Deltex
medical group plc

2020 Annual Report & Accounts

Deltex Medical

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

"Navigating haemodynamics – see what we see"

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 and is used primarily in elective surgery; but also in ventilated ICU patients, including those with CV-19. 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 as well as developing the next generation of the TrueVue System, due for launch in Q4 2021, 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 next generation 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

COVID-19

- COVID-19 signficantly adversely affected our principal market, elective surgery, during the year…
- … but we decided to use the impetus from COVID-19 to bring forward a number of changes to the business, including:
    - targeting intensive care units ("ICUs") – where the technology was originally developed;
    - accelerating our product development programmes; and
    - identifying further cost reductions and efficiencies
- these COVID-19-associated changes leave the business with a substantially stronger platform from which to grow in the future once the pandemic has subsided

Financial

- revenues: £2.4 million (2019: £4.3 million)
- 16% reduction in overhead costs (excluding exceptionals) to £2.7 million (2019: £3.2 million)
- adjusted EBITDA: £(0.2) million (2019: £0.4 million)
- loss (before exceptional items) for the year: £(0.6) million (2019: £(0.1) million)
- loss for the year: £(0.8) million (2019: £(0.2) million)
- cash at hand (31 December, 2020): £0.9 million (2019: £0.9 million)

Business

- significant opportunity for Deltex Medical arising from the pressure on international healthcare systems to tackle the backlog of elective surgical procedures - where TrueVue Doppler has been shown to help reduce patient length of hospital stay
- elective surgery volumes are starting to climb in the UK and overseas
- we have established a more significant ICU market in the UK as a result of COVID-19
- next generation monitor to be released in Q4 2021 – with good revenue potential for new monitor sales and from the replacement of existing units
- emerging opportunity around the use of TrueVue Doppler data to create curated data sets to improve patient care
- positive market dynamics associated with recent consolidation in the haemodynamic monitoring sector led by major healthcare companies
- increasingly robust regulatory environment requiring manufacturers of medical devices to submit efficacy data generated by their own products, as opposed to citing third parties' data, which enhances the value of the Group's strong proprietary evidence base

Board

- David Moorhouse, currently Group Finance Director, has informed the Board that he wishes to retire from the Board at the AGM on 27 May 2021

- Natalie Wettler, currently the Group Financial Controller, will, subject to standard regulatory process, be promoted to Group Finance Director from the AGM

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

“Like for so many businesses, COVID-19 represented a large shock with some short-term adverse consequences for the Group. However, it is clear that Deltex Medical has used the impetus of COVID-19 to make changes that leave the business significantly better positioned for the future”

“We are encouraged by the prospects that we believe will arise for Deltex Medical as a result of recent consolidation in the sector as well as the need to clear the backlog associated with elective surgery that exists around the world.”

“We are also excited by the success of the new product development programmes that have been driven hard during lock down.”

“We are looking forward to seeing the business starting to grow robustly once the pandemic abates.”

CHAIRMAN'S STATEMENT

"Navigating haemodynamics – see what we see"

Introduction

The COVID ("CV-19") pandemic changed the way that many companies conducted their businesses in 2020, and Deltex Medical was no exception. Our principal activity is to provide TrueVue haemodynamic monitoring to clinicians for use in elective surgery; but operating theatres were effectively closed throughout the world for most of the year which resulted in little or no use of our probes. However, our TrueVue technology was originally developed for use in UK Intensive Care Units ("ICUs") and so we were able to redirect our resources to support hospitals and doctors who switched their focus to care for severely ill CV-19 patients in ICUs.

As soon as the scale of the CV-19 challenge became clear, we looked for opportunities to minimise damage and to create benefit from the unexpected disruption to the business. We immediately focussed on supporting our ICU customers; we consolidated and improved our marketing and on-line training resources; and we drove our product development programmes, both by moving to complete our new next generation monitor platform for launch later in 2021, and also by enhancing our signal acquisition technologies to make the TrueVue technology easier to use. These enhancements will allow us to address a much wider patient population, and broader market, than before.

A major strength of the TrueVue system is its safety and reliability. This is in large part due to the attention to detail provided by our experienced and highly trained workforce. It was clear that we needed to ensure that we looked after the safety and wellbeing of our employees to allow us to continue to service all our markets throughout the world during the pandemic, albeit at substantially lower levels than before. We have done this by maximising our use of US and UK governmental salary support schemes ("Salary Support Schemes") and obtaining governmental research and development ("R&D") grants to support our employees to the extent possible. We are pleased to report that as a result of this we did not need to make any of our employees redundant during the pandemic, thereby retaining the capability to ramp up our business as our markets recover.

As we move through the second quarter of 2021, the world is a different place. The global vaccine programmes are bringing a return to a new normality in which our business should flourish as healthcare systems significantly increase capacity to treat patients who have had their scheduled surgery postponed during 2020.

Interest in our markets is strengthening, as is evidenced by the acquisition of several of our competitors by major global medical device companies. Against this backdrop our next generation monitor launch will provide the platform to support our clinical advocates in helping the healthcare systems around the world to recover and start to deal with clinical backlogs. Our new easier-to-use technologies will expand the range of patients who will benefit from the haemodynamic information delivered by the TrueVue system.

Financial results

Group revenues for the year ended 31 December, 2020 were £2.4 million (2019: £4.3 million). The 44% year-on-year reduction reflects the near-complete closure of the global elective surgery market and the running down of stock levels by our distributors.

Gross margin was also adversely affected by the reduction in manufacturing volumes, reducing to a reported 68% (2019: 77%). We believe that this decline in reported gross margin will be transient and anticipate that as unit volumes increase, then the gross margin will recover to the higher levels seen historically.

Total overheads, excluding exceptional costs, declined significantly to £2.7 million (2019: £3.2 million), representing a 16% year-on-year reduction.

In the year the total value of the Salary Support Schemes was £0.4 million (2019: zero).

Adjusted EBITDA for the year (comprising earnings before interest, tax, depreciation and amortisation, share-based payments, non-executive directors' fees, as well as any exceptional items) was £(0.2) million (2019: £0.4 million).

Operating loss for the year was £(0.6) million (2019: £(0.0) million).

Exceptional items of £0.2 million (2019: £0.1 million) relate to the (non-cash) write off of previously capitalised R&D programmes which the Group has decided not to take forward. Given the acceleration and expansion of the R&D work in 2020, we decided to assess the existing portfolio of the Group's capitalised development programmes in a broader sense this year, and have concluded that the adjustment reflected by the above exceptional item is appropriate.

Loss for the year was £(0.8) million (2019: £(0.2) million).

We focus carefully on the stewardship of our cash resources. Cash at hand at 31 December, 2020 was £0.9 million (2019: £0.9 million).

Commercial activities

In March 2020, we were encouraged by a significant upturn in demand from UK ICUs for our TrueVue Doppler technology to treat the initial surge of CV-19 ventilated ICU patients. The TrueVue Doppler technology had originally been developed in a London ICU. It was good to see this initial increase in ICU-related demand at the beginning of the pandemic, although this increase was not large enough to counteract the effect of cessation of elective surgery globally and as the year progressed use in ICUs reduced as fewer patients were in need of ventilation.

To respond to the constraints of remote working we invested in and improved our portfolio of digital training resources. This will help to counterbalance the restrictions imposed on salespeople or technical experts entering hospitals.

The substantial challenge faced by UK hospitals in respect of reducing the backlog associated with delayed elective surgical procedures has been recognised by the Government and additional funding has been announced to help NHS hospitals work through this backlog. Given the importance of the elective surgery market to Deltex Medical's commercial activities, investment or additional resources designed to accelerate elective surgery is expected to benefit the Group.

Our TrueVue Doppler technology has been demonstrated to reduce hospital length of stay in a significant number of published randomised clinical trials. We believe that surgical departments will increasingly take into account these data as hospitals explore new ways to reduce the elective surgery backlog as quickly as possible.

We anticipate that one of the long-lasting outcomes of the CV-19 pandemic, and the potential for future variant-associated smaller outbreaks, will be a focus on investigating new ways of increasing patient throughput as well as reducing risk in a hospital setting. The TrueVue system is well positioned to help hospitals meet these requirements.

Notwithstanding the pandemic, we continued to drive forward a number of development programmes during the year. On the back of ongoing R&D programmes, some of which were supported by competitively-awarded UK Government-funded research grants, we have made good progress on broadening the applicability of our technology in the healthcare setting. As part of this work, we now plan to launch our new next generation monitor in the second half of this year.

The greater focus on the haemodynamic condition of patients undergoing surgery and in ICUs presents new opportunities for the TrueVue technology. The very precise real-time haemodynamic beat-to-beat data generated by the TrueVue system can be used to design patient-specific algorithms which will allow clinicians to be able to predict earlier patient outcomes, thereby optimising patient care.

Employees

I would like, on behalf of the Board, to thank our highly trained and dedicated workforce who are based in the UK, Spain and the USA, and who have been extremely flexible and responsive to customers' needs during the worst months of the pandemic. Our employees always worked hard to satisfy demand for our products from hospitals which were treating high volumes of CV-19 patients.

Board changes

There have recently been a number of changes to the Board.

David Moorhouse rejoined Deltex Medical in October 2019, having previously been Group Finance Director from 1996 to 2001. David has recently informed us that he wishes to retire at the forthcoming AGM.

We are pleased to be announcing today, subject to routine regulatory process, the promotion of Natalie Wettler to the role of Group Finance Director with effect from the AGM. Natalie held a number of senior roles in the Group's finance department between 2011 and 2016. We were delighted when she agreed to rejoin the Group in January 2020 as the Group Financial Controller.

Sir Duncan Nichol retired from the Board at the end of 2020. Sir Duncan had previously been Chief Executive of the NHS from 1989 to 1994. The Group benefited from his immense experience, wisdom and extensive network of healthcare-related contacts. I would like to thank him for his contributions over the years and we wish him well for his retirement.

