



## **Deltex Medical**

A UK-headquartered international medical device company which develops, manufactures and distributes a clinically-proven haemodynamic monitoring technology that has been shown to:

- improve outcomes for patients; and
- reduce patient length-of-stay,

thereby increasing throughput and capacity for hospitals whilst lowering healthcare costs.

***Real-time oesophageal Doppler haemodynamic monitoring:***  
*improves patient outcomes; increases hospital throughput*

# Deltex Medical at a glance

## Our technology

Deltex Medical's TrueVue System uses proprietary haemodynamic monitoring technology to assist clinicians to improve outcomes for patients as well as increase throughput and capacity for hospitals.

Deltex Medical has invested over the long term to build a unique body of peer-reviewed, published evidence from a substantial number of trials carried out around the world. These studies demonstrate statistically significant improvements in clinical outcomes providing benefits both to patients and to the hospital systems by increasing patient throughput and expanding hospital capacity.

The Group's flagship, world-leading, ultrasound-based oesophageal Doppler monitoring ("ODM") is supported by 24 randomised control trials conducted on anaesthetised patients. As a result, the primary application for ODM is focussed on guiding therapy for patients undergoing elective surgery. The Group will shortly launch a new, next generation monitor which will make the use of the ODM technology more intuitive and provide augmented data on the status of each patient.

Deltex Medical's engineers and scientists carried out successful research in conjunction with the UK's National Physical Laboratory ("NPL"), which has enabled the Group's 'gold standard' ODM technology to be extended and developed so that it can be used completely non-invasively. This will significantly expand the application of Deltex Medical's technology to non-sedated patients. This new technological enhancement, which will be released on the new next generation monitor, will substantially increase the addressable market for the Group's haemodynamic monitoring technologies and is complementary to the long-established ODM evidence base.

Our new non-invasive technology has potential applications for use in a number of healthcare settings, including:

- Accident & Emergency for the rapid triage of patients, including the detection and diagnosis of sepsis;
- in general wards to help facilitate a real-time, data-driven treatment regime for patients whose condition might deteriorate rapidly; and
- in critical care units to allow regular monitoring of patients post-surgery who are no longer sedated or intubated.

One of the key opportunities for the Group is positioning this new, non-invasive technology for use throughout the hospital. Deltex Medical's haemodynamic monitoring technologies provide clinicians with beat-to-beat real-time information on a patient's circulating blood volume and heart function. This information is critical to enable clinicians to optimise both fluid and drug delivery to patients.

Our business model is to drive the recurring revenues associated with the sale of single-use disposable ODM probes which are used in the TrueVue System and to complement these revenues with a new incremental revenue stream to be derived from the Group's new non-invasive technology.

Both the existing single-use ODM probe and the new, non-invasive device will connect to the same, next generation monitor which is due for launch in 2023. Monitors are sold or, due to hospitals' often protracted procurement times for capital items, loaned in order to encourage faster adoption of the Group's technology.

## Our customers

The principal users of our products are currently anaesthetists working in a hospital's operating theatre and intensivists working in ICUs. This customer profile will change as our new non-invasive technology is adopted by the market. In the UK we sell directly to the NHS. In the USA we sell directly to a range of hospital systems. We also sell through distributors in more than 40 countries in the European Union, Asia and the Americas.

## Our objective

To see the adoption of our next generation TrueVue System, comprising both minimally invasive and non-invasive technologies, 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](http://www.deltexmedical.com)

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## HIGHLIGHTS

### Financial

- Revenues increased by 10% to £2.5 million (2021: £2.3 million)
- Strong performance by International division with a 30% increase in revenues to £1.2 million (2021: £0.9 million)
- Increase in average selling prices drove gross margin up to 74% (2021: 70%)
- Overheads held at £2.9 million (2021: £2.7 million)
- Adjusted EBITDA of £(0.6) million (2021: £(0.5) million)
- Loss for the year £(1.1) million (2021: £(1.0) million)
- Gross expenditure on research and product development: £0.8 million (2021: £0.7 million)
- Cash at hand of £0.5 million (2021: £0.4 million)

### Business / commercial activities

- Sales of the current monitor were strong across all three divisions in 2022: UK: +83%; USA: +126% and International: +253%; historically, monitor sales have given rise to increased probe sales
- Further growth from the International division expected
- As previously reported, the Group has been participating in a national tender for haemodynamic monitoring with one of its Latin American distributors. Hospitals have now started to place orders with this distributor in a contract process that is expected to continue for some 2 months, by when further information on the orders to be placed on Deltex Medical should be known
- New targeted commercial approach in the USA to drive increases in revenues on a more cost effective and region-by-region basis
- The external Electromagnetic Compatibility testing required to obtain regulatory approval to launch the new monitor onto the UK and European markets has been successfully concluded which allows the final testing and associated internal documentation to be completed.
- Work is continuing on the new, novel non-invasive TrueVue ODM technology with a substantial addressable market

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

*“We are encouraged by double digit growth in revenues during the year.”*

*“The performance of the International division has been notably strong over the last two years – and we are expecting continuing progress this year.”*

*“The ‘heavy lifting’ has been done in terms of new product development - and we are expecting the level of investment in R&D to reduce going forwards.”*

*“The launch of the new, next generation monitor will be extremely helpful for sales across all our territories – both via direct sales and our overseas distributors.”*

## CHAIRMAN'S STATEMENT

### **Financial results**

Group revenues for the year ended 31 December 2022 increased by 10% to £2.5 million (2021: £2.3 million), assisted by another strong performance from the Group's International division.

Last year we announced that the International division had achieved a 40% increase in revenues to £0.9 million. This year we can announce that the division posted a further 30% increase in revenues to £1.2 million. We believe that there is further profitable revenue growth to be generated by this division.

Probe revenues declined slightly to £1.8 million (2021: £1.9 million).

Group monitor sales increased by a robust 166% to £0.5 million (2021: £0.2 million). This is a good result taking into account that these monitor sales related to the current version of the monitor.

Gross margin increased again in 2022 to 74% (2020: 70%) reflecting enhanced discipline in relation to our pricing policies and a proactive campaign to obtain inflationary increases in price points. The gross margin also benefited from the relative weakness of sterling against the US dollar.

Overheads increased 4% to £2.9 million (2021: £2.7 million).

Adjusted EBITDA (comprising earnings before interest, tax, depreciation and amortization, share-based payments and non-executive directors' fees) was a loss of £(0.6) million (2021: £(0.5) million). Adjusted EBITDA is reconciled to operating loss in note 3.2 of the financial statements.

Gross cash expenditure on research and product development by the Group (excluding the effect of grants or capitalisation of product development) amounted to £0.8 million (2021: £0.7 million). The net amount, having taken into account grants, was £0.7 million (2021: £0.6 million). Our plans anticipate expenditure on research and product development to decline during 2023.

Operating loss for the year was £(0.9) million (2021: £(0.8) million).

Loss for the year was £(1.1) million (2021: £(1.0) million).

Cash at hand at 31 December was £0.5 million (2021: £0.4 million).

### **Business activities**

Deltex Medical sells directly, via its own sales teams, into UK and US hospitals. We continue to see significant constraints imposed on our sales teams in terms of being able to access key decision makers in UK and US hospitals' operating theatres ("ORs") and intensive care units ("ICUs"). Notwithstanding these specific sales-related challenges, we did see a substantial increase in sales of monitors in both territories. Sales of monitors into UK hospitals increased by 77% and into US hospitals by 122%. We believe that this substantial increase in monitor sales is all the more impressive given that the market is aware that Deltex Medical will shortly launch a new, next generation monitor.

Although probe sales declined slightly in both our direct markets, the fact that customers increased significantly their purchases of monitors is, we believe, extremely encouraging as historically probe revenues have tended to increase in accounts where monitors have recently been purchased.

Deltex Medical's International division continues to impress with a 30% revenue growth recorded in the year. In the last two years revenues have nearly doubled from £0.7 million to £1.2 million. We have worked carefully on a rolling programme of cost reduction initiatives to ensure that the Group's monitors and probes both enjoy significant gross margins. As a result, we are able to sell on a profitable basis to hospitals around the world via our extensive network of overseas distributors. We believe that there is further growth to come from our International division. The Group has been participating in a national tender for haemodynamic monitoring with one of its Latin American distributors. Hospitals have now started to place orders with this distributor in a contract process that is expected to continue for some two months, by when further information on the orders to be placed on Deltex Medical should be known.

Significant progress has been made on the development of Deltex Medical's new monitor. The external Electromagnetic Compatibility testing required to obtain regulatory approval to launch the new monitor onto the UK and European markets has been successfully concluded which allows the final testing and associated internal documentation to be completed. This is expected to take approximately two months.

The launch of this new, next generation monitor enables us to progress to the next stage of our strategic product development programme, including the development of the new non-invasive TrueVue ODM technology which has a substantial addressable market.

### **Employees**

On behalf of the Board, I would like to thank Deltex Medical's high quality and dedicated employees for their hard work during the year. The adverse after-effects of the Covid pandemic continued to be felt in a number of ways during 2022 and we very much appreciate the key contributions from our UK and overseas teams.

### **Current trading and prospects**

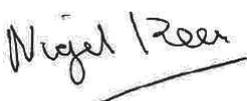
The significant increase in monitor sales in all three divisions in 2022 augurs well for increases in probe revenues in the future.

We believe that there continue to be significant opportunities for growth from the International division, and we are particularly focussed on maximising the commercial benefits associated with a national tender in Latin America.

We are seeing strong interest in our new monitor, particularly from the UK, and we believe that its launch will also help drive revenues in 2023.

The fact that the new monitor is substantially complete is extremely helpful in terms of reducing the quantum of cash expenditure on new product development going forwards. Further, we will be able to free up our technical teams to carry out broader customer support activities as well as more targeted, and less capital intensive, product development.

2023 has started well.



**Nigel Keen**  
*Chairman*  
29 March 2023

## BUSINESS REVIEW

### **Overview**

Deltex Medical is the world leader in high accuracy oesophageal Doppler monitoring (“ODM”), via its TrueVue platform, which allows real-time monitoring of a patient’s haemodynamic status.

A substantial number of peer-reviewed, randomised controlled trials have demonstrated that an ODM-driven haemodynamic protocol can result in statistically significant reductions in post-operative complications such as acute kidney injuries, resulting in lower costs for hospitals due to shorter patient length-of-stay. This is not only good for patients but also increases throughput and capacity for hospitals, which should be a key factor for reducing the backlog in elective surgery, particularly in the UK.

Deltex Medical’s technology was originally developed in a London ICU to assist with the treatment of acutely unwell critical care patients. Over time demand for the Group’s high fidelity oesophageal Doppler-based haemodynamic monitoring technology has migrated from the ICU to the OR, and particularly for complex elective surgical procedures.

Before the Covid pandemic, approximately 80% of the Group’s revenues were associated with elective surgical procedures in ORs. The near-complete cessation of elective surgery during the pandemic was highly disruptive to Deltex Medical’s commercial activities, particularly in the UK and the USA, where the Group sells its technology directly. Although elective surgery has re-started around the world as the pandemic subsides, Deltex Medical’s sales teams are still experiencing more restricted levels of access to the OR and ICU than they enjoyed pre-pandemic.

Our key challenge for 2023 is to maximise the commercial benefits for the Group of the launch of the new monitor. We are also hoping to land a significant Latin American contract for both monitors and probes. We will also continue to educate, in conjunction with our overseas distributors, decision-makers in hospitals about the potential capacity / throughput-related and financial benefits associated with using the Deltex Medical TrueVue ODM technology during elective surgery.

### **Three principal divisions: UK, USA and International**

Deltex Medical’s commercial activities are structured across three divisions: the UK; the USA and International.

The Group has not yet managed to drive commercial activity up to pre-pandemic levels in the UK and US divisions for a number of reasons. Many hospitals have imposed significant restrictions on salespersons or clinical educators accessing ORs or ICUs. Once hospitals stop using Deltex Medical’s ODM technology, it can take some time to re-instigate the use of ODM via updated standard operating procedures. We have also been restricting, particularly in the USA, expenditure on sales and marketing activities as we diverted resources into completing the development of our new monitor. We know from experience that where our sales personnel are unable to obtain meaningful face-to-face access to anaesthetists, or other appropriate OR staff, then probe usage typically declines over time.

One way in which we have been seeking to mitigate the impact of greater restrictions for our sales teams in meeting hospital-based decision-makers in person is by increasing the use of online materials, including training via the launch of the online Deltex Medical Academy.

Notwithstanding some of the challenges that the Group has faced in terms of accessing customers, we have been encouraged by a significant year-on-year increase in monitor revenues into our three divisions: UK (+ 77%); USA (+122%); and International (+ 221%). It is notable that these increases all relate to the current version of the monitor. These monitor

sales should result in increased probe revenues which will be helpful in terms of driving up high margin recurring revenues in the future.

In the UK we have seen strong interest via pre-launch educational presentations for our new monitor from a number of NHS hospitals. We believe that there will be significant demand for the new monitor once it is formally fully launched onto the UK market.

