ordinary shares directly held 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 addresses of the Group's subsidiary undertakings are:

Subsidiary undertaking	Registered Address
Deltex Medical Limited	Terminus Road, Chichester, United Kingdom PO19 8TX
Deltex Medical, SC, Inc	330 East Coffee St., Greenville, South Carolina, USA
Deltex Medical Holdings Inc	330 East Coffee St., Greenville, South Carolina, USA
Deltex Inc	330 East Coffee St., Greenville, South Carolina, USA
Deltex Medical Inc	330 East Coffee St., Greenville, South Carolina, USA
Deltex Medical Espana SL	C/ del Mirador, 3A, 17250 Playa De Aro, Girona, Spain
Deltex Medical Canada Limited	Baine Johnston Centre, 10 Fort William Place, St John's NL A1C 5W4, Canada

14. Inventories

14.1. 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. The latter being allocated on the basis of normal operating capacity. Cost is assigned to individual items based on the sum of the actual cost of raw materials used and the allocation of labour and overheads costs using standard rates. The standard labour and overhead rate are kept under review throughout the year.

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.

14.2. Note

	2019 £'000	2018 £'000
Raw materials and consumables	**219**	223
Work in progress	**57**	28
Finished goods	**639**	429
	915	680

There are no specific provisions for slow-moving inventory (2018: £36,000).

15. Trade and other receivables

15.1. Accounting policy

Amounts classified as trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days for sales made in the UK and the USA and within 60 days for sales made to other overseas customers and, therefore, are all classified as current. Trade receivables are initially recognised at the amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group recognises the trade receivables with the objective of collecting the contractual cash flows and, therefore, measures them subsequently at amortised cost using the effective interest method.

The carrying amount of trade receivables includes receivables which are subject to a secured invoice discounting arrangement. Under this arrangement, the Group has transferred the relevant receivables to the invoice discounting organisation in exchange for cash and is prohibited from selling or pledging the receivables. However, the Group has retained late payment and credit risk. In the light of this, the Group continues to recognise the transferred assets in their entirety in its balance sheet.

The Group classifies its other financial assets as at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual cash flows give rise to cash that are solely repayments of principal and interest.

As permitted by IFRS 9, the Group applies the simplified approach to measuring impairment losses which uses lifetime expected loss allowance for all trade receivables and contract assets.

15.2. Note

Trade receivables

	2019 **£'000**	2018 £'000
Trade receivables	**1,090**	1,466
Less loss allowance	**(28)**	(56)
	1,062	1,410

Due to the short-term nature of the trade receivable balances, their carrying amount is considered to be the same as fair value.

Financial assets at amortised cost

	2019		2018	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Staff advances	**214**	**-**	245	-
Other receivables	**-**	**157**	-	155
	214	**157**	245	155

Staff advances relate to cash advances given to staff as on account payments for contractual performance bonuses earned between 2013 and 2017. At the time these bonuses were awarded, it was and remains the Group's intention, in accordance with its usual practice, to settle these contractual amounts due when appropriate to do so under the Group's Enterprise Management Incentive Scheme at which time the amounts advanced to staff will be recovered in full. Other receivables generally arise from transactions outside the normal operating activities of the Group. The amount outstanding relates to a trade receivable due from the non-controlling interest in the Group's Canadian subsidiary which is repayable on demand. However, the amount outstanding is expected to be recovered within the next five to ten years depending on the amount of cash generated from sales made in the Canadian market and has, therefore, been classified as a non-current asset.

Other current assets

	2019 **£'000**	2018 £'000
Sundry debtors	**64**	141
Prepayments	**49**	49
	113	190

Included in sundry debtors in the prior year is an amount of £138,000 relating to an advance payment made to secure key components required to manufacture the Group's monitor. There was no equivalent transaction in 2019.

16. Cash and cash equivalents

16.1. Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

16.2. Note

	2019 £'000	2018 £'000
Cash at bank	**908**	580

17. Financial liabilities

17.1. Accounting policy

The Group's financial liabilities include borrowings and trade payables and other payables.

Borrowings
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.

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.

Where a non-substantial modification of a financial liability occurs, and the financial liability is not derecognised, the Group recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate and recognises any gain or loss in other income or other costs in profit or loss in the Consolidated SOCI.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs in the Consolidated SOCI.

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.

Trade payables and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within the agreed credit terms of the relevant party concerned. Trade payables and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at their fair value and subsequently at amortised cost using the effective interest method.

17.2. Note

Borrowings

	2019		2018	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Invoice discounting facility	**188**	**-**	553	-
Convertible loan note	**-**	**1,072**	-	1,035
	188	**1,072**	553	1,035

Invoice discounting facility
The amount shown represents the cash drawn down under an invoice discounting facility; There was £2,000 undrawn amounts at the end of the year (2018: £nil). The amount outstanding under this facility is secured by way of a fixed charge over the Group's UK and a proportion of the international trade receivables. Amounts drawn down under the facility are repayable from the end of the month of invoice.

This is an ongoing facility and is separated into three accounts being Sterling, US$ and Euro currencies. The facility is subject to a month's (2018: one month's notice) on either side and is not subject to an annual review.

Convertible loan note
In March 2020, the maturity date of the convertible loans was extended to February 2022 (2018: February 2021).