Tim Irish joined the Board on 20 January 2021. Tim had previously been on the Board of Deltex Medical between May 2014 and March 2015. He resigned as a Director on 31 March 2015 when he was appointed to the Board of NICE, the National Institute for Health and Care Excellence. We are delighted that he has rejoined the Board and we look forward to working with him. Tim has some 35 years of experience working in the life sciences and healthcare sectors.

Current trading and prospects

We have seen recent consolidation in our markets with several of our competitors having been acquired by larger global medical device companies. We believe this shows that the market for haemodynamic monitoring is evolving rapidly.

Currently, our sales activity levels remain comparatively subdued, as CV-19 continues to affect adversely the number of elective surgical procedures being undertaken. Moreover, many of our international distributors are reporting that their core customers are experiencing a 'third wave', and that consequently there are very low levels of elective surgery taking place. We anticipate that sales in the first half of 2021 will reflect the continuing CV-19 prevalence in many of our key markets.

In the second half of the year, based on discussions with our customers and distributors, we anticipate that there will be a significant increase in the Group's activity levels, particularly in NHS and US hospitals, as there are a number of initiatives being put in place to increase the volume of elective procedures undertaken whilst at the same time minimising in-patient stay. The lower costs, shorter length-of-stay and improved outcomes that have been demonstrated by our TrueVue Doppler technology will significantly help hospitals achieve greater surgical in-patient throughput.

This increased level of activity provides a strong backdrop for the launch of our new next generation monitor in the second half of 2021. The new monitor will also incorporate new technological developments which have been completed during lock-down which enhance the ease of use of the TrueVue system and expand the range of patients who can benefit from the use of the system.

As a result of these positive factors, the Board believes that the Group is well positioned for growth as the year progresses.

Nigel Keen
Chairman

21 April 2021

BUSINESS REVIEW

COVID-19 – how the Group reacted to the unexpected disruption

As highlighted in the Chairman's Statement, the CV-19 pandemic caused our principal market, elective surgery, to effectively close around the globe for much of 2020. The effective cessation in elective surgical procedures forced us to review rapidly how best to react and drive the business forward, given such a challenging commercial environment. Set out below is a summary of the key actions we implemented, which included:

- driving, as much as possible, our technology into the key ICU markets at the beginning of the pandemic as: (i) clinicians were still working out the optimal treatment regime for CV-19 patients and we were convinced that TrueVue Doppler-derived data would be helpful to establish optimised treatment protocols; (ii) before the ICUs became completely full we believed that there would be a window of opportunity to engage with intensivists; and (iii) we anticipated that once the pandemic took hold then intensivists would no longer have the time or "bandwidth" to discuss with our clinical educators how best to use the TrueVue Doppler to assist in the treatment of CV-19 patients;
- making sure that we were able to support our customers, both face-to face and virtually, who continued to use the Group's technology during the pandemic in both the ICU and operating room;
- evaluating how best to cope with the new challenge associated with hospitals effectively closing their doors to salespeople, which we anticipate may well carry on for some time. As part of our response to this challenge, we have significantly increased our investment in digital training and marketing resources;
- accelerating and expanding our product development programmes. As part of our strategic decision to accelerate a number of product development initiatives, we applied for, and were awarded, an additional Innovation Continuity Grant by Innovate UK worth approximately £ 0.2 million;
- making the strategic decision early-on that we would not make any redundancies across the company to ensure that we retained our highly trained and flexible teams for when elective surgery resumes; and
- maximising the contribution from Salary Support Schemes which collectively amounted to £352,000 in the year.

We were able to implement these steps whilst still retaining a substantial level of cash at hand on the balance sheet (£0.9 million at 31 December 2020).

Next generation product development – good progress and expansion of applicability

We have made good progress on the development of the next generation monitor, the TrueVue System, which we plan to launch towards the end of the second half of 2021. This next generation monitoring platform will provide users with more detailed and precise information about the key characteristics of a patient's haemodynamics (blood flow and blood pressure) as well as enabling such data to be readily downloaded for further analysis. In addition, the TrueVue System will incorporate battery power, making it much more mobile and hence a clinically more useful device with broader applications.

Last year we were awarded a series of R&D grants. One of these enabled us to commission some collaborative research work with the UK's National Physics Laboratory ("NPL"). Although we have our own in-house experts, we believed that our core ultrasound technology would benefit from an independent review by world-class physicists. The feedback that we received from NPL has been extremely constructive in terms of improving our existing device; but also in the development of a new non-invasive Doppler device we are planning to release on the next generation monitoring platform. This new ultrasound device has broader utility and can be used in a number of different clinical areas that we currently do not service. These include Accident & Emergency departments, where we anticipate it acting as a sophisticated triage tool, through to looking at the haemodynamic status of conscious, un-sedated patients in a general ward setting or in the ICU.

We are expanding the specification for our next generation monitor to include this new non-invasive Doppler-based device. We are also in the process of determining, in parallel with finalising the design for the new monitor, the optimal specification for this non-invasive technology as well as establishing how it could best be used by clinicians to optimise the patient pathway in the wider hospital setting.

One challenge we face at the moment with the development of this technology is that most UK clinicians have been focussed on treating CV-19 patients, and it has been practically very difficult to carry out the clinical evaluations and receive user feedback which form an important part of our product development process.

Curated data sets – new trend seen among large MedTech groups

We are seeing a new trend, which is being led by some of the large MedTech groups, which relates to capturing raw haemodynamic data with a view to using such data to create and guide patient treatment protocols. Such 'curated data sets' comprise data linked to the patient's haemodynamic status which can subsequently be used as a reference for constructing predictive models of future clinical events. Using artificial intelligence, these curated data sets can be used to create cloud-based haemodynamic algorithms which would further improve the quality of patient care. The TrueVue System is the only haemodynamic monitoring device able to generate haemodynamic data with the requisite precision to allow such protocols to be created.

Increasing value associated with Deltex Medical's unique evidence base

Deltex Medical has invested considerable resources in compiling an unrivalled evidence base comprising 24 Randomised Clinical Trials (RCTs). The 24th RCT has just been published[1]. Collectively these RCTs demonstrate that, among other things, the use of Deltex Medical's TrueVue Doppler results in significantly:

- better outcomes for patients;
- reduced patient hospital length-of-stay; and
- lower costs for healthcare providers.

As healthcare systems together with governmental and private (e.g. insurers) payers focus on evidence-based interventions, then the value of Deltex Medical's evidence base will become increasingly apparent.

Regulatory

There is a general trend towards more onerous regulatory requirements associated with medical devices in healthcare markets around the world, including the transition from the Medical Device Directive (MDD) to the Medical Device Regulation (MDR).

These changes mean that there is an increasing need for manufacturers of medical devices to cite efficacy data generated by their own products in regulatory submissions, as opposed to using third party data collected from other sources. As a result, we believe that the inherent value associated with the Group's evidence base will continue to climb.

There is still uncertainty from a regulatory perspective about the consequences for our business following the UK leaving the EU. Some parts of the new regulatory regime in the UK are already clear with, for example, the establishment of the new UK Conformity Assessed (UKCA) mark which has been established to replace the CE mark here in the UK. (The CE mark will still be required on Deltex Medical equipment sold into the EU.) Deltex Medical's Regulatory Affairs group is used to servicing the needs of a wide range of different national and international regulatory environments and so is well set up to handle any changes required. For example, in 2019 we moved our Notified Body which regulates our application of CE marks to Deltex Medical products from the UK to the Netherlands, in order to be ready for the regulatory changes which inevitably would arise following the United Kingdom's exit from the EU.

Three principal divisions: UK, USA and International

The commercial activities of the Group are managed in three divisions: UK, USA and International. These three divisions were all significantly held-back by the CV-19 pandemic during 2020.

We sell directly into the UK and the USA via a team of sales people and clinical educators. In the short term both of these teams face customer access challenges as hospitals have sought to exclude, or at the very least severely restrict, access to non-hospital personnel to hospitals. To counteract this, we have improved

[1] Halawa N *et al.*, Respiratory and Hemodynamic effects of prophylactic alveolar recruitment during liver transplant: a RCT, Journal of Experimental and Clinical Transplantation, March 2021

the breadth and scope of our on-line, digital training materials for clinicians, as well as appropriate supporting materials for a hospital's finance teams and purchasing departments.

We principally sell into overseas territories, other than the USA, by a network of some 40 distributors which typically sell a complementary bundle of MedTech equipment and consumables into the healthcare market in each of their territories. These distributors are able to give us real-time feedback on the status of, or developments within, each of their markets. All of them have reported a cessation of elective surgery as well as the announcement of various initiatives designed to enable a rapid catch-up of elective surgical procedures once the pandemic has abated.

Whilst the distributor network we have in place currently works effectively, we may need to expand our international footprint as our next generation products come on stream, particularly as we anticipate a broader utility and applicability for these products.

Increasing consolidation in the haemodynamic sector

The recent acquisition of several of the Group's competitors by major healthcare groups is likely to result in increased investment in the haemodynamic market which, in turn, should result in this market segment becoming larger. Historically the majority of the Group's competitors were small to medium-sized companies; however, most of these companies have now been acquired by larger, global medical device organisations. The resulting anticipated greater investment in marketing and clinical education is likely to drive broader adoption of haemodynamic monitoring across the international healthcare markets.

Conclusion

Irrespective of how quickly global vaccination programmes bring CV-19 under control, it is clear that there is a substantial backlog of elective surgery which needs to be addressed across the world. It is also clear that there is substantial pressure, from a number of sources including political, clinician-led and patient-safety advocacy groups, to reduce this backlog rapidly. This broad-based pressure to reduce the elective surgery backlog will be a key positive driver for our business.

The product development work that we accelerated during the last year resulting in the near completion of our new next generation TrueVue System will be transformative for the Group as it provides the products we can use to take advantage of the increasing addressable market for haemodynamic monitoring stimulated by the recent consolidation in the sector.