There remains a substantial backlog in elective surgery in the UK. This backlog represents both an opportunity and a challenge for the Group. For example, there are powerful arguments, supported by the published evidence base, that the use of Deltex Medical's TrueVue technology increases patient throughput in the hospital and improves patient outcomes, thereby helping reduce the size (and associated cost) of the elective surgery backlog. Conversely, we have seen evidence in some NHS hospitals that the senior management teams are under pressure to reduce the backlog and, notwithstanding the peer-reviewed published evidence base, are reluctant to promote the adoption of new technology at this time.

In 2022, mindful of the need to conserve our cash resources, we decided to adopt a more focussed and targeted sales and marketing strategy in the USA. For example, we have been supporting the trial and evaluation of the TrueVue ODM technology in a Top 5 US hospital system on the East coast. Thus far the feedback from this prestigious hospital has been most encouraging. As and when this leading US hospital decides to roll out the use of TrueVue on a protocolised basis, we believe that this will be extremely helpful for Deltex Medical to generate new customer accounts in the region. Adopting such a targeted regional approach is a significantly more cost-effective way of expanding the Group's coverage of the important US market. We intend to replicate this targeted approach with other leading US hospital systems in different regions, and build back up our US coverage on a region-by-region basis.

In 2022 the International division had another good year with overall revenue growth of 30% to £1.2 million (2021: £0.9 million). A substantial proportion of this growth came from Latin America. We continue to support our network of international distributors closely. Many of these distributors have long-standing and close relationships with ORs in hospitals, and enjoy privileged access to key decision makers.

There has been consolidation among suppliers of haemodynamic monitoring equipment over the last five years. This has resulted in consolidation of sales teams. As a result, on a number of occasions Deltex Medical has benefited from less competition in certain territories.

### **Product development and innovation**

During 2022, our research and development team were focussed on completing the development of our new, next generation TrueVue monitor. This task was made more challenging by pandemic-related disruption to electronic supply-chains. There is some evidence that the disruption to these supply chains is beginning to abate.

In order to obtain the necessary regulatory approvals to launch the new monitor onto the UK and European markets, there is a requirement to complete Electromagnetic Compatibility (EMC) testing. EMC testing is carried out through an external test house and these tests have recently been successfully completed.

Now EMC testing has been completed the device can be passed through acoustic testing and the internal documentation required to support the regulatory submissions can be finalised. This self-certification process is expected to be completed shortly following which the new monitor will be available for sale in the UK and European markets.

Once the new monitor has been successfully launched in the UK and Europe, we intend to complete the necessary FDA filings to obtain US regulatory approval so that the new, next generation monitor should be launched onto the US market next year. We are expecting to

sell the new monitor into new accounts as well as existing customers that wish to upgrade their ODM technology.

Following the launch of the new monitor, we will be refocussing our research and development team to work on a complementary, non-invasive haemodynamic monitoring technology which leverages the extensive evidence base supporting the use of our existing ODM technology. This new technology will allow instantaneous non-invasive haemodynamic monitoring, via the new monitor, anywhere in the hospital. This new, novel technology should substantially broaden the potential applications, and hence addressable market size, for the Group's Doppler-based ultrasound technology. We are continuing to work with the UK's National Physical Laboratory to explore how the use of cutting-edge science will enable us to improve the performance and data generation from Deltex Medical's core ultrasound technology. We anticipate advancing this research project significantly in 2023.

### **Regulatory**

Deltex Medical designs and manufactures Class II medical devices which it sells around the world. As a result, its business activities can be significantly affected by changes to regulations. The post-Brexit regulatory regime in the UK, as well as for UK companies selling into Europe, is still evolving and we keep actual or prospective changes in applicable regulations under close scrutiny.

In Europe the transition from the Medical Device Directive to the European Medical Device Regulation ("MDR") has been deferred until 2028. Although this reduces some regulatory-associated complexity in the short term, there is still considerable uncertainty as to what steps will be required, by when, for a Class II medical device manufacturer to comply with MDR in the future.

### **Conclusion**

Completion of the new monitor will greatly enhance Deltex Medical's technological offering to the market as well as opening up the possibility to use this device as a platform for further product line extensions. We are particularly interested in the commercial potential associated with the easier-to-use non-invasive haemodynamic monitoring technology which we are also developing.

So far market feedback and demand for the new monitor has been encouraging, both from prospective and existing customers, and we see its launch as a critical building block in driving up probe revenues across all three divisions.

We have concluded that the Covid era restrictions imposed on salespersons to stop them from enjoying relatively open access to ICUs and ORs will continue in the future. We have taken a number of mitigation steps to enable us to commercialise successfully our technology with this 'new normal' in mind.



**Andy Mears**  
*Chief Executive*  
29 March 2023

## 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: 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 Trust, a charity established to support 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. After graduating in Economics from Cambridge, he qualified as a Chartered Accountant before joining Cazenove in 1973, becoming a Partner in 1978. Latterly he was until 2007 a Managing Director - Corporate Finance of JPMorgan Cazenove advising listed companies. He is Chairman of The Lindell Train Investment Trust plc and a Trustee of two charities.

#### **Tim Irish**

Tim joined the Board in 2021. He 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 was promoted to Vice-Chair. He left the Board of NICE in November 2021. Tim currently holds four other non-executive director positions in health and technology related entities based in the UK, EU and USA.

#### **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, Global Access Health Ltd, and non-executive Director of MediSieve Ltd, Causeway Therapeutics Ltd, Carbometrics Ltd and Health Enterprise East Ltd. Chris 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 Bachelor of Science Degree 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 a Trustee of the BMT Employee Benefit Trust, 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 is a mentor on accelerator programmes powered by Techstars. He was formerly a senior corporate partner of Allen & Overy LLP, is past Chairman of the American European Business Association and was previously a member of advisory committees at Oxford University. Mark is 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.

### **Natalie Wettler**, *Group Finance Director, FCA*

Natalie commenced her Deltex Medical career in 2011 and has held a number of senior roles in the Group's finance department between 2011 and 2016. Natalie re-joined the Group in January 2020 as Group Financial Controller and was appointed Group Finance Director in May 2021. She has a Bachelor of Science Degree in Cognitive Science from the University of Sheffield and qualified as a Chartered Accountant with Grant Thornton in the UK, and continued her Grant Thornton career in New Zealand. Natalie's experience in the medical sector also includes head of Finance for Peak Primary Limited in New Zealand in the Primary Healthcare sector.

## Directors' Responsibility Statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year.

Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards 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 have been followed for the Group financial statements; and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent 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.

# **Company Secretary and Advisers**

## **Company Secretary and Registered Office**

Natalie Wettler FCA  
Terminus Road  
Chichester  
West Sussex PO19 8TX

## **Nominated adviser**

Allenby Capital Limited  
5th Floor  
5 St Helen's Place  
London.EC3A 6AB

## **Independent auditors**

CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson)  
Cumberland House  
15 – 17 Cumberland Place  
Southampton SO15 2BG

## **Principal bankers**

NatWest Bank Limited  
5 East Street  
Chichester  
West Sussex PO19 1HH

## **Registrars**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

# 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 associated with haemodynamic monitoring. 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 help them 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 constraints imposed directly or indirectly as a result of post-Covid restrictions;
- 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 summarised 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.

<https://www.deltexmedical.com/investor-relations/aim-rule-26/corporate-governance/>

### **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 the Group has adopted to navigate the specific challenges facing hospitals around the globe following the Covid pandemic.

The Board keeps the Group's strategy and business model under close and continuing review.

### **2) Seek to understand and meet shareholder needs and expectations**

The Board's primary contact with both institutional and private 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 and large private shareholders, who wish to meet with them, twice a year around the publication of the annual accounts and interim results. In 2021 as a result of Covid the majority of these meetings were held via telephone or on-line video systems; however, in 2022 many of these meetings took place on a face-to-face basis, including the AGM.

### **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 which, in turn, helps it deliver on its commitments.

The Board is regularly updated, principally by the CEO and the FD, on wider

stakeholder engagement and feedback in order to help it stay abreast of relevant insights into the issues, including social responsibilities, that matter most to the Group's stakeholders. This information is discussed at the monthly Board meetings and, as appropriate, is incorporated into the Group's strategy and execution plans.

**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 formally reviewed annually, although specific internal controls or risk management issues may be discussed with the Audit Committee on an *ad hoc* basis throughout the year.

A summary of the Board's assessment of the principal risks and uncertainties facing the Group are set out on pages 17 to 19 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. The biographical details of the non-executive Directors are set out on pages 7 to 8. These details show that the Board comprises individuals with different backgrounds and extensive commercial experience which, taken in the round, helps to demonstrate the independence of the non-executive Directors.

Nigel Keen, the Non-Executive Chairman, is responsible for the running of the Board and Andy Mears, the Chief Executive, has executive responsibility for managing the Group's business activities and implementing the Group's strategy, which is discussed and agreed by the Board.

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 and business management experience in the healthcare sector, supported by other Directors with careers in investment banking and the law. Each Director brings experience of other relevant businesses which helps the Board, as a whole, benchmark and appraise the Group's progress and strategy.

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

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.

Separate Audit, Remuneration and Nomination committees have been established.

At least twice a year the Chairman informally discusses Board and committee performance with the other Directors to explore how further improvements to the performance of the Board could be made.

**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 and clinical educators promote our products, and their benefits, to clinicians and healthcare systems in an open way. Further, we provide extensive training to customers, or prospective customers, to allow them to gain the maximum advantage from Deltex Medical's products and 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 their assessment of the actual or prospective risks and opportunities for the Group.

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 2022 all the Non-Executive Directors attended all the Board meetings in the year save for one director who was not able to attend the October Board meeting. As a result, Board decisions are made in the light of up-to-date, relevant information and discussions.

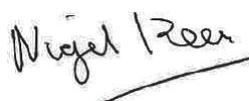
The Group's Quality System, which is regularly audited by outside regulatory bodies, also helps augment the governance regime of the Group.

**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 and challenges facing the Group.

Although this shareholder and stakeholder dialogue is primarily built around the Group's annual and interim results, shareholders are informed of significant developments relating to the business through periodic stock exchange RNS announcements or news updates uploaded to the Group's website.

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*  
29 March 2023

# Strategic Report

The Directors have set out below their Strategic Report for the year ended 31 December 2022.

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

1. Chairman's Statement (page 2)
2. Business Review (page 4)
3. Corporate Governance (page 11)
4. Principal Risks of the Group (page 17)
5. Directors' Report (page 20)

## 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.

Group KPIs for the year ending 31 December:	2022	2021
Adjusted EBITDA (£000)	(607)	(504)
Operating loss (£000)	(947)	(805)
Gross profit margin	74%	70%
Cash and cash equivalents (£000)	471	413
Probe revenues (£000)	1,800	1,911
Monitor revenues (£000)	537	202

## Going concern

The Group meets its day-to-day working capital requirements through a combination of operational cash flows, an invoice discounting facility and, if required, the raising of additional finance.

In December 2022, Mr. Nigel Keen, the Chairman and the Group's largest shareholder, advanced an additional £0.25 million to the Group by way of an extension to the previously established £0.5 million standby loan facility in order to help fund the costs to complete the new monitor. The intention is that this £0.25 million advance will be repaid as soon as possible and specifically when positive operating cashflow is generated by way of sales of the new monitor. Further information relating to the extension to the standby loan facility was set out in an announcement dated 22 December 2022. The interest rate on the standby loan facility is 8% and is repayable on or before 30 June 2024.

During February 2023 the Group negotiated an extension to the maturity date of its convertible loan notes from 28 February 2024 to 30 June 2026 and announced this extension on 27 February 2023. This convertible security is recognised in the Group balance sheet at £1.1 million and the coupon payable is 8%.

Further information on the standby loan facility and the convertible loan notes are set out in Note 17.2.

The Directors have reviewed detailed budgets and forecasts until 30 June 2024, which take into account, among other things, the possible continued after effects of post-Covid

restrictions and associated disruption on the Group's business. 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 probes and monitors.

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 which are described in section 172 of the UK Companies Act 2006 and which are 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 Executive Directors and the management of the Company and which is described in summary on pages 11 to 13 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 currently 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 17.

### **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. During Covid we worked hard to support our employees as much as was possible. Since the end of the pandemic, we have allowed employees to work from home wherever practicable.

## **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, its after effects, including a significant reduction in the number of “face-to-face” meetings we are able to achieve in the UK and USA. We have tried to compensate, to the extent possible, for the restrictions / constraints imposed on our interactions with actual or prospective customers, by the use of online video meetings and creating an online training and education academy which is free to access for our customers.

We also need to develop and maintain 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.