In February 2018, the conversion price was reduced from 6p per share to 4p share to fairly reflect the dilutive effect of the share issue that was undertaken. At the same time, the convertible loan note holders agreed that a holding of £25,000 nominal amount of convertible loan notes could also be redeemed.

A gain of £80,000 was recognised in the prior year profit or loss in the Consolidated SOCI following the extension of the maturity date by two years. The settlement cost on redemption of the loan was immaterial and, therefore, not recognised in profit or loss in the Consolidated SOCI. The conversion right amount of £2,000 relating to the convertible loan notes redeemed was transferred to Accumulated losses in Equity in the Consolidated Balance Sheet.

The convertible loan note recognised in the Consolidated Balance Sheet is calculated as:

	Financial liability	**Equity component**	**Total**
	£'000	**£'000**	**£'000**
Carrying amount at 1 January 2019	1,035	82	**1,117**
Interest expense	126	-	**126**
Interest paid	(89)	-	**(89)**
Carrying amount at 31 December 2019	**1,072**	**82**	**1,154**

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, the carrying amount approximates to its fair value. The effective rate of interest is 12.77% (2018: 12.77%).

17.3. Borrowings in foreign currencies

The carrying amounts of the Group invoice discount facility borrowings are denominated in different currencies and are subject to differing average effective interest rates.

	2019		2018	
	Rate %	**Amount £'000**	Rate %	Amount £'000
Sterling	**3.55**	**103**	3.10	221
Euro	**2.75**	**27**	2.75	212
US Dollar	**6.02**	**58**	5.18	120
		188		553

All of the Group's borrowings are at variable rates of interest other than the convertible loan note which has a fixed coupon of 8% per annum. The effective rate of interest charged was 12.77% (2018: 12.77%).

17.4. Trade and other payables

	2019		2018 (as restated)	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Trade payables	**381**	**-**	346	-
Other payables	**483**	**-**	333	-
Social security and other taxes	**129**	**-**	146	-
Lease obligations	**32**	**320**	33	352
Contract liabilities	**53**	**-**	151	-
Employee short-term benefits	**31**	**-**	57	-
Accrued expenses	**1,089**	**-**	917	-
	2,198	**320**	1,983	352

Included within other payables is an amount of £288,000 (2018: £278,000) which is payable to the non-controlling interest in the Group's Canadian Subsidiary. This amount is expected to be settled in full over the next 5 – 10 years depending on the amount of cash generated from sales made in the Canadian market. However, as the amount is repayable on demand it has been categorised as a current liability.

The directors consider that the carrying amount of trade payables and other payables approximates to their fair value.

18. Leases

18.1. Accounting policy

At the inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

As disclosed in note 11.2, the Directors have made a prior period adjustment to remove the capitalised dilapidation cost.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including short-term office space. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease.

18.2. Note

Included within Property, plant and equipment is the net book amount of £320,000 (2018: £368,000, as restated) relating to the right-of-use asset arising from the lease over the Group's head office and factory in Chichester. Included within administration expenses in profit or loss in the Consolidated SOCI is an amount of £48,000 (2018: £59,000) relating to the depreciation expense of this asset and included within finance costs is an amount of £47,000 (2018: £43,000) relating to the finance charge on the related lease obligation. The net impact on the prior year Consolidated SOCI relating to the prior period adjustments are immaterial, and therefore the comparatives have not been restated. Included within administration expenses in profit or loss in the Consolidated SOCI is an amount of £23,000 (2018: £29,000) relating to short term leases.

Included within trade and other payables in the Consolidated Balance sheet are current lease obligations amounting to £32,000 and non-current lease obligations amounting to £320,000.

The total cash outflow for leases in the period was £98,000.

The table below shows the maturity analysis of the lease obligation using contractual undiscounted cash flows:

	2019 **£'000**
Within 1 year	**75**
Within 2 to 4 years	**300**
More than 5 years	**131**
	506

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 2018, as previously stated	16	98	114
Prior period adjustment, discounting of provision	-	(58)	(58)
At 1 January 2018 and 31 December 2018, as restated	16	40	56
Unwinding of discounting	-	6	6
At 31 December 2019	**16**	**46**	**62**

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. The directors have reviewed the accounting for the dilapidation provision during the year, and as a result have made a prior year adjustment to discount the dilapidation provision and unwind the discounting on an annual basis.

20. Share capital and share premium

20.1. Accounting policy

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

20.2. Note

At 1 January 2019 and 31 December 2019, the authorised share capital of the Company comprised 6,568,546,210 ordinary shares with a nominal value of 1 penny 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 2018	313,214	3,132	32,915	36,047
Exercise of share options	800	8	-	8
Share issues:				
12 February 2018	176,650	1,767	442	2,209
18 May 2018	2,000	20	5	25
Share issue expenses				
12 February 2018		-	(132)	(132)
At 31 December 2018	492,664	4,927	33,230	38,157
Exercise of share options	32,205	322	-	322
At 31 December 2019	**524,869**	**5,249**	**33,230**	**38,479**

Net proceeds from the issue of shares totalled £322,000 (2018: £2,085,000), after expenses of £nil (2018: £132,000).

21. Share-based payments

21.1. Accounting policy

The Group awards directors, employees and certain of the Group'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 the use of a Black–Scholes option pricing 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 seven years, and their fair value is recognised as an expense with a corresponding increase in 'other reserves' equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss in the Consolidated SOCI, with a corresponding adjustment to equity. 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 Company.