We are looking forward to the second half of this year when we expect our principal markets to reopen. We will then be able to re-assemble our team of highly trained employees at our headquarters in the UK and together drive back up Group revenues and increased cash generation.

"***Navigating haemodynamics – see what we see***"

Andy Mears
Chief Executive

21 April 2021

Directors

NON-EXECUTIVE DIRECTORS

Nigel Keen Chairman, MA FCA FIET

Nigel has been involved with Deltex Medical since 1988 and has been 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 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.

Tim Irish

Tim has worked in the life sciences industry for 35 years. His career has spanned global health technology companies across Europe and North America, including GSK, GE and Philips. Tim is a Professor of Practice at King's College London (KCL) and Chairman, KHP MedTech Innovations Ltd, a joint venture between KCL and two of London's leading NHS Trusts, Guy's & St Thomas' and King's College Hospital. Tim joined the Board of the National Institute for Health and Care Excellence ("NICE") in April 2015 and is currently Vice-Chair. Tim currently holds four other non-executive director positions in health and technology related entities based in the UK, EU and USA. Tim joined the Board on 20 January 2021.

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.

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 a member of the CW Innovation Advisory Group supported by CW+, the official charity of the Chelsea & Westminster NHS Foundation Trust. He mentors, and invests in, technology businesses and acts as a mentor in fintech accelerator programmes powered by Techstars. 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.

EXECUTIVE DIRECTORS

Andy Mears, Chief Executive

Andy joined Deltex Medical in 1989 as an Electronics Engineer. During 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 regularly advises Departments within the UK government on their strategies to encourage UK healthcare companies to trade internationally. Within these roles he has been an active member of the All-Party Parliamentary Group (APPG) for Trade & Investment as well as more recently a member of the UK Life Science Export Trade Advisory Group (ETAG) helping to define post-BREXIT trade agreements.

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 accounting standards in conformity with the requirements of the Companies Act 2006 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 for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 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 a 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. In addition, the directors are responsible for ensuring that they meet their responsibilities under the AIM rules. The Directors are responsible for the maintenance and integrity of the Group'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, save for Sir Duncan Nichol who retired from the Board on 31 December 2020,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 loss of the Company;
- the Group financial statements, which have been prepared in accordance with international accounting standards, 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 to 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 technologies within our TrueVue System;
- communicating openly and honestly with our customers and with each other;
- providing excellent levels of support, education and training, taking into account any restrictions imposed by CV-19;
- 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. These sections also describe the strategy adopted in respect of navigating the Group through the specific challenges created by CV-19. 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. In 2020 and early 2021 CV-19 has made such meetings effectively impossible; however, a number of telephone or internet-based calls have taken place between the Chairman, the CEO and/or the FD and the Group's shareholders.

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. During the year considerable time was spent by the Board on reviewing the specific risks for the Group associated with CV-19.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 20 to 21 of this document.

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

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 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 and appropriate supporting documentation 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 (UK) 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. There are a minimum of ten Board meetings scheduled per year. The Non-Executive Directors spend approximately a day a month working on Deltex Medical related matters, including reviewing the Board papers. The Chairman maintains contact both with the Board, the Executive Directors and employees between Board Meetings, and typically spends approximately three days a month working on Group-related matters. In 2020 all the Non-Executive Directors attended all the Board meetings, save for one director. 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 relating to 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
Chairman
21 April 2021

Strategic Report

The Directors have set out below their Strategic Report for the year ended 31 December 2020.

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

1. Chairman's Statement (page 4)
2. Business Review (page 7)
3. Corporate Governance (page 14)
4. Principal Risks of the Group (page 20)
5. Directors' Report (page 22)

Key performance indicators

The key performance indicators that are used to monitor the 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.

	2020	**2019**
Adjusted EBITDA (£000)	(208)	391
Op. (loss) / profit (before exceptionals and other gain) (£000)	(561)	90
Gross profit margin	68%	77%
Cash and cash equivalents (£000)	853	908
Probe revenues (£000)	2,113	3,533
Monitor revenues (£000)	161	260

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. During the CV-19 pandemic the Group also made use of Salary Support Schemes provided by the UK and US governments and will continue to access, as appropriate, such schemes.

The Directors have reviewed detailed budgets and forecasts until 30 June 2022, which take into account the possible continued effects of CV-19. This review indicates that the Group is expected to continue trading as a going concern based on projected net cash flows derived from sales of the Group.

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.

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 regard (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 management of the Company and which is described on pages 14 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 theatres / rooms. Accordingly, it is important that we identify, evaluate, manage and mitigate the risks we face effectively and that we continue to develop our approach to risk management proactively. For further information see the section entitled 'Principal Risks of the Group' on page 20.

Our employees

The Company is committed to being 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 2020, as part of our response to CV-19, we decided not to make any redundancies as we value our highly trained and flexible workforce, and wanted to support them as much as possible during the pandemic. 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, although this has been made substantially more challenging as a result of the pandemic and the effective cessation of "face-to-face" meetings. We have tried to compensate for this, to the extent possible, by the judicious use of internet-based digital meetings.

We also need to develop close relationships with our suppliers, many of whom we have worked with for a number of years.

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 engaging openly 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 14.

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
21 April 2021

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

In normal years Deltex Medical undertakes continuous reviews of its staff with a focus on encouraging high performance and an increase in the skills base. As a result of the pandemic, it has been much harder to carry out systematic staff reviews and implementing training progammes to expand employee skills. Accordingly we have sought to carry out staff reviews on an ad hoc and pragmatic basis; and we anticipate this approach will continue until the pandemic is effectively over.

The successful selling of the Group'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). It is likely that Brexit will have an impact on the Group's procedures in exporting both monitors and probes; however, at the current time it is too early to assess the longer term impact of Brexit on our EU exports. It is also too early to state definitively what new regulatory procedures will need to be adopted, and indeed what measures will need to be taken, if any, in order to ensure that supplies are maintained to our US subsidiary and to our distributors in many jurisdictions. The Group maintains a continuous watch on new regulatory requirements and has plans in place to mitigate in the short term 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 setting (i.e. a hospital), 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 to date no such litigation has 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 competitors has a clinical evidence base which is equivalent to that supporting 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 Group revenue and profits.

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;
- the availability to the Group of resources, including cash, to pursue its strategy and other opportunities that it comes across; and

- technological difficulties and/or supply chain challenges associated with the timely development and launch of new products.

COVID-19

The Group's commercial activities, and in particular the demand for its products, are exposed to the risks created by the continued global spread of CV-19 and the extent to which vaccination programmes, lock-downs and other actions in response by governments, healthcare systems and relevant authorities are successful. There is significant uncertainty on a country-by-country basis as to the ongoing short-term and long-term effect of CV-19 on the markets in which the Group operates.

There are other risks posed by CV-19, including the impact on our employees and the 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 supply risk is minimised, at least in the near future.

Further information on the potential effect of CV-19 on the Group is set out elsewhere in this document, including in the Chairman's Statement and the Business Review.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

Future developments

The Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Chairman's Statement on page 4, the Business Review on page 7 and the Principal Risks of the Group on page 20.

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 24 to the financial statements on pages 71 to 74.

Dividends

The Directors cannot propose the payment of a dividend (2019: £nil) for 2020.

Directors

The Directors of the Group who served during the year are shown below. Biographical details are given on pages 10 and 11.

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

* Sir Duncan retired from the Board on 31 December 2020

Tim Irish was appointed to the Board after the year end, on 20 January 2021.

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 27 May 2021 at 11.00 a.m. 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
21 April 2021

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 supervision 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 and in particular for the Executive Directors and senior managers.

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
21 April 2021

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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 supervision 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 of the Executive Directors 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 during the year comprised all the independent non-executive Directors: Julian Cazalet, Chris Jones, Sir Duncan Nichol and Mark Wippell as well as 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 2020 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 reviews the link between incentive structure and strategy regularly 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 which 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, particularly mindful of the additional stress and responsibilities imposed by the CV-19 pandemic, and retention that the remuneration of the executives reflects its plans for 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 remained 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. Salary increases were last implemented across the Group on 1 July 2019.

The Executive Directors’ base salary will be reviewed on 1 July 2021. 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 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	2020	200,000	7,500	11,710	-	219,210
	2019	170,000	7,500	5,623	-	183,123
David Moorhouse*	2020	65,825	-	-	-	65,825
	2019	14,250	-	-	-	14,250
Jonathan Shaw**	2019**	93,392	5,734	7,645	-	106,771
Total	**2020**	**265,825**	**7,500**	**11,710**	**-**	**285,035**
	2019	**277,642**	**13,234**	**13,268**	**-**	**304,144**

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

** Jonathan Shaw resigned from the Board on 4 October 2019. He also received termination payments with a value of £95,000

'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 6,387,500 share options under the 2011 Executive share option scheme with exercise periods ranging from 28 September 2014 to 22 July 2023 and expiry dates from 27 September 2021 to 21 July 2030 at exercise prices from 17.25p to 1.325p. 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.

Non-executive Directors	**Year**	**Cash settled Directors' fees**	**Equity settled Directors' fees**	**Benefits**	**Pension**	**Annual bonus**	**Long term incentive awards**	**Total**
		£	**£**	**£**	**£**	**£**	**£**	**£**
Nigel Keen	2020	-	33,333	-	-	-	-	33,333
	2019	-	33,333	-	-	-	-	33,333
Julian Cazalet	2020	-	24,000	-	-	-	-	24,000
	2019	-	24,000	-	-	-	-	24,000
Chris Jones	2020	-	24,000	-	-	-	-	24,000
	2019	-	24,000	-	-	-	-	24,000
Sir Duncan Nichol	2020	-	24,000	-	-	-	-	24,000
	2019	-	24,000	-	-	-	-	24,000
Mark Wippell	2020	-	24,000	-	-	-	-	24,000
	2019	-	24,000	-	-	-	-	24,000
Total	**2020**	**-**	**129,333**	**-**	**-**	**-**	**-**	**129,333**
	2019	**-**	**129,333**	**-**	**-**	**-**	**-**	**129,333**

All NED fees are planned to be settled by the issue of equity instruments in the Group. The non-executive Chairman and the non-executive Directors, with the exception of Chris Jones, elected to defer their Directors' emoluments in order to help the Group maximise its cash resources from 1 April 2016 to 31 December 2020. Chris Jones also elected to defer his emoluments in a similar manner from 1 July 2018. These arrangements have been set out each year in Deltex Medical's Annual Report and Accounts and full provision has always been made for the cost of these fees. The Group decided to settle these liabilities, which at 31 December 2019 amounted in total to £448,249, by the issue of 29,883,257 new Ordinary Shares at 1.5 pence per Share, representing a premium of 30% to the closing mid-market price on 18 December 2020. The Shares were issued on 21 December 2020. A further liability has arisen in relation to the non-executive Directors' emoluments for the 2020 financial year amounting in total to £129,333. It is intended that this liability will also be settled by the issue of Ordinary Shares in the course of 2021.

