24 September 2018 – Deltex Medical Group plc (AIM: DEMG), the global leader in oesophageal Doppler monitoring today announces its results for the six-month period ended 30 June 2018.

Deltex Medical Group plc
("Deltex Medical" or the "Group")

Interim results for the six-month period ended 30 June 2018

Operational highlights

- Andy Mears appointed as CEO in mid-June
- Revised strategy of building a stable business by focussing on driving revenues from existing customers
- Programme of cost reduction and business stabilisation launched in the first half - significantly accelerated and expanded since June with a significant reduction in sales and marketing costs
- Focus on developing relationships with existing customers also expected to help the generation of incremental revenues from new TrueVue System product launches
- Publication of the large multicentre FEDORA study showing a 76% reduction in total post-operative complications for low and moderate-risk patients using Deltex Medical's oesophageal doppler haemodynamic monitoring technology

Financial highlights

- A strong prior year comparator for Monitor sales and a number of one-off events associated with Probe revenues (including currency affects, changes in ordering by two large US accounts and a temporary inventory adjustment by a French distributor) resulted in revenues being held back to £2,325,000 (2017 H1: £2,877,000)
- Substantial reductions in overheads: estimated annualised cost savings of c.£2,000,000 to be achieved from actions taken:
  - c.£750,000 from actions prior to June
  - c.£1,250,000 from actions since appointment of new CEO
- 33% reduction in employee numbers to 56 at 31 August (31 December 2017: 84)
- 30% reduction in sales and distribution costs to £1,373,000 (2017 H1: £1,949,000)
- 14% reduction in total costs to £2,796,000 (2017 H1: £3,265,000)
- Operating loss (before exceptional costs) of £999,000 (2017 H1: £1,082,000)
- Cash on balance sheet at 30 June 2018 of £1,065,000 (31 Dec 2017: £219,000)

Nigel Keen, Chairman of Deltex Medical, commented:

"The successful £2,050,000 fund raising in February 2018 has put the Group in a stronger financial position - allowing us to improve our business structure."

"We made a number of changes to the Group in the first half – the appointment of a new CEO in June and a revised business strategy - which mean that Deltex Medical is much better positioned for the second half of the year and 2019."

"The lower cost base that the business now operates has given the Group a stronger platform from which to develop."

"Strategically we are now prioritising profitability over securing new customers – and believe that by working more closely with our existing customers we will start to generate incremental revenues more quickly from new product launches on the TrueVue System."

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This announcement contains Inside Information as defined under the Market Abuse Regulation (EU) No. 596/2014.

Notes for Editors

Deltex Medical manufactures and markets haemodynamic monitoring technologies. Deltex Medical's proprietary oesophageal doppler monitoring (“ODM”) (TrueVue Doppler) is the only technology to measure blood flow in the central circulation in real time. Minimally invasive, easy to set-up and quick to focus, the technology generates a low-frequency ultrasound signal which is highly sensitive to changes in flow and measures such changes in ‘real time’. Deltex Medical has been the only Group in the enhanced haemodynamic space to build a robust and credible evidence base proving the clinical and economic benefits of its core technology, TrueVue Doppler, which has been demonstrated to reduce complications suffered by patients after surgery and save hospitals the costs of treating those complications.

Deltex Medical's TrueVue System on the CardioQ-ODM+ monitor platform now provides clinicians with two further advanced haemodynamic monitoring technologies. TrueVue Impedance is an entirely non-invasive monitoring technology which creates an electrical field across the chest and measures the disruption to this field when the heart pumps blood. TrueVue PressureWave uses the peripheral blood pressure signal analysis to give doctors information on changes in the circulation and is particularly suited to monitoring lower risk or haemodynamically stable patients.

Group goal

Haemodynamic management is now becoming widely accepted as an important part of the anaesthesia protocol for high risk surgical patients. Consequently, the Group's focus is on maximising value from the opportunities presented, as enhanced haemodynamic management is adopted into routine clinical practice around the world. The Group aims to provide clinicians with a single platform - a 'haemodynamic workstation' - which offers them a range of technologies from simple to sophisticated to be deployed according to the patient's condition as well as the skill and expertise of the user. Doing this will enable the Group to partner healthcare providers to support modern haemodynamic management across the whole hospital.

The Group is currently in the implementation phase of achieving this goal in a number of territories worldwide, operating directly in the UK and the USA - and through distribution arrangements in approximately 40 other countries.

Chairman's statement

Introduction

Deltex Medical has developed the 'international gold standard' for haemodynamic monitoring with its oesophageal doppler technology. This technology has been shown to improve patient outcomes by enhancing patient safety and lowering attributable healthcare costs. Among other benefits, the use of Deltex Medical's technology has been shown to result in patients incurring statistically-significant lower rates of surgical site infections ("SSIs") and acute kidney injuries ("AKIs"). The use of the Deltex Medical oesophageal doppler technology is supported by a substantial body of scientific evidence. Clinicians and health-care systems throughout the world are increasingly recognising the benefits of monitoring and optimising their patient's haemodynamic status.

Deltex Medical's recently launched multi-modal TrueVue System - which includes two other complementary haemodynamic monitoring technologies as well as oesophageal doppler – will give clinicians a single platform to choose the most appropriate monitoring modality for the patient's condition.