Anti-bribery and corruption legislation, including the UK Bribery Act and the US Foreign Corrupt Practices Act, also apply to Deltex Medical’s business. There is a strong global focus on compliance in both established and developing markets. For more information on our approach to compliance see the corporate governance section in our website: <https://www.deltexmedical.com/investor-relations/aim-rule-26/corporate-governance/>

## **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.

The regulations which govern our products increasingly give rise to environmental considerations. As part of our new product development work we consider carefully environmental aspects such as the product’s carbon footprint as well as ways of reducing the amount of plastic components and packaging. We are also aware that many of our customers require us to respond to information requests relating to the Group’s approach to the environment.

## **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 11.

The Strategic Report comprising pages 14 to 16 has been approved by the Directors and signed

By order of the Board



**Natalie Wettler**  
*Company Secretary*  
29 March 2023

## Principal Risks of the Group

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

This summary of the principal risks and uncertainties facing the Group should be read in conjunction with the rest of this document including, in particular, the Chairman's Statement and the Business Review. Note that this summary represents the Board's best assessment and judgement as at the date of this document and, given the nature of business risk and associated uncertainties, there can be no assurances that new or unforeseen specific risks or uncertainties could arise in the future that are not summarised below.

### *Personnel*

The successful selling of the Group's technology depends on a number of factors, including: (i) the skill, motivation and experience of our sales personnel in educating (and re-educating) clinicians of the effective use of Deltex Medical's products; (ii) the manufacturing of its products to the highest specification, including engineering precision and sterility; (iii) the experience and innovation of its research and development personnel developing novel products; and (iv) 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. Together these factors, including our ability to recruit and retain appropriately skilled individuals in each role, including in a high inflation environment with a structural shortage of personnel in the South of England, represent risk to the Group.

### *Regulatory environment*

The Group operates in a number of highly regulated environments which inherently represents a risk. It has a robust Quality Management System which is maintained on the Entropy document control system hosted by the British Standards Institute ("BSI"). This quality system is reviewed regularly by the European Union regulatory body, BSI and the USA's Food and Drug Administration (FDA).

In Europe we are working on the transition from the Medical Device Directive to the Medical Device Regulation ("MDR"). The European MDR is a new set of regulations that governs the production and distribution of medical devices in Europe, and compliance with the regulation is mandatory for medical device companies that want to sell their products into the European marketplace. The implementation date of MDR has now been deferred until December 2028 for Class IIb medical devices. The impact of transitioning from the existing MDD regulations to MDR is currently unknown. There is a level of risk inherent in the uncertainty associated with this transition to MDR.

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.

The Group operates across the world and is subject to extensive legislation and regulation, including with respect to anti-bribery and corruption, in each country in which the Group operates. Our international operations are governed by the UK Bribery Act and the US Foreign Corrupt Practices Act which prohibit us, or our representatives, from making or offering improper payments to government officials and other persons; or accepting payments for the purpose of obtaining or maintaining business. Our international operations in the developing markets which operate through distributors increase the Group's exposure to these risks.

### *Hospitals and the clinical environment*

The Group operates in an environment where, by their very nature, surgical procedures are being undertaken on sick, and sometimes extremely sick, patients. Hospitals are, from time

to time, the subject of litigation by disaffected patients or their relatives; and there is a risk that the Group could be co-joined in such litigation. However, it should be noted that the Group's haemodynamic monitoring technology is designed to minimise certain specific risks for patients and to aid their speedy recovery. It is also the case that, to date, no such litigation has been commenced against the Group or its products.

A number of hospitals have put in place restrictions, particularly post Covid, which effectively stop or severely curtail the ability for Deltex Medical's salespersons or clinical educators from meeting with relevant decision-makers within the hospital. The Group has summary information which suggests that Deltex Medical's sales are greatly enhanced by regular face-to-face meetings with users (or prospective users) and, conversely, a lack of such face-to-face meetings tends to result in, over time, a decline in sales. Accordingly, how quickly hospitals "open up" fully to meetings by Deltex Medical's sales teams remains a key determinant of Group revenues in the short to medium term; and as such this represents a significant risk to Deltex Medical.

There is a substantial backlog, particularly in the UK, associated with elective surgery which had to be cancelled during the pandemic. Although this backlog represents a significant opportunity for increased sales by the Group and its distributors, there is an element of risk and uncertainty associated with how hospitals and/or health systems will seek to reduce this backlog.

#### *Disturbed supply chains*

Although the risks directly associated with Covid have subsided significantly, there remain ongoing issues with elongated or disturbed supply chains. Such disruption initially originated as a result of Covid. As China abandons its attempt to eradicate Covid then the Group believes that the disruption to supply chains, particularly in respect of electronic components, should subside.

The risks for the Group associated with such disrupted supply chains have been exacerbated due to their impact on Deltex Medical's ongoing development programmes, including the new, next generation monitor and the non-invasive device. Although these development programmes are substantially advanced, and in the case of the next generation monitor close to completion, even small component failures can have a substantial adverse impact on the launch date for new products. Such failures cannot be mitigated by holding a large stock of specialist components.

#### *Research and Development*

The Group is currently carrying out a substantial and complex product development programme. Such programmes are not without risk. Further, as the regulatory environment for medical devices becomes more onerous around the world, successfully completing development programmes is not without risk.

Although the Group seeks to mitigate these risks based in large part by drawing upon its many years of experience of carrying out product development in and around oesophageal Doppler monitoring as well as the judicious use of consultants, it is not possible to mitigate all the risks associated with carrying out research and development. Further information on the Group's research and development work is set out in the Business Review under the heading 'Product development and innovation'.

#### *Competition*

A number of competitors sell products to the same group of clinicians as Deltex Medical targets, with the same objective: to measure a patient's haemodynamic status. Some of these competitors are significantly larger and have substantially greater financial resources which represents a key risk factor for the Group. Such competitors use different technologies to the oesophageal Doppler-based technology used by the Group. Moreover, the Board

believes that none of these competitors have a clinical evidence base which is equivalent to that supporting the use of the Group's technology.

There is also a risk that as the technology around "wearables" develops, a competitor could develop small "wearable" products which also provide high fidelity haemodynamic monitoring which is broadly equivalent, at least in part, to the Group's oesophageal Doppler TrueVue technology.

#### *Financial – currency fluctuations*

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, profits and cash, and as such represents a form of risk.

#### *Financial – credit risk*

The Group sells to a network of distributors around the world. The majority of these distributors are heavily focussed on the elective surgery sector. Deltex Medical faces risk in respect of its financial exposure to these distributors.

#### *Other risks and uncertainties*

There are a number of other risks and uncertainties which affect, or could affect, the Group including:

- the effects of inflation on all of the Group's input costs, especially in respect of employee salaries, raw materials, purchased components and energy costs;
- 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 financial resources, to pursue its strategy and other opportunities that it comes across; and
- the consequences of the war in Ukraine and associated geopolitical stresses which could adversely affect the global economy and make it harder for Deltex Medical to export successfully.

# Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

## 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 2, the Business Review on page 4 and the Principal Risks of the Group on page 17.

## Subsequent events

On 27 February 2023, the maturity date of the convertible loan notes was extended from 26 February 2024 to 30 June 2026. All other terms of the convertible loan notes, which were issued in February 2016, remain unchanged. The Group have considered the financial impact of this modification, being an estimated gain of £89,000 following the extension of the maturity date.

On 29 March 2023, the maturity date of the standby loan facility provided by Mr. Nigel Keen, Chairman of Deltex Medical, was extended from 31 December 2023 to 30 June 2024. All other terms relating to the standby loan facility remain unchanged. Further information on the standby loan facility is set out in the Strategic Report on page 14.

## Financial risk management

The financial risk management objectives and policies of the Group, including exposure to currency risk, interest rate risk and liquidity risk are set out in note 23 to the financial statements on pages 69 to 72.

## Dividends

The Directors cannot propose the payment of a dividend for 2022 (2021: £nil).

## Directors

The Directors of the Group who served during the year are shown below. Biographical details are given on pages 7 and 8.

Nigel Keen	Non-executive Chairman
Andy Mears	Chief Executive
Natalie Wettler	Group Finance Director
Julian Cazalet	Non-executive Director
Tim Irish	Non-executive Director
Chris Jones	Non-executive Director
Mark Wippell	Non-executive Director

In the case of each Director in office at the date the Directors' report is approved:

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

### **Directors' 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.

### **Employee engagement**

Approximately once a quarter a Board meeting is organised at the Group's Chichester headquarters. Time is scheduled into the meeting to allow the non-executive Directors to have an opportunity to examine progress on the various product development programmes as well as to talk informally with employees across the facility. In addition, from time to time the Board asks an employee to give a presentation at the beginning of the meeting to help educate and inform the Directors on a particular topic. Together these actions help promote the engagement of the Group's employees with the Directors.

### **Independent auditors**

The independent auditors, CLA Evelyn Partners Limited (formerly known as 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 17 May 2023 at 11.00 a.m. at the London offices of DAC Beachcroft at 25 Walbrook, London EC4N 8AF, can be found at the back of this Report.

By order of the Board.



**Natalie Wettler**  
*Company Secretary*  
29 March 2023

# 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 and their remuneration.

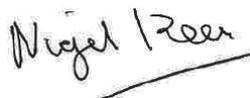
The Board considers that this supervision by the Remuneration Committee is an important component of good corporate governance for the Group as a whole.

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 would 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*

29 March 2023

### *The Remuneration Committee*

The Remuneration Committee (the "Committee") is responsible for recommending to the Board the remuneration packages for the Executive Directors and has supervision of the bonus and share incentive strategy for the Group's executive management. It also has input on other remuneration matters concerning the Group's employees. 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, Mark Wippell and

Tim Irish as well as the Chairman of the Board, Nigel Keen. Mr Keen 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 be Chairman of the Remuneration Committee.

All members served throughout the year.

This report sets out the Directors' remuneration policy for 2022 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 the 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 the Directors and Deltex Medical's 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. It is important for the motivation and retention of the executives that the remuneration of the executives takes into account the Group's 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 2022 and concluded that it has a remuneration policy which is a good balance between competitive pay, incentives to develop and the growth of the Company in line with its strategy; and that it 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. Salaries were last reviewed across the Group on 1 July 2022.

The Executive Directors' base salary will be reviewed on 1 July 2023. 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:

<b>Executive director</b>	<b>Contract date</b>	<b>Unexpired term of contract</b>
Andy Mears	6 November 2018	Rolling contract; 6 months' notice
Natalie Wettler	28 May 2021	Rolling contract; 6 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 DIRECTORS**

<b>Executive Director</b>	<b>Year</b>	<b>Cash settled salary</b>	<b>Benefits*</b>	<b>Pension</b>	<b>Annual bonus</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Andy Mears	2022	200,000	7,500	8,000	-	215,500
	2021	200,000	7,500	8,000	-	215,500
Natalie Wettler	2022	125,000	7,500	5,000	-	137,500
	2021**	65,589	4,456	1,735	-	71,780
David Moorhouse***	2021	30,875	-	-	-	30,875
<b>Total</b>	<b>2022</b>	<b>325,000</b>	<b>15,000</b>	<b>13,000</b>	<b>-</b>	<b>353,000</b>
	2021	296,464	11,956	9,735	-	318,155

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

\*\* Natalie Wettler was appointed to the Board on 27 May 2021

\*\*\* David Moorhouse retired from the Board on 27 May 2021

Andy Mears has an interest in share options over Deltex Medical ordinary shares as per the table below. Certain of these options cannot be exercised without first fulfilling performance criteria.

Andy Mears share options	Exercise from date	Exercise to date	Exercise price (£)	Number
<b>2003 Enterprise Management Incentive Scheme</b>	6 August 2021	5 August 2028	0.01	5,000,000
	27 April 2024	26 April 2031	0.018	5,000,000
	16 February 2025	15 February 2032	0.0135	15,000,000
<b>Total</b>				<b>25,000,000</b>

Natalie Wettler has an interest in share options over Deltex Medical ordinary shares as per the table below. Certain of these options cannot be exercised without first fulfilling performance criteria.

Natalie Wettler share options	Exercise from date	Exercise to date	Exercise price (£)	Number
<b>2003 Enterprise Management Incentive Scheme</b>	1 December 2023	30 November 2030	0.01	225,000
	27 April 2024	26 April 2031	0.01	2,500,000
	16 February 2025	15 February 2032	0.0135	8,500,000
<b>Total</b>				<b>11,225,000</b>

#### NON-EXECUTIVE DIRECTORS

Non-executive Directors	Year	Cash settled	Equity settled	Benefits	Pension	Annual bonus	Long term incentive awards	Total
		Directors' fees	Directors' fees					
		£	£	£	£	£	£	£
Nigel Keen	<b>2022</b>	-	<b>33,333</b>	-	-	-	-	<b>33,333</b>
	2021	-	33,333	-	-	-	-	33,333
Julian Cazalet	<b>2022</b>	-	<b>24,000</b>	-	-	-	-	<b>24,000</b>
	2021	-	24,000	-	-	-	-	24,000
Chris Jones	<b>2022</b>	-	<b>24,000</b>	-	-	-	-	<b>24,000</b>
	2021	-	24,000	-	-	-	-	24,000
Mark Wippell	<b>2022</b>	-	<b>24,000</b>	-	-	-	-	<b>24,000</b>
	2021	-	24,000	-	-	-	-	24,000
Tim Irish*	<b>2022</b>	<b>18,000</b>						<b>18,000</b>
	2021*	17,123	-	-	-	-	-	17,123
<b>Total</b>	<b>2022</b>	<b>18,000</b>	<b>105,333</b>	-	-	-	-	<b>123,333</b>
	2021	17,123	105,333	-	-	-	-	122,456

- \* Tim Irish was appointed to the Board on 20 January 2021. He was Vice Chair of NICE until November 2021, as described in the biographical details of the Directors on page 7. The rules of NICE mean that he could only accept cash remuneration for his role as a non-executive director and accordingly was not eligible for equity settled Directors' fees during 2022. Mr Irish is now eligible to receive equity settled Directors' fees which will now comprise his remuneration as a non-executive from 1 January 2023.