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 2020 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	5,858,731	-	10,000,000	6,387,500
David Moorhouse	829,834		-	1,000,000
Nigel Keen	78,095,142	-	-	-
Julian Cazalet	15,782,542	-	-	-
Chris Jones	2,925,862	-	-	-
Sir Duncan Nichol	8,754,136	-	-	-
Mark Wippell	8,866,446	-	-	-

Approval

This report was adopted by the Committee on 21 April 2021 and has been approved subsequently by the Board.

Nigel Keen
Chairman of the Remuneration Committee
21 April 2021

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 spoken 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
21 April 2021

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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 which contain control findings that are relevant to its work.

Information relating to the Principal Risks of the Group 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:

(1) the carrying value of investments in subsidiaries and group balances in the Parent Company's Individual Financial Statements. The Committee reviewed the key assumptions used in the underlying cash flow forecast which was used as the basis for the value in use calculation required by the relevant 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; and

(2) in December 2020 the maturity date of the Convertible Note was extended to February 2024. It had previously been extended to February 2022 in March 2020. The Committee considered these modifications but did not take the view that they were made in contemplation of each other and therefore should not be assessed together. Further information on the modification can be found in Note 18.2 to the consolidated financial statements.

External audit

The Audit Committee has received an audit planning document from the auditors which 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, notwithstanding the additional restrictions and complexities associated with carrying out external auditing in a COVID-secure manner.

Following the completion of the audit, the Audit Committee received from the auditors a post-audit management letter which 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.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELTEX MEDICAL GROUP PLC

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 2020 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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 note 1.7 of the financial statements which describes the impact of COVID-19 on the Group. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial period ending 30 June 2022;

- Considering historical trading performance both prior to and during the Covid-19 pandemic;
- Comparing the forecast results to those actually achieved in the 2021 financial period so far;
- Reviewing bank statements to monitor the cash position of the group post year end, and obtaining an understanding of significant expected cash outflows (such as capital expenditure) in the forthcoming 12-month period;
- Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.

As part of our evaluation of going concern, we have requested management to perform additional work concerning sensitivity on their assumptions to assess the financial headroom in their models.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

We identified the key audit matters described below as those that were of most significance 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 the matters in the context of the financial statements as a whole and, in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

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 in their view the group and parent company can continue to 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, these projections were 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	We challenged the assumptions used in the cash flow forecasts for going concern as described in note 1.7 of the group financial statements and in respect of the impairment reviews as described in notes 5 and 6 of the parent entity financial statements. 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 where appropriate

	carrying value requires significant judgement in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions to derive a value in use.	• reviewed management's sensitivity calculations to understand the impact of changing the key assumptions on cashflows and value in use • performing our own further 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 recognition continues to be a key focus for the group to meet market expectations.	As part of our procedures relating to revenue recognition as described in note 2 of the group financial statements we: • reviewed transactions around the year end and traced to supporting documentation to determine if the sale was recorded in the correct period • traced a sample of sales from customer order to the nominal ledger, ensuring contract liability postings were complete for these transactions. • 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.
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	As part of our procedures regarding the development costs as described in note 13 of the group financial statements we: • Traced a sample of project development costs capitalised in the year to supporting

	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.	documentation ensuring they were valid capital expenditure and the relevant capitalisation criteria under IAS 38 were met. • Discussed a sample of development projects in progress and completed at the year end with management and individuals within the development team to understand the future prospects of the projects and considered whether any impairment was required. Explanations received were checked for consistency with our understanding of the business and the wider market. • Reviewed the useful economic life of a sample projects to determine if the useful economic life is appropriate.

Our application of materiality

The materiality for the group financial statements as a whole ("group FS materiality") was set at £47,900. This has been determined with reference to the benchmark of the group's revenue, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. FS materiality represents 2% of the group's revenue as presented on the face of the Consolidated Statement of Comprehensive Income.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £38,320. This has been determined with reference to the benchmark of the parent company's net assets as it exists only as a holding company for the group and carries on no trade in its own right. Parent FS materiality represents approximately 1% of net assets as presented on the face of the parent company balance sheet.

Performance materiality for the group financial statements was set at £38,320, being 80% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 80% to reflect the fact that few misstatements were expected in the current period and there is little estimation in the financial statements.

Performance materiality for the parent company financial statements was set at £30,656, being 80% of parent FS materiality. It was set at 80% to reflect the fact that few misstatements were expected in the current period and there is little estimation in the financial statements.

An overview of the scope of the audit

Of the group's five reporting components, we subjected two to audits for group reporting purposes and three to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. The latter were not individually significant enough to require an audit for group reporting purposes but were still material to the group.

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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 in relation to which 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 12, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Group's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand that the Group complies with the framework through:

- Outsourcing tax compliance to external experts.
- Outsourcing foreign payroll to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.
- Ensuring certification under ISO 13485 (Quality Management System) and compliance with local regulators for their products which is essential to be able to sell their products in the UK and overseas.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Group's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006, international accounting standards in respect of the preparation and presentation of the group financial statements and FRS 101 in respect of the preparation and presentation of the parent entity financial statements.
- Compliance with ISO 13485 and regulators such as British Standards Institution "BSI" & U.S. Food and Drug Administration "FDA".

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Examined the results of any regulatory compliance audits and performed online searches of key regulators to ensure adequate compliance certificates were held.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements, especially revenue, via fraudulent journal entries or error affecting cut off around the year end, particularly as the size of the company means that there is little opportunity for segregation of duties.
- Provisions including stock and trade debtor provisions as these are estimates by management.
- Estimates made by management regarding the useful economic life of capitalised development costs and associated judgement regarding the viability and long term recoverability of the carrying value of these projects.
- Group's status as AIM listed entity which creates an incentive for fraudulent financial reporting to show favourable results to the market.

The procedures we carried out to gain evidence in the above areas included:

- Challenging management regarding the assumptions used in the estimates and judgements identified above.
- Substantive work on material areas affecting profits.
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts, those posted at unusual times and journals outside the normal scope of the client business.

A further description of our responsibilities is available 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.

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

21 April 2021

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	**3**	**2,398**	4,256
Cost of sales	**4**	**(757)**	(974)
Gross profit		**1,641**	3,282
Administrative expenses		**(1,472)**	(1,515)
Sales and distribution expenses		**(964)**	(1,220)
Research and Development, Quality and Regulatory		**(246)**	(446)
Impairment reversal/(loss) on trade receivables	**24**	**11**	(11)
Exceptional costs	**9**	**(232)**	(137)
Total costs	**4**	**(2,903)**	(3,329)
Other operating income	**10**	**469**	-
Other gain	**7, 18**	**171**	13
Operating loss		**(622)**	(34)
Operating (loss)/profit before exceptional costs and other gain		**(561)**	90
Finance costs	**6**	**(172)**	(176)
Loss before taxation		**(794)**	(210)
Tax credit on loss	**7**	**9**	51
Loss for the year		**(785)**	(159)
Other comprehensive expense			
Items that may be reclassified to profit or loss:			
Net translation differences on overseas subsidiaries		**(6)**	(8)
Other comprehensive expense for the year, net of tax		**(6)**	(8)
Total comprehensive loss for the year		**(791)**	(167)
Total comprehensive loss for the year attributable to:			
Owners of the Parent		**(804)**	(169)
Non-controlling interests		**13**	2
		(791)	(167)
Loss per share – basic and diluted	**11**	**(0.15p)**	(0.03p)

The notes on pages 43 to 75 form an integral part of these consolidated financial statements.

Consolidated balance sheet
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	**12**	**305**	395
Intangible assets	**13**	**2,554**	2,651
Financial assets at amortised cost	**16**	**153**	157
Total non-current assets		**3,012**	3,203
Current assets			
Inventories	**15**	**895**	915
Trade receivables	**16**	**576**	1,062
Financial assets at amortised cost	**16**	**15**	214
Other current assets	**16**	**122**	113
Current income tax recoverable		**61**	80
Cash and cash equivalents		**853**	908
Total current assets		**2,522**	3,292
Total assets		**5,534**	6,495
Liabilities			
Current liabilities			
Borrowings	**18**	**(159)**	(188)
Trade and other payables	**18**	**(1,416)**	(2,198)
Total current liabilities		**(1,575)**	(2,386)
Non-current liabilities			
Borrowings	**18**	**(993)**	(1,072)
Trade and other payables	**18**	**(274)**	(320)
Provisions	**20**	**(51)**	(62)
Total non-current liabilities		**(1,318)**	(1,454)
Total liabilities		**(2,893)**	(3,840)
Net assets		**2,641**	2,655
Equity			
Share capital	**21**	**5,773**	5,249
Share premium	**26**	**33,444**	33,230
Capital redemption reserve	**26**	**17,476**	17,476
Other reserve	**26**	**505**	439
Translation reserve	**26**	**135**	141
Convertible loan note reserve	**26**	**82**	82
Accumulated losses	**26**	**(54,648)**	(53,823)
Equity attributable to owners of the Parent		**2,767**	2,794
Non-controlling interests		**(126)**	(139)
Total equity		**2,641**	2,655