The expected volatility of the Company's share price is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

21.2. 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 p**	**Number of options No.**	**Weighted average exercise price p**	**Number of options No.**	**Weighted average exercise price p**	**Total No.**
Options outstanding at 1 January 2018	2,209,500	16	18,904,500	9	4,245,582	1	25,359,582
Granted during the year	-	-	-	-	24,605,488	1	24,605,488
Lapsed during the year	(8,000)	(13)	(1,976,168)	(5)	(41,371)	1	(2,025,539)
Expired during the year	(488,000)	(19)	-	-	(4,626,917)	1	(5,114,917)
Exercised during the year	-	-	-	-	(800,000)	1	(800,000)
Options outstanding at 31 December 2018	1,713,500	15	16,928,332	11	23,382,782	1	42,024,614
Granted during the year	-	-	-	-	19,604,742	1	19,604,742
Lapsed during the year	-	-	(6,544,332)	10	-	-	(6,544,332)
Expired during the year	(1,713,500)	15	-	-	(21,277)	1	(1,734,777)
Exercised during the year	-	-	-	-	(32,205,459)	1	(32,205,459)
Options outstanding at 31 December 2019	**-**	**-**	**10,384,000**	**10**	**10,760,788**	**1**	**21,144,788**

Share options exercisable at the end of the year were:

	2001 Executive Share Option Scheme		2011 Executive Share Option Scheme		2003 Enterprise Management Incentive Scheme		
	Number of options No.	Weighted average exercise price p	Number of options No.	Weighted average exercise price p	Number of options No.	Weighted average exercise price p	Total No.
Options exercisable at 1 January 2018	2,209,500	16	4,177,000	20	4,254,582	1	10,632,082
Options exercisable at 31 December 2018	1,713,500	15	6,853,332	10	13,382,782	1	21,949,614
Options exercisable at 31 December 2019	**-**	**-**	**4,929,000**	**7**	**10,760,788**	**1**	**15,689,788**

The weighted average market price of the Company's shares at the date of exercise of the EMI options was 1.27 pence (2018: 1.25 pence). The mid-market closing price of the Company's shares at the end of the year was 1.43 pence (2018: 0.95 pence).

Details of the remaining contractual life of share options outstanding for each of the share option schemes is shown in the table below:

	2001 Executive Share Option Scheme		2011 Executive Share Option Scheme		2003 Enterprise Management Incentive Scheme	
	2019 Years	2018 Years	2019 Years	2018 Years	2019 Years	2018 Years
Weighted average remaining contractual life of options outstanding at the end of the financial year	0.00	0.42	5.85	6.42	8.25	4.98

Fair value of options granted

Share options granted under the 2003 EMI scheme had an estimated weighted average fair value of 0.28 pence (2018: 0.57 pence) and £54,167 (2018: £151,071) in aggregate. The fair value of a share option at grant date is determined using a Black Scholes option pricing model which takes into account the share price at date of grant and the expected price volatility of the underlying share, the exercise price of the option, the expected term of the option and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 31 December 2019 were:

	2019		2018		
	May	**Jan**	August	June	March
Share price at grant date	**1.4p**	**1.2p**	0.9p	1.3p	1.4p
Exercise price	**1.0p**	**1.0p**	1.0p	1.0p	1.0p
Expected price volatility of the Company's shares	**75%**	**75%**	75%	75%	75%
Expected option life (expressed as weighted average life used in modelling)	**0 years**	**0 years**	10 years	1.5 years	1 year
Risk-free interest rate	**0.75%**	**0.76%**	1.41%	0.64%	0.63%
Fair value at measurement date	**0.4p**	**0.2p**	0.7p	0.6p	0.6p

No share options were granted under either the 2001 or the 2011 Executive Share Option Schemes during the year ended 31 December 2019 (2018: none).

Contractor options
On 9 October 2018, 250,000 share options held by a contractor with an exercise price of 21.5 pence per share and 250,000 share options with an exercise price of 14.5p were cancelled and replaced with a share option over 500,000 shares with an exercise price of 1.22p. The share option was exercisable from the grant date of 9 October 2018 and may be exercised in part or in whole at any time during the exercise period. The option has an exercise period of 10 years from grant date. These are the only outstanding options held by contractors. An option over 252,000 shares with an exercise price of 18.75p expired on 28 February 2018.

The share-based payment expense relating to the cancellation and replacement of the contractor options referred to above was immaterial and, therefore, no expense was recognised in profit or loss in the Consolidated SOCI.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

22. Change in liabilities arising from financing activities

This note sets out the reconciliation of liabilities arising from financing activities for each of the financial years presented:

	Convertible loan note	Invoice discount facility			Finance lease	Lease liability	Total
		Sterling denominated	Euro denominated	US Dollar denominated			
	£'000	£000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	1,094	298	272	149	4	416	2,233
Cash flows:							
Drawdowns	-	1,922	1,070	1,234	-	-	4,226
Repayments	-	(1,999)	(1,128)	(1,270)	(4)	(32)	(4,433)
Cash flow from financing activities	-	(77)	(58)	(36)	(4)	(32)	(207)
Interest paid	(89)	(2)	(3)	(4)	-	(43)	(141)
Net cash outflow	(89)	(79)	(61)	(40)	(4)	(75)	(348)
Non cash flows							
Interest charged at the effective rate	135	2	3	4	-	44	188
Redemption of convertible loan note	(25)	-	-	-	-	-	(25)
Gain on convertible loan note	(80)	-	-	-	-	-	(80)
Foreign exchange movements	-	-	(2)	7	-	-	5
At 31 December 2018	1,035	221	212	120	-	385	1,973
At 1 January 2019	1,035	221	212	120	-	385	1,973
Cash flows:							
Drawdowns	-	1,612	583	1,093	-	-	3,288
Repayments	-	(1,730)	(763)	(1,151)	-	(33)	(3,677)
Cash flow from financing activities	-	(118)	(180)	(58)	-	(33)	(389)
Interest paid	(89)	(2)	-	(1)	-	(47)	(139)
Net cash outflow	(89)	(120)	(181)	(59)	-	(80)	(529)
Non cash flows							
Interest charged at the effective rate	126	2	-	1	-	47	176
Foreign exchange movements	-	-	(5)	(4)	-	-	(9)
At 31 December 2019	**1,072**	**103**	**27**	**58**	**-**	**352**	**1,612**

23. Financial risk management

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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2019				2018			
	Less than 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Between 5 and 10 years £'000**	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Between 5 and 10 years £'000
Invoice discounting facility	**188**	**-**	**-**	**-**	553	-	-	-
Convertible loan note	**88**	**88**	**1,048**	**-**	88	88	1,136	-
Lease obligations	**75**	**75**	**225**	**131**	75	75	225	206
Trade and other payables	**1,665**	**-**	**-**	**288**	1,319	-	-	278
	2,016	**163**	**1,273**	**419**	2,035	163	1,361	484

Currency risk

The Group has overseas subsidiaries in the USA, Spain and Canada and as a result the Group's sterling balance sheet can be affected by movements in the US Dollar, Euro and Canadian dollar exchange rates. The Group also has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the unit's functional currency. In general, all overseas operating units trade and hold assets and liabilities in their functional currency. The Group does not engage in any hedging in respect of currency risks.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Sterling, was as follows:

	2019		2018	
	US Dollars £'000	**Euro £'000**	US Dollars £'000	Euro £'000
Cash at bank	**255**	**109**	51	235
Trade receivables	**517**	**269**	395	434
Trade payables	**-**	**(4)**	(37)	(11)
Invoice discount facility	**-**	**(27)**	-	(212)

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.

	2019			2018 (restated)		
	Sensitivity %	**Profit £'000**	**Equity £'000**	Sensitivity %	Profit £'000	Equity £'000
Euros	**5.0**	**20**	**20**	5.0	22	22
US Dollar	**5.0**	**51**	**51**	5.0	26	26

If the Euro strengthened against Sterling by 5% (2018: 5%) an aggregate foreign exchange gain of £20,000 (2018: 22,000) would be recognised in both profit or loss in the Consolidated SOCI and equity comprising of gains on the trade payables and invoice discount facility offset by exchange losses on cash at bank balances and trade receivables. The opposite movement would occur if the Euro weakened.

A similar fact pattern applies to the strengthening of the US dollar against Sterling.

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.

The Group's financial assets that are subject to the credit loss model are namely trade receivables from the sale of inventory and the provision of preventative planned maintenance contracts, staff advances and other receivables.

The level of expected credit losses on trade receivables is considered to be immaterial given the nature of the Group's customer base. In the UK, its customers are predominantly UK NHS hospitals. There have not been any bad debts experienced in the UK at all. The same is true for our business in the USA and Canada where customers are generally large hospitals. In the context of our Spanish business, the last bad debt was experienced in 2014 and since that time no other credit losses have been incurred.

Occasionally bad debts have been experienced in our International distributor-led market. However, as this market has been developed over the years our network of independent distributors has remained relatively stable and consequently the expectation of incurring a credit loss is considered to be immaterial. The credit loss provision of £11,000 (2018: £38,000) represents 1.0% of the Group trade receivables at 31 December 2019 (2018: 2.6%).

The movement in the Group's credit loss allowance for trade receivables is shown below:

	2019 **£'000**	2018 £'000
At 1 January	**56**	27
Amounts written off as uncollectible during the year	**(39)**	(9)
Increase in loss allowance recognised in profit or loss in the Consolidated SOCI	**11**	38
At 31 December	**28**	56

No expected credit loss has been recognised in respect of staff advances as the full recovery of this amount will be achieved through the grant of share options and subsequent receipt of proceeds from their exercise.

Other receivables relates to a historic trade receivable balance owed by the non-controlling interest in Deltex Medical Canada Limited. Based on expectations of future trading, the expected credit loss calculated was not material and, therefore, has not been recognised in profit or loss in the Consolidated SOCI.

While cash is subject to the impairment requirements of IFRS 9, no such impairment loss was identified either at 1 January 2019 or 31 December 2019.

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.

The maximum credit risk exposure at the balance sheet date is represented by the carrying value of the financial assets and there are no significant concentrations of credit risk.

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.