Director fees are either settled in cash or by the issue of equity. At the current time non-executive Director fees are intended to be settled by the issue of equity instruments in the Group in order to help Deltex Medical conserve its cash resources and apply them to innovative product development as well the expansion of the Group's commercial activities. It is currently intended that such non-executive Director fees in respect of 2021 and 2022 will be settled by the issue of Deltex Medical ordinary shares during the course of 2023.

#### *Dilution limits*

The rules governing the Employee Share Option Scheme ("ESOS") provide that overall dilution through the issuance of new shares via 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. At the date of this Report, the Group's headroom position remains within this 10% limit.

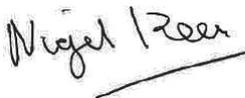
#### *Directors' shareholdings*

Directors' shareholdings as at 31 December 2022 are shown in the table below.

<b>DEMG Directors' shareholdings</b>	<b>Legally owned</b>	<b>Unexercised options</b>	<b>Unvested options subject to performance under the EMI scheme</b>
Andy Mears	6,658,731	-	25,000,000
Natalie Wettler	1,010,400	-	11,225,000
Nigel Keen	99,852,821	-	-
Julian Cazalet	27,153,971	-	-
Tim Irish	3,021,211	-	-
Chris Jones	4,297,291	-	-
Mark Wippell	11,037,875	-	-

#### **Approval**

This report was adopted by the Committee on 29 March 2023 and has been approved subsequently by the Board.



Nigel Keen  
*Chairman of the Remuneration Committee*  
 29 March 2023

# 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*  
29 March 2023

## Key responsibilities

The primary responsibility of the Audit Committee is to assist the Board fulfil its oversight responsibilities in respect of the Group's financial reporting, accounting systems, risk management and associated public disclosure. 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 that they may contain;
- advise on the clarity of disclosure of information provided in the report with the objective of ensuring that the annual report and accounts, as a whole, is fair and balanced;
- ensure that both the Group's interim and annual report and 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 systems 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 these 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, among other things, control findings that are relevant to its work.

Information relating to the Principal Risks of the Group can be found on pages 17 to 19.

### *Financial reporting matters and judgements*

The Audit Committee has received updates on the key judgemental financial reporting areas in the annual report and accounts from the Group Finance Director and considered the findings from the external auditors on these matters.

The principal significant reporting matters that were considered by the Audit Committee during the year comprised, in summary, the carrying value of investments in subsidiaries and group balances in the Parent Company's individual financial statements as well as detailed analyses prepared to examine and consider the disclosure required in respect of going concern.

The Audit Committee reviewed the key assumptions used in the underlying cashflow forecasts which were used as the basis for the value-in-use calculation required by the relevant accounting standards. The key assumptions reviewed in the cash flow forecasts were the sales growth rates, gross margins and likely progression of the overheads. In the context of the value-in-use calculation, the Committee satisfied itself that the discount rate was appropriate to use.

### **External audit**

Prior to the commencement of the audit, the Audit Committee received an audit planning document from the auditors which set 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 appropriate for a high quality audit to be performed.

Following the completion of the audit, the Audit Committee received from the auditors a post-audit management letter 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 CLA Evelyn Partners Limited's (formerly 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.

## 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 2022 which comprise 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 the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, 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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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.

### Our approach to 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.

For each of the group's three reporting components that were subject to specific audit procedures as outlined above, all financial records are held in the UK and were subject to audit work by the group engagement team. A component auditor was engaged to perform a stock take in the United States and the results of this stock take were reviewed by the group engagement team.

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.

## Key audit matters

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

Key audit matter	Description of risk	How the matter was addressed in the audit
<p>The cash flow projections which support going concern and development costs not yet available for use for group and parent company investment, goodwill and intercompany balances with subsidiaries</p>	<p>The Group is loss-making and has relied on equity funding to provide working capital in previous years.</p> <p>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. These forecasts were also used to assess whether the value of development costs not yet available for use were impaired.</p> <p>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 including consideration of the sensitivity of the assumptions in the projections.</p> <p>Furthermore, the parent company has significant balances relating to investments in subsidiaries and receivables due from group companies.</p> <p>The group's assessment of carrying value requires significant judgement in particular regarding cash flows, growth rates, discount rates</p>	<p>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 company financial statements.</p> <p>The main procedures performed on the forecasts and areas where we challenged management were as follows:</p> <ul style="list-style-type: none"> <li>• testing the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes and investigating any material variances to assess the reliability of management forecasting;</li> <li>• testing the quality of management forecasting by comparing cash flow forecasts for current period to actual post year end outcomes;</li> <li>• discussion with management over the basis and appropriateness of key assumptions used in the cashflow forecasts;</li> <li>• verifying the consistency of forecasts used in the impairment calculations with those used for going concern assessment where appropriate;</li> <li>• reviewing management's sensitivity calculations to understand the impact of changing the key assumptions on cashflows and value in use;</li> <li>• performing our own further sensitivity calculations to understand the impact of changing the key assumptions and the effect on cashflows and value in use;</li> <li>• considering the value in use derived from forecasts alongside valuation using market capitalisation approach</li> </ul>

	and sensitivity assumptions to derive a value in use.	<p>where appropriate in assessing impairment; and</p> <ul style="list-style-type: none"> <li>• reviewing the disclosures around going concern and impairments in the financial statements to ensure they are consistent with the work performed.</li> </ul> <p>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.</p>
Revenue recognition including contract liabilities	Revenue recognition continues to be a key focus for the group to meet market expectations.	<p>As part of our procedures relating to revenue recognition as described in note 2 of the group financial statements the key procedures performed were:</p> <ul style="list-style-type: none"> <li>• reviewing transactions around the year end and tracing to supporting documentation to determine if the sale was recorded in the correct period;</li> <li>• performing testing of contract liability balances to ensure that revenue was being correctly deferred; and</li> <li>• reviewing 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.</li> </ul>
Capitalisation of development costs and impairment of development costs	<p>The group has significant intangible assets arising from the capitalisation of the costs relating to products in development.</p> <p>For products in development the main risk is assessing the ability to successfully commercialise the individual product concerned to the extent that future revenues from the products will generate sufficient returns to cover the development costs over its useful economic life. This can be a highly judgemental area.</p>	<p>As part of our procedures regarding the development costs as described in note 12 of the group financial statements, the key procedures performed were:</p> <ul style="list-style-type: none"> <li>• tracing a sample of project development costs capitalised in the year to supporting documentation ensuring they were valid capital expenditure and the relevant capitalisation criteria under IAS 38 were met;</li> <li>• discussing a sample of development projects in progress and completed at the year end with management and individuals within the development team where appropriate to understand the future prospects of the projects and considered whether any impairment was required. Explanations received</li> </ul>

		<p>were checked for consistency with our understanding of the business and the wider market as well as considering forecasts of future revenues and returns for the individual projects for development costs not yet available for use; and</p> <ul style="list-style-type: none"> <li>• reviewing the useful economic life of a sample projects to determine if the useful economic life is appropriate.</li> </ul>
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### **Our application of materiality**

The materiality for the group financial statements as a whole (“group FS materiality”) was set at £49,000. 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. Group FS materiality represents approximately 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 £39,200. 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 with external customers in its own right. Parent FS materiality represents approximately 1% of the parent company’s net assets as presented on the face of the parent company balance sheet.

Performance materiality for the group financial statements was set at £39,200 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 group 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 judgement or estimation in the financial statements other than the capitalisation and recoverability of capitalised development costs as referred to in our key audit matters above.

Performance materiality for the parent company financial statements was set at £31,360, 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 judgement or estimation in the parent company financial statements other than the recoverability of the carrying value of investments in subsidiaries and intercompany balances with subsidiaries as referred to in our key audit matters above.

### **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 2024;
- considering historical trading performance both prior to, during and subsequent to the Covid-19 pandemic;
- comparing the forecast results to those actually achieved in the 2022 financial year and

investigating any material variances as required in order to assess the reliability of management forecasting;

- comparing the forecast results to those actually achieved in the 2023 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 group's financing facilities and the repayment dates;
- considering the group's funding position and requirements; and
- considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.

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.

### **Other information**

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts. 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 9, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. 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.

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 group'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 group:

- The Companies Act 2006, UK-adopted 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 company 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 in particular those affecting revenue recognition around the year end.

- 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.
- Estimates and judgements made by management regarding the forecasts and discount rate used in the impairment review of group balances and investments in subsidiaries in respect of the parent entity financial statements.
- 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 and comparison to historical data and post-year-end data as appropriate as noted in the key audit matters section above;
- Substantive testing around whether revenue was recorded in the correct period;
- Substantive work on material areas affecting profits; and
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and journals outside the normal scope of the client business as well as journal entries affecting the recognition of revenue around the year end.

A further description of our responsibilities is available on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.

*CLA Evelyn Partners Limited*

Julie Mutton  
 Senior Statutory Auditor, for and on behalf of  
**CLA Evelyn Partners Limited**  
 Statutory Auditor  
 Chartered Accountants  
 15-17 Cumberland Place  
 Southampton  
 Hampshire  
 SO15 2BG

Date: 29 March 2023

**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2022**

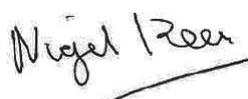
	Note	2022 £'000	2021 £'000
<b>Revenue</b>	<b>3</b>	<b>2,482</b>	2,259
Cost of sales	<b>4</b>	<b>(643)</b>	(684)
Gross profit		<b>1,839</b>	1,575
Administrative expenses		<b>(1,560)</b>	(1,585)
Sales and distribution expenses		<b>(1,027)</b>	(957)
Research and Development, Quality and Regulatory		<b>(231)</b>	(207)
Impairment loss on trade receivables	<b>15</b>	<b>(39)</b>	-
<b>Total costs</b>	<b>4</b>	<b>(2,857)</b>	(2,749)
Other operating income	<b>9</b>	-	312
Other gain	<b>7</b>	<b>71</b>	57
<b>Operating loss</b>		<b>(947)</b>	(805)
Finance costs	<b>6</b>	<b>(199)</b>	(173)
<b>Loss before taxation</b>		<b>(1,146)</b>	(978)
Tax credit on loss	<b>7</b>	<b>1</b>	12
<b>Loss for the year</b>		<b>(1,145)</b>	(966)
<b>Other comprehensive expense</b>			
Items that may be reclassified to profit or loss:			
Net translation differences on overseas subsidiaries		<b>35</b>	(2)
Other comprehensive expense for the year, net of tax		<b>35</b>	(2)
<b>Total comprehensive loss for the year</b>		<b>(1,110)</b>	(968)
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Parent		<b>(1,114)</b>	(969)
Non-controlling interests		<b>4</b>	1
		<b>(1,110)</b>	(968)
<b>Loss per share – basic and diluted</b>	<b>10</b>	<b>(0.17p)</b>	(0.17p)

The notes on pages 41 to 73 form an integral part of these consolidated financial statements.