The notes on pages 43 to 75 form an integral part of these consolidated financial statements. The financial statements on pages 38 to 42 were approved by the Board of Directors and authorised for issue on 21 April 2021 and were signed on its behalf by:

Nigel Keen
Chairman

David Moorhouse
Group Finance Director

Consolidated statement of changes in equity for the year ended 31 December 2020

	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 2020	**5,249**	**33,230**	**17,476**	**439**	**82**	**141**	**(53,823)**	**2,794**	**(139)**	**2,655**
Comprehensive income										
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(798)**	**(798)**	**13**	**(785)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(6)**	**-**	**(6)**	**-**	**(6)**
Total comprehensive income for year	**-**	**-**	**-**	**-**	**-**	**(6)**	**(798)**	**(804)**	**13**	**(791)**
Transactions with owners of the Group										
Shares issued during the year	**524**	**217**	**-**	**-**	**-**	**-**	**-**	**741**	**-**	**741**
Issue expenses	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
Equity-settled share-based payment	**-**	**-**	**-**	**39**	**-**	**-**	**-**	**39**	**-**	**39**
Transfers	**-**	**-**	**-**	**27**	**-**	**-**	**(27)**	**-**	**-**	**-**
Balance at 31 December 2020	**5,773**	**33,444**	**17,476**	**505**	**82**	**135**	**(54,648)**	**2,767**	**(126)**	**2,641**

The notes on pages 43 to 75 form an integral part of these consolidated financial statements.

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 43 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Loss before taxation	**(794)**	(210)
Adjustments for:		
Net finance costs	**172**	176
Depreciation of property, plant and equipment	**103**	149
Profit on disposal of loan monitors	**-**	(36)
Amortisation of intangible assets	**40**	84
Write off of research and development projects not taken forward	**222**	-
Modification gain on convertible loan note	**(119)**	-
Share-based payment expense	**39**	117
Other tax income	**(52)**	-
Effect of exchange rate fluctuations	**(6)**	(2)
	(395)	(278)
Decrease/(increase) in inventories	**13**	(235)
Decrease in trade and other receivables	**680**	427
(Decrease)/increase in trade and other payables	**(303)**	212
(Decrease)/increase in provisions	**(11)**	6
Net cash generated (used in) / from operations	**(16)**	688
Interest paid	**(132)**	(139)
Income taxes received	**80**	60
Net cash generated (used in) / from operating activities	**(68)**	609
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6)**	(10)
Proceeds from the sale of loan monitors	**-**	59
Capitalised development expenditure (net of grants)	**(165)**	(250)
Net cash used in investing activities	**(171)**	(201)
Cash flows from / (used in) financing activities		
Issue of ordinary share capital	**253**	322
Expenses in connection with share issue	**(3)**	-
Net movement in invoice discount facility	**(23)**	(356)
Principal lease payments	**(37)**	(33)
Net cash generated from / (used in) financing activities	**190**	(67)
Net (decrease)/increase in cash and cash equivalents	**(49)**	341
Cash and cash equivalents at beginning of the period	**908**	580
Exchange loss on cash and cash equivalents	**(6)**	(13)
Cash and cash equivalents at end of the period	**853**	908

The notes on pages 43 to 75 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2020

1. Principal accounting policies
Presented below are those accounting policies that relate to the financial statements as a whole and include details of new accounting standards that are or will be effective for 2021 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2019. 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:

	2020		2019	
	Average Rate	**Closing rate**	**Average rate**	**Closing rate**
Sterling/US Dollar	**1.29**	**1.37**	1.28	1.31
Sterling/Euro	**1.13**	**1.12**	1.14	1.17
Sterling/Canadian Dollar	**1.73**	**1.74**	1.70	1.71

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 judgement 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.

Convertible Loan Note Modifications

In March 2020, the Group negotiated the extension for a further 12 months of the Convertible Loan Notes. In December 2020, as part of a longer term financing review, the Group further extended the Convertible Loan Notes by an additional 2 years to February 2024. The directors do not consider that these two modifications were made in contemplation of each other and therefore should not be assessed together in determining whether these are substantial modifications under IFRS 9.

Estimates

Information about estimation uncertainties at 31 December 2020 that could have a risk of adjustment to the carrying amount of assets in the next financial year is considered in the following note:

Trade receivables
Note 16 and 24 provide 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 2022. This review indicates that the Group is expected to continue trading as a going concern based on projected net cash flows derived from sales of the Group. The directors recognise that COVID-19 continues to have an impact on the demand for its products and the continued impact of COVID-19 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 of resources are 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, share-based payments, non-executive directors' fees, as well as any exceptional items' (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 operating segment results for 2020 are:

	Probes[1]	**Monitors**	**Third party products**	**Other**	**Unallocated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenues	**2,113**	**161**	**-**	**124**	**-**	**2,398**
Adjusted gross profit[2 3]	**1,585**	**136**	**-**	**106**	**-**	**1,827**
Sales and marketing costs[3]	-	-	-	-	(942)	**(942)**
Administration costs[3]	-	-	-	-	(903)	**(903)**
R&D costs[3]	-	-	-	-	(23)	**(23)**
Quality and regulation costs[3]	-	-	-	-	(167)	**(167)**
Adjusted EBITDA	**-**	**-**	**-**	**-**	**-**	**(208)**

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
3. Other operating income is allocated within the corresponding expense categories

The operating segment results for 2019 were:

	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 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:

	2020 £'000	2019 £'000
Adjusted EBITDA	**(208)**	391
Non-cash items:		
Depreciation of property, plant and equipment	**(103)**	(149)
Amortisation of development costs	**(40)**	(84)
Write off of research and development projects not taken forward	**(222)**	-
Non-executive directors' fees and employer's NIC	**(172)**	(136)
Share-based payment expenses	**(39)**	(117)
Change in accumulated absence cost liability	**1**	26
Net bonus accrual and staff advances movement	**(10)**	22
Gain on convertible loan note	**119**	-
Cash item:		
Other tax income	**52**	13
	(414)	(425)
Operating loss	**(622)**	(34)
Finance costs	**(172)**	(176)
Loss before tax	**(794)**	(210)
Tax credit on loss	**9**	51
Loss for the year	**(785)**	(159)

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 2020

	Direct markets				**Indirect markets**			
	Probes £'000	**Monitors £'000**	**Third Party £'000**	**Other £'000**	**Probes £'000**	**Monitors £'000**	**Other £'000**	**Total £'000**
UK	**652**	**102**	**-**	**83**	**-**	**-**	**-**	**837**
USA	**858**	**16**	**-**	**26**	**-**	**-**	**-**	**900**
France	**-**	**-**	**-**	**-**	**170**	**-**	**10**	**180**
Scandinavia	**-**	**-**	**-**	**-**	**95**	**-**	**2**	**97**
South Korea	**-**	**-**	**-**	**-**	**159**	**-**	**1**	**160**
Portugal	**-**	**-**	**-**	**-**	**86**	**-**	**-**	**86**
Other countries	**15**	**32**	**-**	**-**	**78**	**11**	**2**	**138**
	1,525	**150**	**-**	**109**	**588**	**11**	**15**	**2,398**

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

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.

	2020	2019
	£'000	£'000
Sale of goods	**2,338**	4,176
Maintenance income	**60**	80
	2,398	4,256

The following table provides information about trade receivables and contract liabilities from contracts with customers. There were no contract assets at either 31 December 2020 or 31 December 2019.

	31 December 2020	31 December 2019
	£'000	£'000
Trade receivables which are in 'Trade and other receivables'	**576**	1,062
Contract liabilities (Note 18.4)	**(58)**	(53)

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 2020:

	2021	2022	2023	**Total**
	£'000	£'000	£'000	**£'000**
Revenue expected to be recognised	54	1	3	**58**

Revenue recognised in 2020 which was included in contract liabilities at 31 December 2019 amounted to £46,000. Revenue recognised in 2019 included in contract liabilities at 31 December 2018 amounted to £131,000.

4. Expenses

4.1. Expenses by nature

	2020 £'000	2019 £'000
Changes in inventories and work in progress	**(20)**	173
Raw materials and consumables used	**380**	755
Employee benefit costs	**2,289**	2,350
Other employee costs	**159**	315
Non-executive directors' fees	**172**	128
Depreciation of property, plant and equipment	**103**	149
Amortisation of development costs	**40**	84
Write off of research and development projects not taken forward	**222**	43
Short-term leases	**20**	23
Net foreign exchange (gain)/loss	**(10)**	43
Audit and accountancy costs	**70**	59
Meeting and other public relations costs	**(54)**	48
Professional and consultancy costs	**199**	189
Gain on convertible loan note	**(119)**	-
Other income	**(52)**	(13)
Other	**90**	(56)
	3,489	4,290

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

	2020 £'000	2019 £'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	**33**	32
Tax compliance services	**7**	7
Tax advisory services	**-**	-
	50	49

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

	2020 £'000	2019 £'000
Wages and salaries	**2,162**	2,232
Social security costs	**256**	244
Pension costs – defined contribution plans	**62**	65
	2,480	2,541
Less amounts capitalised as research and development expenses	**(309)**	(201)
	2,171	2,340
Accumulated absence liability movement	**(1)**	(26)
Accrued bonuses for the year	**20**	43
Accrued bonuses and staff advances from prior periods released	**60**	(124)
Share-based payment expense	**39**	117
	2,289	2,350

The pensions cost expense of £62,000 (2019: £65,000) represents the aggregate amount paid and payable into defined contribution pension schemes on behalf of employees.