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

	2019 **£'000**	2018 £'000
Fixed rates:		
Lease obligations	**320**	352
Convertible loan note	**1,072**	1,035
	1,392	1,387
Floating rates		
Invoice discounting facility	**188**	553
	1,580	1,940

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:

	2019			2018		
	Sensitivity %	**Profit £'000**	**Equity £'000**	Sensitivity %	Profit £'000	Equity £'000
Euros	**0.5**	**-**	**-**	0.5	-	-
US Dollar	**1.0**	**-**	**-**	1.0	(1)	(1)
Sterling	**0.5**	**-**	**-**	0.5	-	-

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.

24. Related party transactions

24.1. Key management compensation

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

	2019 £'000	2018 £'000
Short-term employee benefits	**411**	423
Short term benefits paid to third parties	**57**	54
Post-employment benefits	**14**	17
Termination benefits	**95**	210
Share-based payments	**43**	107
	620	811

Prior to his appointment as CEO on 13 June 2018, the Group had made advances and settled PAYE obligations against bonuses to be settled by the grant of EMI share options to Andy Mears as set out below:

	Maximum amount 2019 £	**Year-end balance 2019 £**	Maximum amount 2018 £	Year-end balances 2018 £
Advance outstanding	**13,730**	**13,730**	13,730	13,730

No advances were made during 2019 or 2018 and no interest is charged on the outstanding balance.

24.2. Other transactions

During the year, £40,000 (2018: £40,000) was paid to Imperialise Limited, a company controlled by N J Keen Esq, non-executive Chairman, that was due on its £500,000 nominal amount holding of the Convertible Loan Notes 2021. At 31 December 2019, £10,082 (2018: £10,082) was owing in respect of interest for the quarter ended 31 December 2019 (2018: Quarter ended 31 December 2018).

25. Capital and reserves

The nature and purpose of other reserves is explained in the table below:

Name of reserve	Nature and purpose
Capital redemption reserve	This reserve represents the nominal value of ordinary shares that were repurchased and subsequently cancelled in December 2001. This reserve is non-distributable and represents paid up share capital.
Other reserve	This reserve represents the reserve that is used to recognise the grant date fair value of options issued to employees but not yet exercised. On exercise, lapse or expiry, the amount relating to the options exercised is transferred to Accumulated Losses.
Translation reserve	Exchange differences arising on the translation of the foreign controlled entity are recognised in other comprehensive income in the Consolidated SOCI and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss in the Consolidated SOCI when the net investment is disposed of.
Convertible loan note reserve	This reserve represents the residual value attributed to the equity conversion component at the time of issue of the Convertible loan notes. On conversion or redemption, the amount relating to the principal amount either converted or redeemed is transferred to Accumulated Losses.

26. Events after the balance sheet date

The impact of COVID-19 on the Group's trading in 2020 is likely to be significant. Deltex Medical has seen a slow-down in elective surgical procedures in hospitals throughout the world as a consequence of measures taken to combat COVID-19 which has resulted in a decline in TrueVue Doppler probe usage. Conversely, sales of monitors and probes for critical care use to hospitals in countries fighting the COVID-19 virus have sharply increased. It is too early to assess the quantum or timing of these effects on the Group's trading in 2020. The issue is examined in greater depth in the section at the beginning of this Report entitled "Deltex Medical and COVID-19" on pages 4 and 5.

Parent company balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed Assets			
Intangible assets - Goodwill	**4**	**66**	66
Investments	**5**	**6,078**	140
Trade and other receivables	**6**	**1,866**	9,012
		8,010	9,218
Current assets			
Trade and other receivables	**6**	**4**	9
		4	9
Creditors – amounts falling due within one year	**7**	**(544)**	(422)
Net current liabilities		**(540)**	(413)
Total assets less current liabilities		**7,470**	8,805
Creditors – amounts falling due after more than one year	**8**	**(1,072)**	(1,035)
Net assets		**6,398**	7,770
Equity			
Share capital		**5,249**	4,927
Share premium		**33,230**	33,230
Capital redemption reserve		**17,476**	17,476
Other reserve		**439**	953
Convertible loan note reserve		**82**	82
Accumulated losses:			
At 1 January, as previously reported		**(48,898)**	(44,499)
Effect of transition to IFRS 9		**-**	(3,003)
At 1 January, as restated		**(48,898)**	(47,502)
Loss for the year		**(1,811)**	(5,363)
Transfers		**406**	3,967
Accumulated losses		**(50,078)**	(48,898)
Total shareholders' funds		**6,398**	7,770

The notes on pages 79 to 85 form an integral part of these financial statements. The financial statements on pages 79 to 85 were approved by the Board of Directors and authorised for issue on 24 April 2020 and were signed on its behalf by:

Nigel Keen

Nigel Keen
Chairman

David Moorhouse
Group Finance Director

Parent company statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Convertible loan note reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 January 2018	3,132	32,915	17,476	4,752	84	(47,502)	10,857
Comprehensive expense							
Loss for the year	-	-	-	-	-	(5,363)	(5,363)
Total comprehensive expense for the year	-	-	-	-	-	(5,363)	(5,363)
Shares issued during the year	1,787	-	-	-	-	-	1,787
Premium on shares issued during the year	-	447	-	-	-	-	447
Issue expenses	-	(132)	-	-	-	-	(132)
Credit is respect of service cost settled by award of options	-	-	-	166	-	-	166
Transfers	-	-	-	(3,965)	(2)	3,967	-
Share options exercised	8	-	-	-	-	-	8
Balance at 31 December 2018	4,927	33,230	17,476	953	82	(48,898)	7,770
Comprehensive expense							
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,811)**	**(1,811)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(1,811)**	**(1,811)**
Credit is respect of service cost settled by award of options	**-**	**-**	**-**	**117**	**-**	**-**	**117**
Transfers	**-**	**-**	**-**	**(631)**	**-**	**631**	**-**
Share options exercised	**322**	**-**	**-**	**-**	**-**	**-**	**322**
	5,249	**33,230**	**17,476**	**439**	**82**	**(50,078)**	**6,398**

The notes on pages 79 to 85 form an integral part of these 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 AIM of the London Stock Exchange. The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) published in March 2018.