**Consolidated balance sheet**  
**As at 31 December 2022**  
**Company Number 03902895**

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	269	264
Intangible assets	12	3,769	3,135
Financial assets at amortised cost	15	164	157
<b>Total non-current assets</b>		<b>4,202</b>	<b>3,556</b>
<b>Current assets</b>			
Inventories	14	821	796
Trade receivables	15	456	455
Financial assets at amortised cost	15	15	15
Other current assets	15	140	91
Current income tax recoverable		72	69
Cash and cash equivalents		471	413
<b>Total current assets</b>		<b>1,975</b>	<b>1,839</b>
<b>Total assets</b>		<b>6,177</b>	<b>5,395</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	17	(935)	(702)
Trade and other payables	17	(1,704)	(1,478)
<b>Total current liabilities</b>		<b>(2,639)</b>	<b>(2,180)</b>
<b>Non-current liabilities</b>			
Borrowings	17	(1,069)	(1,028)
Trade and other payables	17	(177)	(228)
Provisions	19	(64)	(57)
<b>Total non-current liabilities</b>		<b>(1,310)</b>	<b>(1,313)</b>
<b>Total liabilities</b>		<b>(3,949)</b>	<b>(3,493)</b>
<b>Net assets</b>		<b>2,228</b>	<b>1,902</b>
<b>Equity</b>			
Share capital	20	6,990	5,849
Share premium	25	33,672	33,502
Capital redemption reserve	25	17,476	17,476
Other reserve	25	527	573
Translation reserve	25	168	133
Convertible loan note reserve	25	82	82
Accumulated losses	25	(56,566)	(55,588)
Equity attributable to owners of the Parent		2,349	2,027
Non-controlling interests		(121)	(125)
<b>Total equity</b>		<b>2,228</b>	<b>1,902</b>

The notes on pages 41 to 73 form an integral part of these consolidated financial statements. The financial statements on pages 36 to 40 were approved by the Board of Directors and authorised for issue on 29 March 2023 and were signed on its behalf by:



**Nigel Keen**  
Chairman



**Natalie Wettler**  
Group Finance Director

## Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Convertible loan note reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2022	5,849	33,502	17,476	573	82	133	(55,588)	2,027	(125)	1,902
<b>Comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	(1,149)	(1,149)	4	(1,145)
Other comprehensive income for the period	-	-	-	-	-	35	-	35	-	35
<b>Total comprehensive income for year</b>	-	-	-	-	-	35	(1,149)	(1,114)	4	(1,110)
<b>Transactions with owners of the Group</b>										
Shares issued during the year	1,141	285	-	-	-	-	-	1,426	-	1,426
Issue expenses	-	(115)	-	-	-	-	-	(115)	-	(115)
Equity-settled share-based payment	-	-	-	125	-	-	-	125	-	125
Transfers	-	-	-	(171)	-	-	171	-	-	-
<b>Balance at 31 December 2022</b>	<b>6,990</b>	<b>33,672</b>	<b>17,476</b>	<b>527</b>	<b>82</b>	<b>168</b>	<b>(56,566)</b>	<b>2,349</b>	<b>(121)</b>	<b>2,228</b>

The notes on pages 41 to 73 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Convertible loan note reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2021	5,773	33,444	17,476	505	82	135	(54,648)	2,767	(126)	2,641
<b>Comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	(967)	(967)	1	(966)
Other comprehensive income for the period	-	-	-	-	-	(2)	-	(2)	-	(2)
<b>Total comprehensive income for year</b>	-	-	-	-	-	(2)	(967)	(969)	1	(968)
<b>Transactions with owners of the Group</b>										
Shares issued during the year	76	58	-	-	-	-	-	134	-	134
Equity-settled share-based payment	-	-	-	95	-	-	-	95	-	95
Transfers	-	-	-	(27)	-	-	27	-	-	-
<b>Balance at 31 December 2021</b>	<b>5,849</b>	<b>33,502</b>	<b>17,476</b>	<b>573</b>	<b>82</b>	<b>133</b>	<b>(55,588)</b>	<b>2,027</b>	<b>(125)</b>	<b>1,902</b>

The notes on pages 41 to 73 form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**  
for the year ended 31 December 2022

	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(1,146)	(978)
Adjustments for:		
Finance costs	199	173
Depreciation of property, plant and equipment	88	74
Amortisation of intangible assets	40	40
Share-based payment expense	125	95
Other gain	(71)	(57)
Effect of exchange rate fluctuations	35	(2)
	<b>(730)</b>	<b>(655)</b>
(Increase)/Decrease in inventories	(48)	89
(Increase)/Decrease in trade and other receivables	(57)	148
Increase in trade and other payables	306	191
Increase in provisions	7	6
<b>Net cash used in operations</b>	<b>(522)</b>	<b>(221)</b>
Interest paid	(153)	(131)
RDEC taxes received	69	61
<b>Net cash used in operating activities</b>	<b>(606)</b>	<b>(291)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(70)	(23)
Capitalised development expenditure (net of grants)	(674)	(621)
<b>Net cash used in investing activities</b>	<b>(744)</b>	<b>(644)</b>
<b>Cash flows from / (used in) financing activities</b>		
Issue of ordinary share capital	1,340	-
Expenses in connection with share issue	(115)	-
Net movement in invoice discount facility	(17)	43
Standby loan facility repayment	(500)	-
Standby loan facility drawdown	750	500
Principal lease payments	(45)	(41)
<b>Net cash generated from financing activities</b>	<b>1,413</b>	<b>502</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>63</b>	<b>(433)</b>
Cash and cash equivalents at beginning of the period	413	853
Exchange loss on cash and cash equivalents	(5)	(7)
<b>Cash and cash equivalents at end of the period</b>	<b>471</b>	<b>413</b>

The notes on pages 41 to 73 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 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 2022 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 UK-adopted International Accounting Standards. 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 2021.

New and amended Standards and Interpretations effective for the first time in the financial year beginning 1 January 2022 but not relevant to the Group or Company:

- Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16 – Property, plant, and equipment – Proceeds before intended use
- Amendments to IFRS 3 – Conceptual framework for Financial Reporting
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2022:

- IAS 8 – Amendments to definition of Accounting Estimates
- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a single transaction
- Amendments to IFRS 16 - Leases: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 – Classification of liabilities as Current or Non-current
- Amendments to IAS 1 – Non-current liabilities with covenants

The directors do not expect that the adoption of items listed above will have a material impact on the financial statements of the Group or Company in future periods.

#### 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.

## Notes to the consolidated financial statements for the year ended 31 December 2022

The consideration transferred for the acquisition of a subsidiary is 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 for 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.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

### 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.

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:

	2022		2021	
	Average Rate	Closing rate	Average rate	Closing rate
Sterling/US Dollar	1.24	1.21	1.38	1.35
Sterling/Euro	1.17	1.13	1.16	1.19
Sterling/Canadian Dollar	1.61	1.64	1.72	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.

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 1.6 Use of key judgements and key sources of estimation uncertainty

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.

#### **Key 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 represent the Group's judgement of which 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. Management must exercise judgement on whether there are any indicators of impairment to the capitalised costs. Where necessary, the Directors will perform impairment reviews which involve estimation uncertainty around the future economic benefits.

#### **Key Sources of Estimation Uncertainty**

Information about estimation uncertainties at 31 December 2022 that could have a risk of adjustment to the carrying amount of assets in the next financial year is considered in the following notes:

##### *Research and development*

As noted above, where necessary, the Directors will perform impairment reviews which involve estimation uncertainty around the future economic benefits of capitalised development costs.

##### *Trade receivables*

Notes 15 and 23 provide information on the measurement of expected credit losses in respect of trade receivables, staff advances and other receivables.

### 1.7 Going concern

The Group meets its day-to-day working capital requirements through a combination of operational cash flows, an invoice discounting facility and, if required, the raising of additional finance.

In December 2022, the Group extended the standby loan facility with Imperialise Limited by £250,000 to £750,000 in order to help fund the costs to complete the new monitor. The Group intends to repay the £250,000 as soon as possible and specifically when positive operating cashflow is generated by way of sales of the new monitor. All other terms of the standby loan facility, which was issued in September 2021, remain unchanged. Furthermore, on 29 March 2023, the maturity date of the standby loan facility was extended from 31 December 2023 to 30 June 2024.

In February 2023, the maturity date of the convertible loan notes was extended from 26 February 2024 to 30 June 2026. All other terms of the convertible loan notes, which were issued in February 2016, remain unchanged.

The Directors have reviewed detailed budgets and forecasts until 30 June 2024. In making their forecasts, the Directors have carefully considered the possible continued after effects of post-Covid restrictions and associated disruption on the Group's business. 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.

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 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 10 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.

### 3. Segmental analysis

#### 3.1 Accounting policy

Assessment of performance and the allocation of resources are made on the basis of results derived from the sale of probes, monitors and other products analysed by territory, 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 and non-executive directors' fees' (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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**3.2 Note**

The operating segment results for 2022 are:

	<b>Probes<sup>1</sup></b>	<b>Monitors</b>	<b>Other</b>	<b>Unallocated</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenues	<b>1,800</b>	<b>537</b>	<b>145</b>	<b>-</b>	<b>2,482</b>
Adjusted gross profit <sup>2</sup>	<b>1,323</b>	<b>416</b>	<b>107</b>	<b>-</b>	<b>1,843</b>
Sales and marketing costs	-	-	-	(1,027)	<b>(1,027)</b>
Administration costs	-	-	-	(1,192)	<b>(1,192)</b>
R&D costs	-	-	-	(36)	<b>(36)</b>
Quality and regulation costs	-	-	-	(195)	<b>(195)</b>
Adjusted EBITDA	-	-	-	-	<b>(607)</b>

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 (£4,000)

The operating segment results for 2021 were:

	<b>Probes<sup>1</sup></b>	<b>Monitors</b>	<b>Other</b>	<b>Unallocated</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenues	<b>1,911</b>	<b>202</b>	<b>146</b>	<b>-</b>	<b>2,259</b>
Adjusted gross profit <sup>2,3</sup>	<b>1,448</b>	<b>171</b>	<b>102</b>	<b>-</b>	<b>1,721</b>
Sales and marketing costs <sup>3</sup>	-	-	-	(889)	<b>(889)</b>
Administration costs <sup>3</sup>	-	-	-	(1,180)	<b>(1,180)</b>
R&D costs <sup>3</sup>	-	-	-	(8)	<b>(8)</b>
Quality and regulation costs <sup>3</sup>	-	-	-	(148)	<b>(148)</b>
Adjusted EBITDA	-	-	-	-	<b>(504)</b>

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 (£22,000)

3. Other operating income is allocated within the corresponding expense categories (£124,000)

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

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:

	2022 £'000	2021 £'000
Adjusted EBITDA	(607)	(504)
Non-cash items:		
Depreciation of property, plant and equipment	(88)	(74)
Amortisation of development costs	(40)	(40)
Impairment loss on trade receivables	(39)	-
Non-executive directors' fees and employer's NIC	(136)	(138)
Share-based payment expenses	(125)	(95)
Change in accumulated absence cost liability	17	(11)
Cash item:		
Other tax income	71	57
	(340)	(301)
<b>Operating loss</b>	<b>(947)</b>	<b>(805)</b>
Finance costs	(199)	(173)
<b>Loss before tax</b>	<b>(1,146)</b>	<b>(978)</b>
Tax credit on loss	1	12
<b>Loss for the year</b>	<b>(1,145)</b>	<b>(966)</b>

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 2022						Total £'000
	Direct market			Indirect markets			
	Probes £'000	Monitors £'000	Other £'000	Probes £'000	Monitors £'000	Other £'000	
UK	461	106	75	-	-	-	642
USA	463	122	51	-	-	-	636
France	-	-	-	464 <sup>1</sup>	15	8	487
Latin America	-	-	-	90	212	2	304
South Korea	-	-	-	132	-	-	132
Hong Kong	-	-	-	13	32	3	48
Austria	-	-	-	44	-	2	46
Cayman Islands	-	-	-	24	18	1	43
Other countries	19	30	-	90	2	3	144
	943	258	126	857	279	19	2,482

1. Total revenue for this segment relates to a single external customer

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

	For the year ended 31 December 2021						Total £'000
	Direct markets			Indirect markets			
	Probes £'000	Monitors £'000	Other £'000	Probes £'000	Monitors £'000	Other £'000	
UK	524	60	86	-	-	-	670
USA	561	55	47	-	-	-	663
France	-	-	-	489 <sup>1</sup>	29	8	526
Scandinavia	-	-	-	105	-	2	107
South Korea	-	-	-	134	-	2	136
Portugal	-	-	-	35	-	-	35
Other countries	10	-	-	53	58	1	122
	1,095	115	133	816	87	13	2,259

1. Total revenue for this segment relates to a single external customer

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 at the point the service is carried out.

	2022 £'000	2021 £'000
Sale of goods	2,430	2,192
Maintenance income	52	67
	<b>2,482</b>	2,259

The following table provides information about trade receivables and contract liabilities from contracts with customers. There were no contract assets at either 31 December 2022 or 31 December 2021.

	31 December 2022 £'000	31 December 2021 £'000
Trade receivables which are in 'Trade and other receivables'	456	455
Contract liabilities (Note 17.3)	(39)	(57)

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 2022:

	2023 £'000	2024 £'000	2025 £'000	2026 £'000	Total £'000
Revenue expected to be recognised	25	2	2	10	39

Revenue recognised in 2022 which was included in contract liabilities at 31 December 2021 amounted to £30,000. Revenue recognised in 2021 included in contract liabilities at 31 December 2020 amounted to £54,000.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**4. Expenses**

**4.1 Expenses by nature**

The following table provides information on the nature of expenses recognised within the Statement of Comprehensive Income:

	2022 £'000	2021 £'000
Changes in inventories and work in progress expensed	25	(99)
Raw materials and consumables used	481	548
Employee benefit costs	2,119	2,145
Other employee costs	235	153
Non-executive directors' fees	136	138
Depreciation of property, plant and equipment	88	74
Amortisation of development costs	40	40
Short-term leases	19	18
Net foreign exchange (gain)/loss	(30)	14
Audit and accountancy costs	71	61
Meeting and other public relations costs	42	23
Professional and consultancy costs	268	312
Other tax income	(71)	(57)
Other	6	6
	<b>3,429</b>	<b>3,376</b>

**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 detailed below.

*CLA Evelyn Partners Limited*

	2022 £'000	2021 £'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	47	35
	<b>57</b>	<b>45</b>

**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 employee services up to the end of the financial reporting period. They 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

## Notes to the consolidated financial statements for the year ended 31 December 2022

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.