5.3. Average monthly number of people employed

	2020 Number	2019 Number
Number of employees	**50**	52
Average monthly number of people (including executive directors) employed:		
Sales and marketing	**12**	15
Production	**17**	17
Office and management	**11**	10
Quality and regulatory	**4**	4
Research and development	**6**	6
Total monthly average headcount	**50**	52

5.4. Directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	**369**	363
Payment in lieu of notice	**-**	65
Compensation for loss of office	**-**	30
Sums paid to third parties for directors' services	**33**	57
Contributions to directors' personal pension schemes	**1**	8
Contributions to the Group's defined contribution scheme	**12**	6
	415	529

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

Third party payee	Director	2020 £'000	2019 £'000
Imperialise Limited	Nigel Keen	**33**	33
Rockridge Medical Limited	Chris Jones	**-**	24
		33	57

5.5. Highest paid director

	2020 £'000	2019 £'000
Aggregate emoluments	**207**	177
Contributions to director's personal pension scheme	**12**	6
	219	183

6. Finance costs

	2020 £'000	2019 £'000
Invoice discount facility	**1**	3
Convertible loan note	**128**	126
Lease liability finance expense	**43**	47
	172	176

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	**2020 £'000**	2019 £'000
Research and development tax credit	**(9)**	(64)
Adjustment in respect of prior years	**-**	13
Total current tax	**(9)**	(51)
Total deferred tax	**-**	-
Total tax credit on loss	**(9)**	(51)

In 2020, the other gain includes an amount of £52,000 (2019: £13,000) comprises tax income arising from the Research and Development Expenditure Credit scheme which is accounted for as a government grant.

The taxable credit on the loss for the year is lower (2019: higher) than the effective rate of corporation tax in the UK of 19% (2019: 19%) applied to the Group's loss on ordinary activities before tax. The differences are explained below:

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	**(794)**	(210)
Loss on ordinary activities multiplied by the standard rate in the UK of 19% (2019: 19%)	**(151)**	(40)
Effects of:		
Non-taxable income	**(101)**	(496)
Losses carried forward for which no deferred tax asset has been recognised	**213**	485
Other movements in unrecognised deferred tax	**27**	-
Tax rate of difference on receivable research and development tax credit	**(7)**	(49)
Research and development expenditure credit	**-**	3
Difference on tax rate on payable research and development tax credit	**3**	21
Rate change adjustment	**-**	28
Share based payment deduction	**7**	(17)
Adjustment in respect of prior years	**-**	14
Total tax credit on loss	**(9)**	(51)

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 2020, the Group had accumulated trading losses carried forward which are available to offset against future profits of £34,286,000 (2019: £34,608,000) resulting in an unrecognised potential deferred tax asset of £6,854,000 (2019: £6,486,000).

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	**2020 £'000**	2019 £'000
Development costs	**588**	399
Accelerated capital allowances	**56**	5
	644	404

	2020 £'000	2019 £'000
At 1 January	**404**	523
Charged/(credited) to profit or loss in the Consolidated SOCI	**240**	(119)
At 31 December	**644**	404

Deferred tax asset on losses	**2020 £'000**	2019 £'000
At 1 January	**(404)**	(523)
(Credited)/charged to profit or loss in the Consolidated SOCI	**(240)**	119
At 31 December	**(644)**	(404)

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:

	2020 £'000	2019 £'000
Payments in lieu of notice	**-**	65
Compensation for loss of office	**-**	30
Net bonus accrual and staff advances movement	**10**	-
Write off of research and development projects not taken forward	**222**	42
	232	137

10. Other operating income

10.1. Accounting policy

Government grants are accounted for under the accruals model as permitted by IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance'. Grants related to income are recognised in the Statement of Comprehensive Income under Other operating income in the same period as the related expenditure.

10.2.
Other operating income comprised:

	2020 **£'000**	2019 £'000
UK Job Retention Scheme	**214**	-
US Payment Protection Plan	**138**	-
Other operating income – 3rd party termination agreement	**117**	-
	469	-

11. Basic and diluted loss per share

The loss per share calculation is based on the loss of £798,000 and the weighted average number of shares in issue of 526,448,659. For 2019, 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. While the Group is loss-making, the diluted loss per share and the loss per share are the same.

12. Property, plant and equipment

12.1. 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.

12.2. 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 2019	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
Exchange difference	-	-	(2)	-	(51)	(53)
Additions	-	-	3	-	3	6
Transferred from inventory	-	-	-	-	7	7
At 31 December 2020	**180**	**427**	**479**	**2**	**1,529**	**2,617**
Accumulated depreciation						
At 1 January 2019	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
Exchange differences	-	-	(2)	-	(51)	(53)
Depreciation charge	2	48	13	-	40	103
At 31 December 2020	**178**	**155**	**476**	**2**	**1,501**	**2,312**
Net book value						
At 1 January 2019	1	368	35	-	96	500
At 31 December 2019	4	320	13	-	58	395
At 31 December 2020	**2**	**272**	**3**	**-**	**28**	**305**

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

	2020 £'000	2019 £'000
Cost of sales	**49**	71
Administration expenses	**51**	69
Research and development expenses	**3**	9
	103	149

13. Intangible assets

13.1. 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. As such, the amortisation period relates to a specific period to reflect the benefits, being between 6 and 10 years.

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 2020, £464,000 (2019: £145,000) was recognised from government grants.

13.2. Note

	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2019	3,669	66	3,735
Amounts written off	(149)	-	(149)
Additions	250	-	250
At 31 December 2019	3,770	66	3,836
Amounts written off	(222)	-	(222)
Additions	165	-	165
At 31 December 2020	**3,713**	**66**	**3,779**
Accumulated amortisation			
At 1 January 2019	1,207	-	1,207
Amounts written off	(106)	-	(106)
Amortisation expense	84	-	84
At 31 December 2019	1,185	-	1,185
Amounts written off	-	-	-
Amortisation expense	40	-	40
At 31 December 2020	**1,225**	**-**	**1,225**
Net book value			
At 1 January 2019	2,462	66	2,528
At 31 December 2019	2,585	66	2,651
At 31 December 2020	**2,488**	**66**	**2,554**

Amortisation expense of £40,000 (2019: £84,000) has been categorised as research and development expenditure in profit or loss in the Consolidated SOCI.

Included within development costs are costs amounting to £1,707,000 (2019: £1,575,000) 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 an amount of £155,000 net book value (2019: £186,000) relating to the development of its high definition impedance cardiography product which became available for sale in May 2017 and has been amortised from that date. Other individually material projects, all of which have not been amortised as the projects are still in progress, are:

Project description	2020 £'000	2019 £'000
Suprasternal Doppler Probe	**308**	301
TrueVue Velocity Pressure Loops	**215**	208
UK Enhanced Recovery App	**-**	192

14. 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 unless 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

15. Inventories

15.1. 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.

15.2. Note

	2020 £'000	2019 £'000
Raw materials and consumables	**289**	219
Work in progress	**-**	57
Finished goods	**606**	639
	895	915

There are no specific provisions for slow-moving inventory (2019: £nil).

16. Trade and other receivables

16.1. 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 required 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.

16.2. Note

Trade receivables

	2020 £'000	2019 £'000
Trade receivables	**576**	1,090
Less loss allowance	**-**	(28)
	576	1,062

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

	2020		2019	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Staff advances	**15**	**-**	214	-
Other receivables	**-**	**153**	-	157
	15	**153**	214	157

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 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 would be recovered in full. However, during the year, the Group made the decision to review the historic bonus amounts and corresponding staff advances. As a result, an accrual relating to the bonuses due to be settled exists. These bonuses are expected to be cleared during the course of 2021.

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

	2020 **£'000**	2019 £'000
Sundry debtors	**85**	64
Prepayments	**37**	49
	122	113

17. Cash and cash equivalents

17.1. 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.

17.2. Note

	2020 **£'000**	2019 £'000
Cash at bank	**853**	908

18. Financial liabilities

18.1. 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 gain 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.

18.2. Note

Borrowings

	2020		2019	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Invoice discounting facility	**159**	**-**	188	-
Convertible loan note	**-**	**993**	-	1,072
	159	**993**	188	1,072

Invoice discounting facility

The amount shown represents the cash drawn down under an invoice discounting facility; There was £nil undrawn amounts at the end of the year (2019: £2,000). The amount outstanding under this facility is secured by way of a fixed charge over the Group's UK and a proportion of the international trade receivables. Amounts drawn down under the facility are repayable from the end of the month of invoice.

This is an ongoing facility and is separated into three accounts being Sterling, US$ and Euro currencies. The facility is subject to one month's (2019: 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 from February 2021 which had been extended in February 2018. In December 2020, the maturity date was extended further to February 2024.

A gain of £119,000 was recognised in profit or loss in the Consolidated SOCI within other gain following the extension of the maturity date by three years.

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

	Financial liability £'000	Equity component £'000	Total £'000
Carrying amount at 1 January 2020	1,072	82	**1,154**
Modification gain	(119)	-	**(119)**
Interest expense	128	-	**128**
Interest paid	(88)	-	**(88)**
Carrying amount at 31 December 2020	**993**	**82**	**1,075**

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 13.14% (2019: 13.14%).

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.

	2020		2019	
	Rate %	**Amount £'000**	Rate %	Amount £'000
Sterling	**3.17**	**47**	3.55	103
Euro	**2.75**	**80**	2.75	27
US Dollar	**4.93**	**32**	6.02	58
		159		188

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 13.14% (2019: 13.14%).

18.3. Trade and other payables

	2020		2019	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Trade payables	**201**	**-**	381	-
Other payables	**249**	**-**	483	-
Social security and other taxes	**141**	**-**	129	-
Lease obligations	**41**	**274**	32	320
Contract liabilities	**58**	**-**	53	-
Employee short-term benefits	**30**	**-**	31	-
Accrued expenses	**696**	**-**	1,089	-
	1,416	**274**	2,198	320

Included within other payables is an amount of £249,000 (2019: £288,000) 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.

19. Leases

19.1. 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.

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 term.

19.2. Note

Included within Property, plant and equipment is the net book amount of £272,000 (2019: £320,000) 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 (2019: £48,000) relating to the depreciation expense of this asset and included within finance costs is an amount of £43,000 (2019: £47,000) relating to the finance charge on the related lease obligation. Included within administration expenses in profit or loss in the Consolidated SOCI is an amount of £20,000 (2019: £23,000) relating to short term leases.