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 intra-group 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 IFRS 9, 'Financial Instruments', or whether, in fact, it represents an interest in a subsidiary which is outside the scope of IFRS 9 and accounted for in accordance with IAS 27, 'Separate Financial Statements'.

Management have concluded that, whilst 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, in legal form, the loans are financial liabilities of the subsidiaries concerned. Therefore, the loans are accounted for in accordance with IFRS 9 and are carried at their amortised cost less any credit loss allowances, if any.

Following the adoption of IFRS 9 in the prior year, the carrying amount of the loans are assessed for credit impairment and if considered to be credit impaired a credit loss provision is recognised. In determining whether a credit loss provision is required, management must determine whether there has been a significant change in the credit risk of the respective subsidiary. If there has, then management are required to recognise a lifetime credit loss. The key estimate is the determination of the probability of default and the loss given default under a range of scenarios and the likelihood of each scenario and the relevant credit loss occurring.

1.3. Significant accounting policies

Investments

Investments which comprise investments in share capital 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.

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.

1.4. 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.

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 37 to 76 of the Report & Accounts 2019.

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 which is repayable on demand. Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the financial asset when the asset is not judged to be credit impaired. If subsequent to initial recognition a financial asset becomes credit impaired, interest income is calculated by applying the effective interest rate to the financial asset's amortised cost. If the financial asset is no longer credit impaired, then the interest calculation reverts to the gross basis.

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. Auditors' remuneration

The statutory audit fee in respect of the Parent Company's financial statements payable to Nexia Smith & Williamson was £10,000 (2018: £10,000).

Fees paid to the Company's auditors, Nexia Smith & Williamson, for services other than the statutory audit are not disclosed in these financial statements because the consolidated group financial statements of the ultimate parent undertaking, Deltex Medical Group plc, disclose the non-audit fees on a consolidated basis.

3. Directors' emoluments

	2019 £'000	2018 £'000
Aggregate emoluments	**72**	72
Short term benefits paid to third parties	**57**	54
	129	126

There are no (2018: 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 (2018: £33,333), and Rockridge Medical Limited of £24,000 (2018: £21,000), for the services of those directors.

Remuneration, including Executive directors, is disclosed on pages 50 to 51 of this Report & Accounts. Additional information is provided in the Directors' remuneration report on pages 24 to 28.

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 (2018: 5). None of the directors had contracts for service so the monthly average number of employees was nil (2018: nil).

4. 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 £5,000 (2018: profit of £11,000).

5. Investments

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

Details of the Company's subsidiary undertakings are set out on page 59 of this Report & Accounts.

	Investments in subsidiary undertakings £'000
Cost	
At 1 January 2019	437
Capital contribution	45,164
At 31 December 2019	**45,601**
Accumulated impairment	
At 1 January 2019	297
Impairment on intra-group loan	37,945
Impairment charge	1,281
At 31 December 2019	**39,523**
Net book amount	
At 31 December 2018	140
At 31 December 2019	**6,078**

On 9 April 2019, the Board resolved to waive the non-interest-bearing intra-group loan owing to the company from its wholly owed subsidiary undertaking Deltex Medical Limited. The gross balance owed to the company at 31 December 2018 was £45,164,000 with a corresponding impairment of £37,945,000. This has been reclassified as an investment in the year ended 31 December 2019.

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 three-year period ending 31 December 2022 (2018: three-year period ending 31 December 2021). A terminal value was calculated using the forecast cash flows for the year ended 31 December 2022 using a long-term growth rate of 2.25% (2018: 2.25%). Forecast cash flows were discounted using a pre-tax discount rate of 20% (2018: 20%). This impairment calculation resulted in an impairment charge of £1,281,000 (2018: £25,000) to be recognised in profit or loss in the Parent Company's Statement of Comprehensive Income (SOCI).

6. Trade and other receivables

As disclosed above, in 2019, the Board resolved to waive the non-interest-bearing intra-group loan owing to the company from its wholly owed subsidiary undertaking Deltex Medical Limited which has been reclassified from non-current intra-group amounts owed.

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 fell due for repayment on 1 January 2018. Since that time, the Parent Company has effectively rolled the loan forward on the existing terms except for the fact that the amount is now repayable on demand. However, the Company has no current intention of making a demand for payment for either this or any of the other intra-group loans that are outstanding. As a consequence, the amounts falling due are classified as non-current assets.