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

	2022 £'000	2021 £'000
Wages and salaries	2,049	2,051
Social security costs	247	230
Pension costs – defined contribution plans	60	58
	<b>2,356</b>	2,339
Less amounts capitalised as research and development expenses	<b>(357)</b>	(317)
	<b>1,999</b>	2,022
Accumulated absence liability movement	(17)	11
Accrued bonuses for the year	12	17
Share-based payment expense	125	95
	<b>2,119</b>	2,145

The pensions cost expense of £60,000 (2021: £58,000) represents the aggregate amount paid and payable into defined contribution pension schemes on behalf of employees.

### 5.3 Average monthly number of people employed

	2022 Number	2021 Number
Number of employees	44	46
Average monthly number of people (including executive directors) employed:		
Sales and marketing	11	11
Production	15	16
Office and management	10	10
Quality and regulatory	2	3
Research and development	6	6
Total monthly average headcount	44	46

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**5.4 Directors' emoluments**

	<b>2022</b> <b>£'000</b>	2021 £'000
Aggregate emoluments	<b>430</b>	398
Sums paid to third parties for directors' services	<b>33</b>	33
Contributions to the Group's defined contribution scheme	<b>13</b>	10
	<b>476</b>	441

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

<b>Third party payee</b>	<b>Director</b>	<b>2022</b> <b>£'000</b>	2021 £'000
Imperialise Limited	Nigel Keen	<b>33</b>	33

**5.5 Highest paid director**

	<b>2022</b> <b>£'000</b>	2021 £'000
Aggregate emoluments	<b>207</b>	207
Contributions to director's personal pension scheme	<b>8</b>	8
	<b>215</b>	215

**6. Finance costs**

	<b>2022</b> <b>£'000</b>	2021 £'000
Invoice discount facility	<b>3</b>	2
Convertible loan note	<b>128</b>	124
Standby loan facility	<b>28</b>	4
Lease liability finance expense	<b>29</b>	34
Other interest	<b>11</b>	9
	<b>199</b>	173

**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 (SOI) 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 SOI. 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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**7.2 Note**

<b>Current tax</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Research and development tax credit	(1)	(12)
Adjustment in respect of prior years	-	-
Total current tax	(1)	(12)
Total deferred tax	-	-
<b>Total tax credit on loss</b>	<b>(1)</b>	<b>(12)</b>

In 2022, the other gain includes an amount of £71,000 (2021 £57,000) comprising 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 (2021: lower) than the effective rate of corporation tax in the UK of 19% (2021: 19%) applied to the Group's loss on ordinary activities before tax. The differences are explained below:

	<b>2022 £'000</b>	<b>2021 £'000</b>
Loss on ordinary activities before tax	<b>(1,146)</b>	(978)
Loss on ordinary activities multiplied by the standard rate in the UK of 19% (2021: 19%)	<b>(218)</b>	(186)
Effects of:		
Non-taxable income	<b>(153)</b>	(121)
Losses carried forward for which no deferred tax asset has been recognised	<b>326</b>	269
Tax rate of difference on receivable research and development tax credit	<b>16</b>	5
Difference on tax rate on payable research and development tax credit	<b>4</b>	3
Non-deductible expenses	<b>24</b>	18
Total tax credit on loss	<b>(1)</b>	(12)

**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.

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 8.2 Note

At 31 December 2022, the Group had accumulated trading losses carried forward which are available to offset against future profits of £39,050,000 (2021: £39,333,000) resulting in an unrecognised potential deferred tax asset of £9,327,000 (2021: £9,397,000).

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:

<b>Deferred tax liabilities</b>	<b>2022</b>	2021
	<b>£'000</b>	£'000
Development costs	1,125	938
Accelerated capital allowances	65	65
	<b>1,190</b>	1,003
	<b>2022</b>	2021
	<b>£'000</b>	£'000
At 1 January	1,003	644
Charged to profit or loss in the Consolidated SOCI	187	359
At 31 December	<b>1,190</b>	1,003
	<b>2022</b>	2021
	<b>£'000</b>	£'000
At 1 January	(1,003)	(644)
Credited to profit or loss in the Consolidated SOCI	(187)	(359)
At 31 December	<b>(1,190)</b>	(1,003)

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021. These include increases to the UK corporation tax rate from 19% to 25% effective 1 April 2023. Deferred taxes at the balance sheet date have been measured using this substantively enacted rate.

### 9. Other operating income

#### 9.1 Accounting policy

Government grants which are recognised in the Statement of Comprehensive Income as operating income 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 same period as the related expenditure.

#### 9.2 Note

Other operating income comprised:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
UK Job Retention Scheme	-	206
US Payment Protection Plan	-	106
	-	312

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 10 Basic and diluted loss per share

The loss per share calculation is based on the loss of £1,149,000 and the weighted average number of shares in issue of 685,490,974. For 2021, the loss per share calculation is based on the loss of £967,000 and the weighted average number of shares in issue of 580,712,339. While the Group is loss-making, the diluted loss per share and the loss per share are the same.

### 11 Property, plant and equipment

#### 11.1 Accounting policy

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

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

- Leasehold property and improvements: five years or to the end of the lease term, if shorter
- Right of use asset: over the period of the lease term
- Plant and equipment: three to five years
- Machines loaned to customers: five years
- Fixtures and fittings: three to five years

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

#### **Machines loaned to customers**

In order to support key accounts and increase 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.

The Group monitors probe usage by customers that have loan monitors and where, for various reasons, probe volumes do not support the loaned monitor state, the under-utilised monitors are removed and held ready to meet future demand for monitors by other customers.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**11.2 Note**

	Leasehold property and improvements	Right of use asset	Plant and equipment	Fixtures and fittings	Machines loaned to customers	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 January 2021	180	427	479	2	1,529	2,617
Exchange difference	-	-	-	-	10	10
Additions	-	-	23	-	-	23
Transferred from inventory	-	-	-	-	10	10
At 31 December 2021	180	427	502	2	1,549	2,660
Exchange difference	-	-	5	-	164	169
Additions	-	-	70	-	-	70
Transferred from inventory	-	-	-	-	23	23
Disposals	-	-	-	-	(501)	(501)
<b>At 31 December 2022</b>	<b>180</b>	<b>427</b>	<b>577</b>	<b>2</b>	<b>1,235</b>	<b>2,421</b>
<b>Accumulated depreciation</b>						
At 1 January 2021	178	155	476	2	1,501	2,312
Exchange difference	-	-	-	-	10	10
Depreciation charge	2	48	7	-	17	74
At 31 December 2021	180	203	483	2	1,528	2,396
Exchange difference	-	-	5	-	164	169
Depreciation charge	-	49	18	-	21	88
Disposals	-	-	-	-	(501)	(501)
<b>At 31 December 2022</b>	<b>180</b>	<b>252</b>	<b>506</b>	<b>2</b>	<b>1,212</b>	<b>2,152</b>
<b>Net book value</b>						
At 1 January 2021	2	272	3	-	28	305
At 31 December 2021	-	224	19	-	21	264
<b>At 31 December 2022</b>	<b>-</b>	<b>175</b>	<b>71</b>	<b>-</b>	<b>23</b>	<b>269</b>

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

	2022 £'000	2021 £'000
Cost of sales	36	22
Administration expenses	52	52
Research and development expenses	-	-
	<b>88</b>	<b>74</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**12 Intangible assets**

**12.1 Accounting policy**

Expenditure on research and development is charged to profit or loss in the Consolidated SOCI in the year in which it is incurred. The exception to this being expenditure incurred in respect of the development of new products where the outcome of those projects is assessed as being reasonably certain for 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. The carrying amounts of intangible assets have been reviewed at the balance sheet date and the directors consider that there is no indication that those assets have suffered an impairment loss.

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 2022, £113,000 (2021: £77,000) was recognised from government grants.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill represents the goodwill that arose in 2013 on the acquisition of the trade and assets of Deltex Medical Canada Limited. The directors have tested goodwill for impairment based on the profitability and value in use, and consider the balance to be recoverable.

**12.2 Note**

	Development costs £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2021	3,713	66	3,779
Additions	621	-	621
At 31 December 2021	4,334	66	4,400
Additions	674	-	674
<b>At 31 December 2022</b>	<b>5,008</b>	<b>66</b>	<b>5,074</b>
<b>Accumulated amortisation</b>			
At 1 January 2021	1,225	-	1,225
Amortisation expense	40	-	40
At 31 December 2021	1,265	-	1,265
Amortisation expense	40	-	40
<b>At 31 December 2022</b>	<b>1,305</b>	<b>-</b>	<b>1,305</b>
<b>Net book value</b>			
At 1 January 2021	2,488	66	2,554
At 31 December 2021	3,069	66	3,135
<b>At 31 December 2022</b>	<b>3,703</b>	<b>66</b>	<b>3,769</b>

Amortisation expense of £40,000 (2021: £40,000) has been categorised as research and development expenditure in profit or loss in the Consolidated SOCI.

Included within development costs are costs amounting to £2,813,000 (2021: £2,273,000) relating to the

## Notes to the consolidated financial statements for the year ended 31 December 2022

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 £93,000 net book value (2021: £124,000) 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, with approximately 7 years of amortisation period remaining at the year end.

Other individually material projects, all of which have not been amortised as the projects are still in progress, are:

Project description	2022 £'000	2021 £'000
Suprasternal Doppler Probe	468	333
TrueVue Velocity Pressure Loops	216	216

The directors have carried out impairment reviews on the development projects which are still in progress as required by IAS 36 in respect of recoverable amounts and no impairment has been noted.

### 13 Subsidiary undertakings

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

Deltex Medical Canada Limited reported revenue of £15,000 (2021: £7,000), a profit of £8,000 (2021: £1,000) and net liabilities of £295,000 (2021: £291,000).

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 14 Inventories

#### 14.1 Accounting policy

Inventories, including work in progress and finished goods, are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Labour and overheads are allocated on the basis of normal operating capacity using standard rates. The standard labour and overhead rate are reviewed at each year end. Cost is calculated using the first in, first out basis.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provision is made for obsolete, slow-moving or defective items where appropriate.

#### 14.2 Note

	<b>2022</b> <b>£'000</b>	2021 £'000
Raw materials and consumables	<b>246</b>	217
Work in progress	<b>64</b>	24
Finished goods	<b>511</b>	555
	<b>821</b>	796

There is a specific provision for slow-moving inventory of £23,000 (2021: £21,000), which have been categorised as finished goods.

### 15 Trade and other receivables

#### 15.1 Accounting policy

Trade receivables, which are the only financial assets at amortised cost, are non-interest bearing and generally have a 30 day term for sales made in the UK and the USA, and a 60 day term for sales made to other overseas customers. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

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 at amortised cost. Based on prior experience and an assessment of the current economic environment, the Group do not consider an impairment provision is required against the financial assets at amortised cost and consider that the carrying amount of these is a reasonable approximation of their fair value.

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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**15.2. Note**

**Trade receivables**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Trade receivables	<b>495</b>	455
Less loss allowance	<b>(39)</b>	-
	<b>456</b>	455

As at 31 December 2022, trade receivables of £36,000 (2021: £98,000 were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Up to 3 months past due	<b>32</b>	16
3 to 6 months past due	-	18
Over 6 months past due	<b>4</b>	64
	<b>36</b>	98

**Financial assets at amortised cost**

	<b>2022</b>		2021	
	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Staff advances	<b>15</b>	-	15	-
Other receivables	-	<b>164</b>	-	157
	<b>15</b>	<b>164</b>	15	157

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**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Sundry debtors	<b>35</b>	3
Prepayments	<b>105</b>	88
	<b>140</b>	91

**16 Cash and cash equivalents**

**16.1 Accounting policy**

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

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 16.2 Note

	2022 £'000	2021 £'000
Cash at bank	471	413

## 17 Financial liabilities

### 17.1 Accounting policy

The Group's financial liabilities include borrowings, 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 transaction 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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**17.2 Note**

**Borrowings**

	2022		2021	
	Current	Non-current	Current	Non-current
	£'000	£'000	£'000	£'000
Invoice discounting facility	185	-	202	-
Standby loan facility	750	-	500	-
Convertible loan note	-	1,069	-	1,028
	<b>935</b>	<b>1,069</b>	702	1,028

**Invoice discounting facility**

The amount shown represents the cash drawn down under an invoice discounting facility; There was £6,000 undrawn amounts at the end of the year (2021: £nil). The amount outstanding under this facility is secured by way of a fixed charge over the Group's UK, USA 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 notice (2021: one month's notice) on either side and is not subject to an annual review.