Included within trade and other payables in the Consolidated Balance sheet are current lease obligations amounting to £41,000 and non-current lease obligations amounting to £274,000.

The total cash outflow for leases in the period was £95,000.

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

	2020 £'000
Within 1 year	**75**
Within 2 to 4 years	**300**
More than 5 years	**56**
	431

20. Provision for liabilities

20.1. 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.

20.2. Note

	National Insurance £'000	Dilapidation provision £'000	Total £'000
At 1 January 2020	16	46	62
Release of provision	(16)	-	(16)
Unwinding of discounting	-	5	5
At 31 December 2020	**-**	**51**	**51**

National Insurance
The provision for Employer's National Insurance has been reviewed during the year as part of the historic bonus accruals and staff advances analysis. As such, this provision is no longer required and has been released in the year.

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 dilapidation provision has been discounted and the unwinding of the discounting is on an annual basis.

21. Share capital and share premium

21.1. Accounting policy

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

21.2. Note

At 1 January 2020 and 31 December 2020, 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 2019	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
Share issues:				
21 December 2020	52,422	524	217	741
Share issue expenses				
21 December 2020	-	-	(3)	(3)
At 31 December 2020	**577,291**	**5,773**	**33,444**	**39,217**

Net proceeds from the issue of shares totalled £738,000 (2019: £322,000), after expenses of £3,000 (2019: £nil).

22. Share-based payments

22.1. 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. Due to the specialist nature of the work performed by contractors, the Group is unable to reliably measure the fair value and therefore the fair value is measured using an 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.

22.2. Note

The Group has two current share option schemes:

- 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 Scheme 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 either granted at 1p per option for options that have been granted in lieu of cash for bonuses or salary obligations, or at market price on the date of grant for options conditional on the employee completing three years' service. The options relating to past achievement have no vesting period. Options that are conditional on the employee completing three years' service have a three year 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 2019	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
Granted during the year	-	-	5,000,000	1	6,487,500	1	11,487,500
Lapsed during the year	-	-	(1,342,250)	4	-	-	(1,342,250)
Expired during the year	-	-	-	-	(50,000)	1	(50,000)
Options outstanding at 31 December 2020	**-**	**-**	**14,041,750**	**7**	**17,198,288**	**1**	**31,240,038**

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 2019	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
Options exercisable at 31 December 2020	**-**	**-**	**9,041,750**	**11**	**10,710,788**	**1**	**19,752,538**

There were no share options exercised during the year ended 31 December 2020. The weighted average market price of the Company’s shares at the date of exercise of the EMI options in the year ended 31 December 2019 was 1.27 pence. The mid-market closing price of the Company’s shares at the end of the year was 1.45 pence (2019: 1.43 pence).

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

	2011 Executive Share Option Scheme		2003 Enterprise Management Incentive Scheme	
	2020 Years	2019 Years	2020 Years	2019 Years
Weighted average remaining contractual life of options outstanding at the end of the financial year	6.36	5.85	8.25	8.25

Fair value of options granted

Share options granted under the 2003 EMI scheme had an estimated weighted average fair value of 1.3 pence (2019: 0.28 pence) and £1,655 (2019: £54,167) 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 2020 were:

	2020	2019	
	December	May	Jan
Share price at grant date	**1.3p**	1.4p	1.2p
Exercise price	**1.3p**	1.0p	1.0p
Expected price volatility of the Company's shares	**66%**	75%	75%
Expected option life (expressed as weighted average life used in modelling)	**3 years**	0 years	0 years
Risk-free interest rate	**0.41%**	0.75%	0.76%
Fair value at measurement date	**0.9p**	0.4p	0.2p

Share options granted under the 2011 ESOS scheme had a fair value of 0.6 pence and £3,990 in aggregate. No options were granted under this scheme during the year ended 31 December 2020.

The model inputs for options granted during the year ended 31 December 2020 were:

	2020
	July
Share price at grant date	**1.3p**
Exercise price	**1.3p**
Expected price volatility of the Company's shares	**66%**
Expected option life (expressed as weighted average life used in modelling)	**3 years**
Risk-free interest rate	**0.15%**
Fair value at measurement date	**0.6p**

Contractor options

On 15 July 2020, 4,000,000 share options were granted to two contractors under the 2003 EMI scheme with an exercise price of 1.3 pence per share. The share options are exercisable from the grant date 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. The vesting period has been recognised over 3 years in line with the contract of work to be performed. A further option over 500,000 shares with an exercise price of 1.22p, exercisable from the date of grant of 9 October 2018 also remain outstanding at 31 December 2020. The option has an exerise period of 10 years from grant date. These are the only outstanding options held by contractors.

The share-based payment expense relating to the share options granted during the year had a fair value of 0.9 pence and £5,100 in aggregate.

23. 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			Lease liability	Total
		Sterling denominated	Euro denominated	US Dollar denominated		
	£'000	£000	£'000	£'000	£'000	£'000
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
At 1 January 2020	1,072	103	27	58	352	1,612
Cash flows:						
Drawdowns	-	1,001	558	588	-	2,147
Repayments	-	(1,057)	(507)	(606)	(37)	(2,207)
Cash flow from financing activities	-	(56)	51	(18)	(37)	(60)
Interest paid	(88)	-	-	(1)	(43)	(132)
Net cash outflow	(88)	(56)	51	(19)	(80)	(192)
Non cash flows						
Interest charged at the effective rate	128	-	-	1	43	172
Gain on convertible loan note	(119)	-	-	-	-	(119)
Foreign exchange movements	-		2	(8)	-	(6)
At 31 December 2020	**993**	**47**	**80**	**32**	**315**	**1,467**

24. 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.

	2020				2019			
	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	**159**	**-**	**-**	**-**	188	-	-	-
Convertible loan note	**88**	**88**	**1,224**	**-**	88	88	1,048	-
Lease obligations	**75**	**75**	**225**	**56**	75	75	225	131
Trade and other payables	**897**	**-**	**-**	**249**	1,665	-	-	288
	1,219	**163**	**1,449**	**305**	2,016	163	1,273	419

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:

	2020		2019	
	US Dollars £'000	**Euro £'000**	US Dollars £'000	Euro £'000
Cash at bank	**158**	**108**	255	109
Trade receivables	**267**	**160**	517	269
Trade payables	**(2)**	**-**	-	(4)
Invoice discount facility	**-**	**(80)**	-	(27)

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.

	2020			2019		
	Sensitivity %	**Profit £'000**	**Equity £'000**	Sensitivity %	Profit £'000	Equity £'000
Euros	**5.0**	**11**	**11**	5.0	20	20
US Dollar	**5.0**	**29**	**29**	5.0	51	51

If the Euro strengthened against Sterling by 5% (2019: 5%) an aggregate foreign exchange gain of £11,000 (2019: £20,000) 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. 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. There is no current credit loss provision as at 31 December 2020 (2019: £11,000). In 2019, the credit loss provision represented 1.0% of the Group trade receivables at 31 December 2019.

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

	2020 £'000	2019 £'000
At 1 January	**28**	56
Amounts written off as uncollectible during the year	**(17)**	(39)
(Reduction)/Increase in loss allowance recognised in profit or loss in the Consolidated SOCI	**(11)**	11
At 31 December	**-**	28

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 2020 or 31 December 2020.

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:

	2020 £'000	2019 £'000
Fixed rates:		
Lease obligations	**315**	352
Convertible loan note	**993**	1,072
	1,308	1,424
Floating rates		
Invoice discounting facility	**159**	188
	1,467	1,612

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

	2020			2019		
	Sensitivity %	**Profit £'000**	**Equity £'000**	Sensitivity %	Profit £'000	Equity £'000
Euros	**0.5**	**-**	**-**	0.5	-	-
US Dollar	**1.0**	**-**	**-**	1.0	-	-
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 22.

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.

25. Related party transactions

25.1. Key management compensation

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

	2020 £'000	2019 £'000
Short-term employee benefits	**413**	411
Short term benefits paid to third parties	**38**	57
Post-employment benefits	**13**	14
Termination benefits	**-**	95
Share-based payments	**32**	43
	496	620

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 2020 £	**Year-end balance 2020 £**	Maximum amount 2019 £	Year-end balances 2019 £
Advance outstanding	**13,730**	**-**	13,730	13,730

During the year ended 31 December 2020, historic bonuses due to employees and corresponding staff advances from employees were reviewed and settled. As a result, the advance relating to Andy Mears has been cleared and as such there is no advance due from or historic bonus due.

25.2. Other transactions

During the year, £40,000 (2019: £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 2024. At 31 December 2020, £10,055 (2019: £10,082) was owing in respect of interest for the quarter ended 31 December 2020 (2019: Quarter ended 31 December 2019).

26. 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.

Parent company balance sheet
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed Assets			
Intangible assets - Goodwill	**4**	**66**	66
Investments	**5**	**4,107**	6,078
Trade and other receivables	**6**	**1,431**	1,866
		5,604	8,010
Current assets			
Trade and other receivables	**6**	**46**	4
Cash and cash equivalents		**253**	-
		299	4
Creditors – amounts falling due within one year	**7**	**(250)**	(544)
Net current assets/(liabilities)		**49**	(540)
Total assets less current liabilities		**5,653**	7,470
Creditors – amounts falling due after more than one year	**8**	**(993)**	(1,072)
Net assets		**4,660**	6,398
Equity			
Share capital		**5,773**	5,249
Share premium		**33,444**	33,230
Capital redemption reserve		**17,476**	17,476
Other reserve		**505**	439
Convertible loan note reserve		**82**	82
Accumulated losses:			
At 1 January		**(50,078)**	(48,898)
Loss for the year		**(2,515)**	(1,811)
Transfers		**(27)**	631
Accumulated losses		**52,620**	(50,078)
Total shareholders' funds		**4,660**	6,398

The notes on pages 78 to 84 form an integral part of these financial statements. The financial statements on pages 76 to 77 were approved by the Board of Directors and authorised for issue on 21 April 2021 and were signed on its behalf by:

Nigel Keen
Chairman

David Moorhouse
Group Finance Director

Parent company statement of changes in equity
For the year ended 31 December 2020

	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 2019	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 in respect of service cost settled by award of options	-	-	-	117	-	-	117
Transfers				(631)		631	-
Share options exercised	322	-	-	-	-	-	322
Balance at 31 December 2019	5,249	33,230	17,476	439	82	(50,078)	6,398
Comprehensive expense							
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,515)**	**(2,515)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(2,515)**	**(2,515)**
Shares issued during the year	524	217	-	-	-	-	741
Issue expenses	**-**	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Credit in respect of service cost settled by award of options	**-**	**-**	**-**	**39**	**-**	**-**	**39**
Transfers	**-**	**-**	**-**	**27**	**-**	**(27)**	**-**
	5,773	**33,444**	**17,476**	**505**	**82**	**(52,620)**	**4,660**

The notes on pages 78 to 84 form an integral part of these financial statements.