	2019 £'000	2018 £'000
Amounts falling due within one year		
Other receivables	**4**	5
Prepayments	**-**	4
	4	9
Amounts falling due after more than one year		
Amount owed by subsidiary undertaking	**1,866**	9,012

On transition to IFRS 9, the Company determined that the historical intra-group loans that had previously been accounted for as part of the cost of investment in subsidiaries were credit impaired. It concluded that the term loan owed by Deltex Medical Limited was not. However, it was further concluded that that there had been a significant change in credit risk of that loan and, consequently, an expected life credit loss was recognised.

The expected credit losses were determined based on different recovery options and credit loss scenarios. Three recovery options were considered which included full repayment of the balances outstanding, the possibility of a trade sale and the recovery through continued trading. The likelihood of each occurring was assessed together with the expected credit loss under each scenario. The expected credit loss recognised represents the weighted average of the lifetime credit losses. The expected credit loss at 31 December 2019 was £9,972,000 (31 December 2018: £9,340,000, excluding the waived Deltex Medical Limited balance) an increase of £632,000 in the year which has been recognised in profit or loss in the Parent Company's SOCI. The gross balances outstanding, on transition to IFRS 9, and excluding the waived Deltex Medical Limited balance, at 31 December 2018, were £11,208,000. The gross balances outstanding at 31 December 2019 were £11,838,000.

7. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade payables	**164**	146
Accruals	**380**	276
	544	422

8. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Convertible loan note	**1,072**	1,035

9. Share capital

See notes 20 and 21, on pages 66 to 70 of the Consolidated Financial Statements, for full details of the Company's share capital and its share option schemes.

10. 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:

	Foreign exchange £'000	**Total £'000**
Deferred tax liabilities		
At 1 January 2018	43	43
Credited to profit or loss in the Consolidated SOCI	(12)	(12)
At 31 December 2018	31	31
Credited to profit or loss in the Consolidated SOCI	3	3
At 31 December 2019	**34**	**34**

	Tax losses £'000	**Total £'000**
Deferred tax assets		
At 1 January 2018	(43)	(43)
Charged to profit or loss in the Consolidated SOCI	12	12
At 31 December 2018	(31)	(31)
Charged to profit or loss in the Consolidated SOCI	(3)	(3)
At 31 December 2019	**(34)**	**(34)**

11. Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2019 or 31 December 2018.

12. Related party transactions

Exemption has been taken under FRS 101 paragraph 8(k) from disclosing related party transactions between the Company and its subsidiary undertakings and from paragraph 8(j) from disclosing key management compensation. The directors of Deltex Medical Group plc had no other material transactions, other than those disclosed in note 24, with the Company during the year, other than as a result of service agreements. Details of directors' remuneration is disclosed on pages 50 to 51, and in the Directors' remuneration report on pages 24 to 28.

13. Events after the balance sheet date

The impact of COVID-19 on the Company's trading in 2020 is likely to be significant. Deltex Medical has seen a slow-down in elective surgical procedures in hospitals throughout the world as a consequence of measures taken to combat COVID-19 which has resulted in a decline in TrueVue Doppler probe usage. Conversely, sales of monitors and probes for critical care use to hospitals in countries fighting the COVID-19 virus have sharply increased. It is too early to assess the quantum or timing of these effects on the Company's trading in 2020. The issue is examined in greater depth in the section at the beginning of this Report entitled "Deltex Medical and COVID-19" on pages 4 and 5.

This Document is Important and requires your Immediate Attention. If you are in 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 2019 without delay to the stockbroker, bank of other person who arranged the sale or transfer so they can pass these document 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 03902905)

NOTICE OF ANNUAL GENERAL MEETING

Notice of an annual general meeting of Deltex Medical Group plc (the “Company”) to be held at the Company’s offices at Terminus Road, Chichester PO19 8TX at 12.00 pm on 3 June 2020 (the “AGM”) is set out on pages 90 and 92 (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, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 48 hours before the time of the meeting.

Directors:

Nigel Keen (Chairman)
Andrew Mears
David Moorhouse
Julian Cazalet
Christopher Jones
Sir Duncan Nichol
Mark Wippell

Deltex

Deltex Medical Group plc
Terminus Road,
Chichester,
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United Kingdom

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24 April 2020

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 ("AGM") and annual accounts for the year ended 31 December 2019

This year's AGM comes at a strange time for us all. For many years we have held the AGM in central London and have welcomed shareholders to the meeting at which we have presented our business and have been pleased to answer questions from shareholders. This year, because of the regulations in place to protect against the spread of the Covid – 19 pandemic, people are not able to travel and we are not able to host gatherings of more than two people. Nevertheless we are still required by the Company's Articles of Association to hold the AGM. In order to comply with these various requirements we have decided to hold the AGM at the Company's premises in Chichester and although we would like to receive your proxy votes for the resolutions which will be put to the AGM we will not be able to welcome you to the meeting itself. However, I wish to assure shareholders that we place a high value on your participation in the governance of the Company and so we intend to hold a number of shareholder presentations in a more convenient location as soon as circumstances permit.

Recognising this, I am pleased to send you details of arrangements for 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 2019.

The AGM will take place at the Company's offices at Terminus Road, Chichester at 12:00 pm on 3 June 2020. The formal notice of the AGM is set out on pages 90 and 91 (inclusive) of this document. Although your attendance at the AGM is not recommended, we strongly encourage you to exercise your right to vote: please refer to the Notes at the end of the attached notice of the AGM.