**Convertible loan note**

The maturity date of the convertible loan notes is June 2026, at a conversion price of 4p per share.

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 2022	1,028	82	1,110
Interest expense	129	-	129
Interest paid	(88)	-	(88)
Carrying amount at 31 December 2022	<b>1,069</b>	<b>82</b>	<b>1,151</b>

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% (2021: 13.14%).

**Standby loan facility**

In September 2021, a standby loan facility provided by Imperialise Limited, a company controlled by Nigel Keen, was put in place for £500,000. The interest rate on the facility is 8% per annum, and the facility is unsecured. In February 2022, the standby loan facility maturity was extended by 12 months to 31 December 2023. Furthermore, in December 2022, the standby loan facility was extended by £250,000 to £750,000, with no changes made to the repayment date or interest rate.

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 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.

	2022		2021	
	Rate %	Amount £'000	Rate %	Amount £'000
Sterling	4.32	61	2.91	60
Euro	3.42	91	2.75	104
US Dollar	6.05	33	4.30	38
		<b>185</b>		<b>202</b>

All other of the Group's borrowings are at variable rates of interest other than the convertible loan note and standby loan facility as disclosed above.

### 17.3. Trade and other payables

	2022		2021	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Trade payables	507	-	298	-
Other payables	258	-	259	-
Social security and other taxes	158	-	169	-
Lease obligations	52	177	46	228
Contract liabilities	39	-	57	-
Employee short-term benefits	24	-	41	-
Accrued expenses	666	-	608	-
	<b>1,704</b>	<b>177</b>	<b>1,478</b>	<b>228</b>

In February 2022, the Group settled £86,000 of historical bonuses held within accrued expenses at 31 December 2021 by way of a share issue.

Included within other payables is an amount of £255,000 (2021: £253,000) which is payable to the non-controlling interest in the Group's Canadian Subsidiary. This amount is expected to be settled in full over the next 5 – 10 years depending on the amount of cash generated from sales made in the Canadian market. However, as the amount is repayable on demand it has been categorised as a current liability. The directors consider that the carrying amount of trade payables and other payables approximates to their fair value.

## 18 Leases

### 18.1 Accounting policy

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

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

## Notes to the consolidated financial statements for the year ended 31 December 2022

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 (being less than £5,000), 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.

### 18.2 Note

Included within Property, plant and equipment is the net book amount of £175,000 (2021: £224,000) 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 £49,000 (2021: £48,000) relating to the depreciation expense of this asset and included within finance costs is an amount of £29,000 (2021: £34,000) 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 £19,000 (2021: £18,000) relating to short term leases.

Included within trade and other payables in the Consolidated Balance sheet are current lease obligations amounting to £52,000 (2021: £46,000) and non-current lease obligations amounting to £177,000 (2021: £228,000). The non-current lease obligations are all due in 2 to 5 years. The weighted average incremental borrowing rate applied to the lease was 12% (2021: 12%).

The total cash outflow for leases in the period was £75,000 (2021: £75,000).

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

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Within 1 year	<b>75</b>	75
Within 2 to 4 years	<b>206</b>	281
More than 5 years	-	-
	<b>281</b>	356

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 19 Provision for liabilities

#### 19.1 Accounting policy

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

The increase in the provision due to passage of time is recognised as an interest expense in profit or loss in the Consolidated SOCI.

#### 19.2 Note

	Dilapidation provision £'000
At 1 January 2021	51
Unwinding of discounting	6
At 1 January 2022	57
Unwinding of discounting	7
At 31 December 2022	<b>64</b>

#### *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.

### 20 Share capital and share premium

#### 20.1 Accounting policy

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

#### 20.2 Note

At 1 January 2022 and 31 December 2022, the authorised share capital of the Company comprised 6,568,546,210 ordinary shares with a nominal value of 1 penny each.

## Notes to the consolidated financial statements for the year ended 31 December 2022

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 2021	577,291	5,773	33,444	39,217
Share issues:				
15 July 2021	6,282	63	47	110
22 July 2021	1,371	13	11	24
At 31 December 2021	584,944	5,849	33,502	39,351
Share issues:				
17 January 2022	2,400	24	6	30
14 February 2022	111,720	1,117	279	1,396
Share issue expenses:				
14 February 2022	-	-	(115)	(115)
<b>At 31 December 2022</b>	<b>699,064</b>	<b>6,990</b>	<b>33,672</b>	<b>40,662</b>

Net proceeds from the issue of shares totalled £1,311,000 (2021: £134,000), after expenses of £115,000 (2021: £nil). Non-cash proceeds from the issue of shares to clear historical equity settled director fees totalled £6,000 (2021: £134,000).

## 21 Share-based payments

### 21.1 Accounting policy

The Group awards directors, employees and certain of the Group's distributors and advisers equity-settled share-based payments, from time to time, on a discretionary basis. In accordance with IFRS 2 'Share-based payments', equity-settled share-based payments are measured at fair value at the time of grant. Fair value is measured by the use of a Black–Scholes option pricing model. 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' in 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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**21.2 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 or at market price on the date of grant and are conditional on the employee completing three years' service. Options granted in lieu of cash for bonuses or salary obligations 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:

	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	Total No.
Options outstanding at 1 January 2021	14,041,750	7	17,198,288	1	31,240,038
Granted during the year	-	-	14,500,000	1	14,500,000
Lapsed during theyear	(36,500)	9	(162,676)	1	(199,176)
Expired during the year	(1,498,000)	17	(70,471)	1	(1,568,471)
Options outstanding at 31 December 2021	12,507,250	6	31,465,141	1	43,972,391
Granted during the year	-	-	23,500,000	1	23,500,000
Lapsed during the year	(11,487,250)	4	(5,206,250)	1	(16,693,500)
Expired during the year	(1,020,000)	24	(232,675)	1	(1,252,675)
<b>Options outstanding at 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>49,526,216</b>	<b>1</b>	<b>49,526,216</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

Share options exercisable at the end of the year were:

	2011 Executive Share Option Scheme		2003 Enterprise Management Incentive Scheme		Total No.
	Number of options No.	Weighted average exercise price p	Number of options No.	Weighted average exercise price p	
Options exercisable at 1 January 2021	9,041,750	7	10,710,788	1	19,752,538
Options exercisable at 31 December 2021	7,507,250	12	10,627,641	1	18,134,891
<b>Options outstanding at 31 December 2022</b>	-	-	<b>5,394,966</b>	<b>1</b>	<b>5,394,966</b>

There were no share options exercised during the year ended 31 December 2022 or the year ended 31 December 2021. The mid-market closing price of the Company's shares at the end of the year was 1.0 pence (2021: 1.3 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	
	2022 Years	2021 Years	2022 Years	2021 Years
Weighted average remaining contractual life of options outstanding at the end of the financial year	-	6.04	8.33	8.25

*Fair value of options granted*

Share options granted under the 2003 EMI scheme had an estimated weighted average fair value of 1.4 pence (2021: 1.3 pence) and £44,407 (2021: £42,057) 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 the 2003 EMI scheme options granted during the year ended 31 December 2022 were:

	February 2022	April 2021	April 2021
Share price at grant date	<b>1.35p</b>	1.8p	1.8p
Exercise price	<b>1.35p</b>	1.0p	1.8p
Expected price volatility of the Company's shares	<b>50%</b>	65%	65%
Expected option life (expressed as weighted average life used in modelling)	<b>3 years</b>	3 years	3 years
Risk-free interest rate	<b>1.40%</b>	0.86%	0.86%
Fair value at measurement date	<b>0.7p</b>	1.4p	1.3p

## **Notes to the consolidated financial statements for the year ended 31 December 2022**

No share options were granted under the 2011 ESOS scheme during the year ended 31 December 2022 or the year ended 31 December 2021.

### *Contractor options*

There were no contractor options granted during the year ended 31 December 2022.

On 6 December 2021, 2,000,000 share options were granted to a contractor 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.

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 options have an exercise period of 10 years from grant date.

A further option over 500,000 shares with an exercise price of 1.22 pence per share, exercisable from the date of grant of 9 October 2018 also remain outstanding at 31 December 2022. The option has an exercise period of 10 years from grant date.

These are the only outstanding options held by contractors.



**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

**23 Financial risk management**

The Group's financial instruments comprise some cash and various items, such as trade receivables and trade payables that arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The Board reviews and agrees policies for managing liquidity risk, currency risk, credit risk, interest rate risk and capital risk. The policies have remained unchanged throughout the year.

*Liquidity risk*

The Group is managed to ensure that sufficient cash reserves and credit facilities are available to meet liquidity requirements. The Group has available to it an invoice discounting facility and a standby loan facility 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 comprise undrawn invoice discounting facilities, undrawn standby loan 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 expected maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the expected undiscounted cash flows at 31 December.

	2022				2021			
	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	185	-	-	-	202	-	-	-
Convertible loan note	88	1,136	-	-	88	88	1,136	-
Lease obligations	75	75	131	-	75	75	206	-
Trade and other payables	1,173	-	-	255	909	-	-	253
Standby loan facility	750	-	-	-	500	-	-	-
	<b>2,271</b>	<b>1,211</b>	<b>131</b>	<b>255</b>	<b>1,774</b>	<b>163</b>	<b>1,342</b>	<b>253</b>

*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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2022**

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

	2022		2021	
	US Dollars £'000	Euro £'000	US Dollars £'000	Euro £'000
Cash at bank	6	2	69	120
Trade receivables	116	168	101	176
Trade payables	(62)	(2)	(43)	(13)
Invoice discount facility	10	(91)	-	(104)

The table below 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 analyses 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.

	2022			2021		
	Sensitivity %	Profit £'000	Equity £'000	Sensitivity %	Profit £'000	Equity £'000
Euros	10.0	9	9	5.0	11	11
US Dollar	10.0	8	8	5.0	9	9

If the Euro strengthened against Sterling by 10% (2021: 5%), an aggregate foreign exchange gain of £9,000 (2021: £11,000) 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. The Group 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

## Notes to the consolidated financial statements for the year ended 31 December 2022

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 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, USA and Canada, its customers are predominantly large hospitals. There have not been any bad debts experienced during the year.

Occasionally bad debts have been experienced in our International distributor-led market. However, as this market has been developed over many years, our network of independent distributors has remained relatively stable and consequently the expectation of incurring a credit loss is considered to be immaterial.

The credit loss provision of £39,000 represents 7.8% of the Group trade receivables balance as at 31 December 2022 (2021: £nil).

Other receivables relate to a historic trade receivable balance owed by the non-controlling interest in Deltex Medical Canada Limited. Based on expectations of future trading, the expectation of incurring a credit loss is considered to be immaterial.

While cash is subject to the impairment requirements of IFRS 9, no such impairment loss was identified either at 31 December 2021 or 31 December 2022.

For banks and financial institutions, only independently rated 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:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Fixed rates:		
Lease obligations	<b>229</b>	274
Convertible loan note	<b>1,069</b>	1,028
Standby loan facility	<b>750</b>	500
	<b>2,048</b>	1,802
Floating rates		
Invoice discounting facility	<b>185</b>	202
	<b>2,233</b>	<b>2,004</b>

## Notes to the consolidated financial statements for the year ended 31 December 2022

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

	2022			2021		
	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	-	-

The amounts in the table above are rounded to the nearest £'000. Where the amount is less than £500, it is displayed as £nil within the table.

### 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 an optimal capital structure to reduce the cost of capital.

Ordinary shares are classified as equity. 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 encourages employees to hold shares in the Company. This has been carried out through the Company's various executive share option plans.

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.

The Group is not subject to any externally imposed capital requirements.

## 24 Related party transactions

### 24.1 Key management compensation

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

	2022 £'000	2021 £'000
Short-term employee benefits	484	445
Short term benefits paid to third parties	38	38
Post-employment benefits	13	10
Share-based payments	68	32
	<b>603</b>	<b>525</b>

### 24.2 Other transactions

During the year, £40,000 (2021: £40,000) was paid to Imperialise Limited, a company controlled by Nigel Keen, non-executive Chairman of the Group, that was due on its £500,000 nominal amount holding of the Convertible Loan Notes 2024. At 31 December 2022, £10,082 (2021: £10,082) was owing in respect of interest for the quarter ended 31 December 2022 (2021: Quarter ended 31 December 2021).

## Notes to the consolidated financial statements for the year ended 31 December 2022

At 31 December 2022, a further £10,290 (2021: £4,252) was owing in respect of interest for the quarter ended 31 December 2022 to Imperialise Limited, on its standby loan facility, which was set up in September 2021. During the year, the Group drew down a further £250,000 on this facility. At 31 December 2022, the balance of the standby loan facility to Imperialise Limited was £750,000 (2021: £500,000).

### 25 Capital and reserves

Details of the movement in reserves are set out in the Statement of Changes in Equity. A description of each reserve is set out below:

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

### 26 Subsequent events

On 27 February 2023, the maturity date of the convertible loan notes was extended from 26 February 2024 to 30 June 2026. All other terms of the convertible loan notes, which were issued in February 2016, remain unchanged. The Group have considered the financial impact of this modification, being an estimated gain of £89,000 following the extension of the maturity date.