Notes to the parent company financial statements
For the year ended 31 December 2020

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 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.

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.

Convertible Loan Note Modifications
In March 2020, the Group negotiated the extension for a further 12 months of the Convertible Loan Notes. In December 2020, as part of a longer term financing review, the Group further extended the Convertible Loan Notes by an additional 2 years to February 2024. The directors do not consider that these two modifications were made in contemplation of each other and therefore should not be assessed together in determining whether these are substantial modifications under IFRS 9.

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 38 to 42 of the Report & Accounts 2020.

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 (2019: £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

	2020 £'000	2019 £'000
Aggregate emoluments	**96**	72
Short term benefits paid to third parties	**33**	57
	129	129

There are no (2019: 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 (2019: £33,333), and Rockridge Medical Limited of £nil (2019: £24,000), for the services of the respective directors.

Remuneration, including Executive directors, 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 (2019: 5). None of the directors had contracts for service so the monthly average number of employees was nil (2019: 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. Based on the profitability and value in use, 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 £27,000 (2019: profit of £5,000).

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 2020	45,601
At 31 December 2020	**45,601**
Accumulated impairment	
At 1 January 2020	39,523
Impairment charge	1,971
At 31 December 2020	**41,494**
Net book amount	
At 31 December 2019	6,078
At 31 December 2020	**4,107**

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 2023 (2019: three-year period ending 31 December 2022). A terminal value was calculated using the forecast cash flows for the year ended 31 December 2023 using a long-term growth rate of 2.25% (2019: 2.25%). Forecast cash flows were discounted using a pre-tax discount rate of 20% (2019: 20%). This impairment calculation resulted in an impairment charge of £1,971,000 (2019: £1,281,000) to be recognised in profit or loss in the Parent Company's Statement of Comprehensive Income (SOCI).

6. Trade and other receivables

In 2013, the Group reclassified £3,000,000 of the long-term investments by Group in Deltex Medical Limited as a long-term loan. This loan is being charged interest at a rate of 10% per annum, is unsecured and 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.

	2020 £'000	2019 £'000
Amounts falling due within one year		
Other receivables	**46**	4
	46	4
Amounts falling due after more than one year		
Amount owed by subsidiary undertaking	**1,431**	1,866

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 2020 was £10,572,000 (31 December 2019: £9,972,000), an increase of £600,000 in the year, which has been recognised in profit or loss in the Parent Company's SOCI. The gross balances outstanding at 31 December 2020 were £12,003,000 (31 December 2019: £11,838,000).

7. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade payables	**43**	164
Accruals	**207**	380
	250	544

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

	2020 £'000	2019 £'000
Convertible loan note	**993**	1,072

9. Share capital

See notes 21 and 22 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 2019	31	31
Credited to profit or loss in the Consolidated SOCI	3	3
At 31 December 2019	34	34
Credited to profit or loss in the Consolidated SOCI	(4)	(4)
At 31 December 2020	**30**	**30**

	Tax losses £'000	Total £'000
Deferred tax assets		
At 1 January 2019	(31)	(31)
Charged to profit or loss in the Consolidated SOCI	(3)	(3)
At 31 December 2019	(34)	(34)
Charged to profit or loss in the Consolidated SOCI	4	4
At 31 December 2020	**(30)**	**(30)**

11. Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2020 or 31 December 2019.

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 25, with the Company during the year, other than as a result of service agreements. Details of directors' remuneration is disclosed on pages 24 to 28.

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 2020 without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares. This document should be read in conjunction with the accompanying Form of Proxy.

DELTEX MEDICAL GROUP plc

(Incorporated in England, registered number 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 11.00 am on 27 May 2021 (the "AGM") is set out on pages 89 and 91 (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.

Deltex

Directors:

Nigel Keen (Chairman)
Andrew Mears
David Moorhouse
Julian Cazalet
Tim Irish
Christopher Jones
Mark Wippell

Deltex Medical Group plc
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United Kingdom

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21 April 2021

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 2020

This year's AGM comes at a strange time for us all. Until the onset of the COVID-19 pandemic, for many years we had 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. Again this year, because of the regulations in place to protect against the spread of COVID-19, people are advised not to travel and we are not able to host large gatherings of 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, again this year 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.

In addition, immediately following the AGM, Andy Mears, CEO, will provide a live presentation related to a Company Update via the Investor Meets Company platform. This will take place on 27th May 2021 at 12:00pm BST. The presentation is open to all existing and potential shareholders. Questions can be submitted before the event via your Investor Meet Company dashboard up until 9am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet **Deltex Medical Group PLC (DEMG)** via: **https://www.investormeetcompany.com/deltex-medical-group-plc/register-investor**

Investors who already follow **DEMG** on the Investor Meet Company platform will automatically be invited to the presentation.

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 2020.

The AGM will take place at the Company's offices at Terminus Road, Chichester at 11:00 am on 27 May 2021. The formal notice of the AGM is set out on pages 89 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 2020 (the "**Annual Report & Accounts 2020**").

Resolutions 2, 3, 4, 5 and 6 - Re-election, election and appointment of directors
Resolution 2 proposes the re-election of Nigel Keen as a director; Resolution 3 proposes the re-election of Andy Mears as a director; and Resolution 4 proposes the re-election of Mark Wippell 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, Nigel Keen, Andy Mears and Mark Wippell offer themselves for re-election as proposed by resolutions 2, 3 and 4.

Resolution 5 proposes the reappointment of Tim Irish, who was appointed as a director on 20 January 2021. In accordance with the Articles, having been appointed since the last annual general meeting, Tim Irish ceases to be a director at the conclusion of the AGM unless reappointed at the meeting; accordingly, being eligible, Tim Irish offers himself for re-appointment as proposed by resolution 5.

Resolution 6 proposes the appointment of Natalie Wettler, who offers herself for appointment as a director as proposed by resolution 6.

Biographical details of Nigel Keen, Andy Mears, Mark Wippell and Tim Irish are set out on pages 10 and 11 of the Annual Report & Accounts 2020. Natalie Wettler held a number of senior roles in the Group's finance department between 2011 and 2016. We were delighted when she agreed to rejoin the Group in January 2020 as the Group Financial Controller. The Board considers that the considerable experience that each of these directors bring will continue to be beneficial to the Company.

Resolution 7 – Re-appointment of auditors
Nexia Smith & Williamson have expressed their willingness to continue as the Company's auditors. Resolution 7 proposes their re-appointment and authorises the directors to determine their remuneration.

Resolution 8 – 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 3 June 2020 (the "**2020 AGM**"), the directors were given authority to allot relevant securities up to a maximum aggregate nominal value of £3,499,120 (being two thirds 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 £1,924,301 (being one-third of the issued ordinary share capital as at 31 March 2021) and in addition to allot relevant securities only in connection with a rights issue up to a further aggregate nominal value of £1,924,301.

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 £3,848,602 representing an amount equal to two-thirds of the Company's issued share capital as at 31 March 2021. 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 9 – 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 9 proposes, in substitution for the powers that were granted to the directors at the 2020 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 £1,924,301 (representing approximately thirty-three per cent. of the nominal issued share capital of the Company as at 31 March 2021).

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 9 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 COVID-19. In the meantime, we would strongly urge shareholders to vote on any of the resolutions in one of two ways:

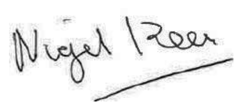
- Register your vote electronically by logging on to www.sharevote.co.uk: or
- Complete and return the enclosed proxy form

Proxy appointments, whether submitted electronically or by post, must be received by Equiniti by no later than 11.00 am on 25 May 2021. 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 115,379,768 ordinary shares in aggregate, representing approximately 20 per cent. of the ordinary shares currently in issue.

Yours sincerely



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 at Terminus Road, Chichester, West Sussex PO19 8TX at 11:00 am on 27 May 2021 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 2020, together with the reports of the directors and of the auditors thereon.

2. To re-elect as a director Nigel Keen.

3. To re-elect as a director Andy Mears.

4. To re-elect as a director Mark Wippell.

5. To elect as a director Tim Irish.

6. To elect as a director Natalie Wettler.

7. 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 8 will be proposed as an ordinary resolution and resolution 9 as a special resolution:

8. 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):

8.1. comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £3,848,602 in connection with an offer of such securities by way of a rights issue or open offer

(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

8.2. in any other case, up to an aggregate nominal amount of £1,924,301,

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.

9. THAT, subject to the passing of resolution 8, 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 8.1, by way of a rights issue or open offer 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 9(a) of this resolution) to any person up to an aggregate nominal amount of £1,924,301.

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

21 April 2021
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 11.00 am on 25 May 2021 (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 2020 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 25 May 2021 (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 2020, 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 2020 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 2020. 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 11.00 am on 25 May 2021 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 2021, the Company's issued share capital consists of 577,290,545 ordinary shares of 1p each, carrying one vote each. No shares are held in treasury.