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 2019 (the "**Annual Report & Accounts 2019**").

Resolutions 2, 3, 4 and 5 - Re-election and 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 Sir Duncan Nichol as a director. The Company's articles of association (The **"Articles"**) require that at each annual general meeting one third of the directors (excluding directors being elected for the first time) must retire by rotation; accordingly, Julian Cazalet, Christopher Jones and Sir Duncan Nichol offer themselves for re-election as proposed by resolutions 2, 3 and 4.

Resolution 5 proposes the reappointment of David Moorhouse, who was appointed as a director on 20 November 2019. In accordance with the Articles, having been appointed since the last annual general meeting, David Moorhouse ceases to be a director at the conclusion of the AGM unless reappointed at the meeting; accordingly, being eligible, David Moorhouse offers himself for re-appointment as proposed by resolution 5.

Biographical details of Julia Cazalet, Christopher Jones, Sir Duncan Nichols and David Moorhouse are set out on pages 11 and 12 of the Annual Report & Accounts 2019. The Board considers that the considerable experience that each of these directors bring will continue to be beneficial to the Company.

Resolution 6 – Re-appointment of auditors
Nexia Smith & Williamson have expressed their willingness to continue as the Company's auditors. Resolution 6 proposes their re-appointment and authorises the directors to determine their remuneration.

Resolution 7 – Power to allot and issue shares

The directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by the shareholders of the Company. At the annual general meeting of the Company held on 22 May 2019 (the "**2019 AGM**"), the directors were given authority to allot relevant securities up to a maximum aggregate nominal value of £1,635,544 (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 AGM and the directors are seeking a fresh shareholder authority to allot relevant securities.

Accordingly, it is proposed that the directors are given general authority to allot relevant securities up to an aggregate nominal value of £1,749,560 (being one-third of the issued ordinary share capital as at 31 March 2020) and in addition to allot relevant securities only in connection with a rights issue up to a further aggregate nominal value of £1,749,560.

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 £3,499,120 representing an amount equal to two-thirds of the Company's issued share capital as at 31 March 2020. 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 8 – Disapplication of the statutory rights of pre-emption
Section 561 of the Companies Act 2006 gives holders of equity securities (within the meaning of that Act) certain rights of pre-emption on the issue for cash of new equity securities (other than in connection with an 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 8 proposes, in substitution for the powers that were granted to the directors at the 2019 AGM, that power be granted to allot securities for cash on a non-pre-emptive basis up to a maximum aggregate nominal value equal to £524,868 (representing approximately ten per cent. of the nominal issued share capital of the Company as at 31 March 2020).

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 8 will be proposed as a special resolution.

Action to be taken
As noted at the beginning of this letter, it is not possible to hold a conventional AGM because of the advent of Covis-19 and we will contact shareholders to arrange information meetings as soon as practicable. In the meantime, we would strongly urge shareholders to vote on any of the resolutions in one of two ways:

- Register your vote electronically by logging on to www.sharevote.co.uk: or
- Complete and return the enclosed proxy form

Proxy appointments, whether submitted electronically or by post, must be received by Equiniti by no later than 12.00 noon on 1 June 2020. Your attention is drawn to the notes 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 83,141,889 ordinary shares in aggregate, representing approximately 16 per cent. of the ordinary shares currently in issue.

Yours sincerely

Nigel Keen

Nigel Keen
Chairman

DELTEX MEDICAL GROUP plc

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the ANNUAL GENERAL MEETING of Deltex Medical Group plc will be held at the Company's offices Terminus Road, Chichester, West Sussex PO19 8TX at 12:00pm on 3 June 2020 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 2019, 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 Sir Duncan Nichol.

5. To elect as a director David Moorhouse.

6. To re-appoint Nexia Smith & Williamson as auditors of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.

To transact any other ordinary business of the Company.

Special Business

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

7. 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):

   7.1. comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £3,499,120 in connection with an offer of such securities 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

   7.2. in any other case, up to an aggregate nominal amount of £1,749,560,

   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.

8. THAT, subject to the passing of resolution 7, 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 7.1, 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 8(a) of this resolution) to any person up to an aggregate nominal amount of £524,868.

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.

By order of the Board

David Moorhouse
Company Secretary
24 April 2020
Registered office:
Terminus Road
Chichester
PO19 8TX

Notes:

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, to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.

Shareholders wishing to appoint a proxy and register their proxy votes electronically should visit the website, www.sharevote.co.uk. The on-screen instructions will give details on how to appoint a proxy and submit proxy voting instructions. Electronic proxy appointments and voting instructions must be received by no later than 12.00 pm on 1 June 2020 (or 48 hours excluding non-working days before an adjourned meeting) in order to be valid. Shareholders may not use any other electronic address or telephone number, whether found in this circular and Notice of Meeting, or in the Annual Report & Accounts 2019 or on any form of proxy or the Company's website, for the purposes of submitting voting instructions or appointing proxies. The only electronic address accepted for this stated purpose is the one at the website, www.sharevote.co.uk.

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 6:30 pm on 1 June 2020 (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 2019, 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 2019 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 2019. 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, Equiniti (ID RA19), not later than 12.00 pm on 1 June 2020 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 31 March 2020, the Company's issued share capital consists of 524,868,826 ordinary shares of 1p each, carrying one vote each. No shares are held in treasury.

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