On 29 March 2023, the maturity date of the standby loan facility was extended from 31 December 2023 to 30 June 2024. All other terms of the standby loan facility, which was initially issued in September 2021, remain unchanged.

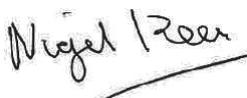
## Parent company balance sheet

As at 31 December 2022

Company Number 03902895

	Note	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Intangible assets - Goodwill	4	66	66
Investments	5	5,109	4,200
Trade and other receivables	6	2,084	1,596
<b>Total non-current assets</b>		<b>7,259</b>	<b>5,862</b>
<b>Current assets</b>			
Trade and other receivables	6	10	6
Cash and cash equivalents		251	-
<b>Total current assets</b>		<b>261</b>	<b>6</b>
<b>Current liabilities</b>			
Trade and other payables	7	(1,087)	(739)
<b>Net current (liabilities)/assets</b>		<b>(826)</b>	<b>(733)</b>
<b>Total assets less current liabilities</b>		<b>6,433</b>	<b>5,129</b>
<b>Non-current liabilities</b>			
Trade and other payables	8	(1,069)	(1,028)
<b>Net assets</b>		<b>5,364</b>	<b>4,101</b>
<b>Equity</b>			
Share capital		6,990	5,849
Share premium		33,672	33,502
Capital redemption reserve		17,476	17,476
Other reserve		527	573
Convertible loan note reserve		82	82
Accumulated losses:			
At 1 January		(53,381)	(52,620)
Loss for the year		(173)	(788)
Transfers		171	27
Accumulated losses		(53,383)	(53,381)
<b>Total equity</b>		<b>5,364</b>	<b>4,101</b>

The notes on pages 76 to 82 form an integral part of these financial statements. The financial statements on pages 74 to 75 were approved by the Board of Directors and authorised for issue on 29 March 2023 and were signed on its behalf by:



**Nigel Keen**  
Chairman



**Natalie Wettler**  
Group Finance Director

**Parent company statement of changes in equity**  
**For the year ended 31 December 2022**

	Share capital	Share premium account	Capital redemption reserve	Other reserve	Convertible loan note reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	5,773	33,444	17,476	505	82	(52,620)	4,660
Comprehensive expense							
Loss for the year	-	-	-	-	-	(788)	(788)
Total comprehensive expense for the year	-	-	-	-	-	(788)	(788)
Shares issued during the year	76	58	-	-	-	-	134
Equity-settled share-based payment	-	-	-	95	-	-	95
Transfers	-	-	-	(27)	-	27	-
Balance at 31 December 2021	5,849	33,502	17,476	573	82	(53,381)	4,101
Comprehensive expense							
Loss for the year	-	-	-	-	-	(173)	(173)
Total comprehensive expense for the year	-	-	-	-	-	(173)	(173)
Shares issued during the year	1,141	285	-	-	-	-	1,426
Issue expenses	-	(115)	-	-	-	-	(115)
Equity-settled share-based payment	-	-	-	125	-	-	125
Transfers	-	-	-	(171)	-	171	-
<b>Balance at 31 December 2022</b>	<b>6,990</b>	<b>33,672</b>	<b>17,476</b>	<b>527</b>	<b>82</b>	<b>(53,383)</b>	<b>5,364</b>

The notes on pages 76 to 82 form an integral part of these financial statements.

## Notes to the parent company financial statements

### For the year ended 31 December 2022

#### 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).

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 accordance 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 Key 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 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.

### **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 (SOCl), 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 enforceable 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 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 Company'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. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest.

It recognises the impact of the revision to original estimates, if any, in profit or loss in the SOCI with a corresponding adjustment to 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 36 to 40 of the Annual Report & Accounts 2022.

##### *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 CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson) was £10,000 (2021: £10,000).

There were no fees paid to the Company's auditors, CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson), for services other than the statutory audit.

## 3 Directors' emoluments

	2022 £'000	2021 £'000
Aggregate emoluments	90	89
Short term benefits paid to third parties	33	33
	123	122

There are no (2021: 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 (2021: £33,333), for the services of a director.

Remuneration, including Executive directors, is provided in the Directors' remuneration report on pages 22 to 26.

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, categorised as administrative for both years, was 5 (2021: 5). None of the directors had contracts for service so the monthly average number of employees was nil (2021: 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. The directors have tested goodwill for impairment based on the profitability and value in use, and consider the balance to be recoverable. Deltex Medical Canada Limited reported a profit of £8,000 (2021: loss of £1,000).

## 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 56 of this Annual Report & Accounts.

	Investments in subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2022	45,601
<b>At 31 December 2022</b>	<b>45,601</b>
<b>Accumulated impairment</b>	
At 1 January 2022	41,401
Impairment (reversal)/charge	(909)
<b>At 31 December 2022</b>	<b>40,492</b>
<b>Net book amount</b>	
At 31 December 2021	4,200
<b>At 31 December 2022</b>	<b>5,109</b>

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 five-year period ending 31 December 2027 (2021: three-year period ending 31 December 2024). A terminal value was calculated using the forecast cash flows for the year ended 31 December 2027 using a long-term growth rate of 2.25% (2021: 2.25%). Forecast cash flows were discounted using a pre-tax discount rate of 15.4% and post-tax rate of 11.6% (2021: pre-tax rate of 20%) which reflects the current market assessments of the time value of money and the risks specific to the Company. This impairment calculation resulted in an impairment reversal of £909,000 (2021: impairment reversal of £93,000) 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.

	2022 £'000	2021 £'000
Current		
Other receivables	10	6
	10	6
Non-current		
Amount owed by subsidiary undertakings	2,084	1,596

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 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 2022 was £14,223,000 (31 December 2021: £11,875,000), an increase of £2,348,000 in the year, which

has been recognised in profit or loss in the Parent Company's SOCI. The gross balances outstanding at 31 December 2022 were £16,307,000 (31 December 2021: £13,471,000).

## 7 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade payables	78	80
Accruals	259	159
Standby loan facility	750	500
	<b>1,087</b>	<b>739</b>

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

	2022 £'000	2021 £'000
Convertible loan note	1,069	1,028

## 9 Share capital

See notes 20 and 21 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
<b>Deferred tax liabilities</b>	
At 1 January 2021	30
Credited to profit or loss in the SOCI	(133)
At 31 December 2021	(103)
Charged to profit or loss in the SOCI	103
<b>At 31 December 2022</b>	<b>-</b>

	Tax losses £'000
<b>Deferred tax assets</b>	
At 1 January 2021	(30)
Charged to profit or loss in the SOCI	133
At 31 December 2021	103
Credited to profit or loss in the SOCI	(103)
<b>At 31 December 2022</b>	<b>-</b>

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021. These include increases to the UK corporation tax rate from 19% to 25% effective 1 April 2023. Deferred taxes at the balance sheet date have been measured using this substantively enacted rate.

## 11 Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2022 or 31 December 2021.

## **12 Related party transactions**

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

## **13 Subsequent events**

On 27 February 2023, the maturity date of the convertible loan notes was extended from 26 February 2024 to 30 June 2026. All other terms of the convertible loan notes, which were issued in February 2016, remain unchanged. The Group have considered the financial impact of this modification, being an estimated gain of £89,000 following the extension of the maturity date.

On 29 March 2023, the maturity date of the standby loan facility was extended from 31 December 2023 to 30 June 2024. All other terms of the standby loan facility, which was initially issued in September 2021, remain unchanged.

## **Notice of Annual General Meeting**

**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 2022 without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares. This document should be read in conjunction with the accompanying Form of Proxy.

# **DELTEX MEDICAL GROUP plc**

(Incorporated in England, registered number 03902895)

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice of an annual general meeting of Deltex Medical Group plc (the “Company”) to be held at the offices of DAC Beachcroft LLP, 25 Walbrook, London, EC4N 8AF at 11.00 am on 17 May 2023 (the “AGM”) is set out on pages 87 to 89 (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 less than 48 hours before the time of the meeting or of any adjournment of the meeting.

Directors:

Nigel Keen (Chairman)  
Andrew Mears  
Natalie Wettler  
Julian Cazalet  
Tim Irish  
Christopher Jones  
Mark Wippell

29 March 2023

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 2022**

I am pleased to send you details of arrangements for our annual general meeting, together with the annual accounts of the Company, which contain the reports of the directors and the auditors, for the year ended 31 December 2022.

The formal notice of the annual general meeting of the Company, which will take place at the offices of DAC Beachcroft LLP, 25 Walbrook, London, EC4N 8AF at 11:00am on 17 May 2023 (the "**AGM**"), is set out on pages 87 to 89 (inclusive) of this document.

Immediately following the AGM, Andy Mears, CEO, will provide a presentation related to a Company Update. This will take place in the same location as 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 2022 (the "**Annual Report & Accounts 2022**").

### **Resolutions 2, 3 and 4 - Re-election 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.

Biographical details of Nigel Keen, Andy Mears and Mark Wippell are set out on pages 7 and 8 of the Annual Report & Accounts 2022. The Board considers that the considerable experience that each of these directors bring will continue to be beneficial to the Company.

### **Resolution 5 – Re-appointment of auditors**

CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson) have expressed their willingness to continue as the Company's auditors. Resolution 5 proposes their re-appointment and authorises the directors to determine their remuneration.

## **Resolution 6 – Power to allot and issue shares**

The directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by the shareholders of the Company. At the annual general meeting of the Company held on 18 May 2022 (the “**2022 AGM**”), the directors were given authority to allot relevant securities up to a maximum aggregate nominal value of £4,660,424 (being two thirds of the then issued ordinary share capital of the Company). 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 £2,330,212 (being one-third of the issued ordinary share capital as at 29 March 2023) and in addition to allot relevant securities only in connection with a rights issue or open offer up to a further aggregate nominal value of £2,330,212.

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 £4,660,424 representing an amount equal to two-thirds of the Company’s issued share capital as at 29 March 2023. Although the directors have no present intention of exercising this authority, the general authority to allot shares will provide flexibility for the Company to allot shares and to grant rights to subscribe for or to convert into shares when they consider it to be in the Company’s interests to do so.

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

## **Resolution 7 – Disapplication of the statutory rights of pre-emption**

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

Resolution 7 proposes, in substitution for the powers that were granted to the directors at the 2022 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 £2,330,212 (representing approximately thirty-three per cent. of the nominal issued share capital of the Company as at 29 March 2023).

The resolution also disapplies the pre-emption rights to the extent necessary to facilitate rights issues, open offers and similar transactions without having to follow the specific statutory procedures that would otherwise apply to such issues.

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

Resolution 7 will be proposed as a special resolution.

### **Action to be taken**

Your participation at the AGM is important to us. The AGM is a great opportunity for shareholders to communicate directly with us, express their views and to ask questions and we welcome your attendance. Whether or not you propose coming to the AGM and you want to vote on any of the resolutions you can do this in one of two ways:

- Register your vote electronically by logging on to [www.sharevote.co.uk](http://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 15 May 2023. 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 153,032,300 ordinary shares in aggregate, representing approximately 22 percent of the ordinary shares currently in issue.

Yours sincerely

A handwritten signature in black ink that reads "Nigel Keen". The signature is written in a cursive style and is underlined with a single horizontal line.

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 offices of DAC Beachcroft LLP, 25 Walbrook, London, EC4N 8AF at 11:00 am on 17 May 2023 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 2022, 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 re-appoint CLA Evelyn Partners Limited (formerly 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 6 will be proposed as an ordinary resolution and resolution 7 as a special resolution:

6. THAT, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), the directors be generally and unconditionally authorised to allot Relevant Securities (as defined below):
  - 6.1. comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £2,330,212 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
  - 6.2. in any other case, up to an aggregate nominal amount of £2,330,212,

provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

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

- (a) shares in the Company, other than shares allotted pursuant to:
  - (i) an employee share scheme (as defined in section 1166 of the Act);

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

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

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

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

7. THAT, subject to the passing of resolution 6, the directors be authorised to allot equity securities (as defined in section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:
- (a) the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under 6.1, by way of a rights issue 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 paragraph 7(a) of this resolution) to any person up to an aggregate nominal amount of £2,330,212.

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**



**Natalie Wettler**

Company Secretary

29 March 2023

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](http://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 15 May 2023 (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 2022 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](http://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 15 May 2023 (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 2022, can be found on the Company's website, [www.deltexmedical.com](http://www.deltexmedical.com).

Shareholders can, at no cost, obtain copies of the audited financial statements of the Company for the year ended 31 December 2022 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 by shareholders are set out in the Company's annual report and accounts for the year ended 31 December 2022. 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 15 May 2023 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.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 11:00 am on 15 May 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

As at 29 March 2023, the Company's issued share capital consists of 699,063,796 ordinary shares of 1p each, carrying one vote each. No shares are held in treasury.