Change in strategy

The Group has been investing significantly, particularly in the USA, over several years to grow the base of clinicians who are familiar with and trained to use the TrueVue System and hospitals where it is used. This has called for substantial funding 'ahead of the curve' to build a population of potential users who can use the Deltex Medical products effectively and consistently, thereby generating revenues for the business to allow it to grow its user base, develop its product offering and provide a return to shareholders. The strategy has been to continue to invest to grow this base of knowledgeable users and to encourage those users to deploy the system in their clinical practices. This had been expected to result in a significant increase in revenues which would have enabled the Company to generate sufficient cash to fund further growth without needing further calls of capital from its shareholders.

The adoption of the Deltex Medical technology by those qualified users into their clinical practices has been slower than anticipated and this has led to the Group using rather than generating cash, resulting in a series of capital raisings from shareholders. Whilst this strategy has continued to expand the population of trained potential users of the Group's products, it has become increasingly clear that the subsequent revenues are arising more slowly than originally expected. Accordingly, the Board decided to re-evaluate the strategy of committing substantial resources to market development in advance of revenue generation.

The successful fund raising in February 2018 gave the opportunity to re-visit the Company's strategy with a view to focussing on generating revenues by developing and servicing the existing customer base. It is expected that this will generate cash that can then be deployed 'behind the curve' without needing repeatedly to access capital from shareholders. Cash surpluses will be used to develop further users and to progress the roll out of the new modalities within the TrueVue System - which will further enhance the capabilities of the system itself.

Adoption of this revised strategy may develop new customers at a slower rate than has been experienced to date but uptake by the existing user base is expected to be enhanced.

This change in strategy has resulted in a number of changes – including the appointment of Andy Mears as CEO in June as well as the implementation of a restructuring programme - which have provided a much stronger and robust platform from which to build the business. Andy Mears is well suited to drive increased use by clinicians as he successfully led the Deltex Medical sales and marketing effort in different parts of the world for several years; furthermore, with his engineering background he is the acknowledged 'product champion' for the TrueVue System.

Key events in the first six months

The first six months of 2018 represented a period of significant activity - and substantial change - for the Group, including:

- in February 2018, the Group successfully raised £2,050,000 (net of expenses) to strengthen its balance sheet and for general working capital purposes;

- in March, the large FEDORA study was published which demonstrated that, among other things, use of Deltex Medical's oesophageal doppler monitoring technology resulted in a 75% reduction in total post-operative complications as well as reduced length of stay for both moderate-risk and low-risk patients;
- in April, the Group's French distributor won a contract for haemodynamic monitoring for Paris's government-funded hospitals. The contract is worth a minimum of €4 million over the eight-year life of the tender; and
- in June, the senior management of the Group was changed with the appointment of Andy Mears as Chief Executive Officer.

Market dynamics – and how to optimise the Group's market position
Since the promotion of Andy Mears to CEO on 13 June, the Board has been considering carefully how to maximise value for Deltex Medical shareholders as well as monetise the value inherent in the Group's technology.

The Group's doppler-based haemodynamic monitoring technology provides accurate, real-time, multi-factorial data for anaesthetists and intensivists which can be used to improve outcomes for anaesthetised patients undergoing surgery or sedated patients in the intensive care unit. Deltex Medical is generally acknowledged to have developed the international 'gold standard' for high quality haemodynamic monitoring data; however, there is a trade-off between the inherent quality and fidelity of the data and the ease-of-use of the technology. Whereas Deltex Medical's technology measures blood flow and other critical physiological characteristics in real-time, most of the Group's competitors use algorithm-derived information which provides clinicians with an approximation of the haemodynamic status of the patient. This algorithm-derived information does not enjoy the same depth of support in the scientific literature; however, such devices are typically easier and cheaper-to-use than Deltex Medical's high accuracy technology and this can create marketing and adoption issues for Deltex Medical, particularly when selling into price-sensitive markets. The Group believes that the scientific evidence base strongly supports the use of its technology over the selection of easier-to-use and cheaper alternatives and this difference lies at the heart of the commercialisation and market-education dynamic the Group is working to optimise.

The Board has now decided to modify the Group's approach to the market. Clearly the Group has a substantial number of customers around the world, including in the USA, who have already accepted the advantages inherent in the oesophageal doppler technology and it makes good commercial sense to focus on developing the business around that existing customer base. Moreover, the Board believes that focussing on building closer relationships with these established customers will provide the Group with a significantly more effective platform for launching new, complementary technologies on its multi-modal TrueVue System.

The combination of a lower cost-base - due to substantial reductions in sales and marketing expenditure - and an improved platform for future product launches is attractive. In addition, this lower cost strategy de-risks the Group financially as it reduces substantially the business's cash breakeven point.

Cost reduction programme
The Group had already started to reduce its costs substantially and benefitted during the first half from actions taken around the end of the prior year and the start of the current year resulting in estimated annualised cost-savings of approximately £750,000. Since the appointment of the new CEO in June, initiatives designed to increase sales effectiveness and re-focus the business around the existing customer-base have been significantly accelerated and expanded. This has resulted in a restructuring of the business with the removal of a layer of senior management, which with other initiatives will give rise to further estimated annualised cost-savings of approximately £1,250,000. The magnitude of the cost reduction programme can also be seen in the Group's employee number data. The number of employees at the end of August was 56, representing a 33% reduction from the 84 people employed on 31 December 2017.

In the short-term, the Board believes that cost cutting is absolutely critical as it allows Deltex Medical to move more quickly to a cash breakeven point and thereby start to "take control of its destiny" in terms of paying its way from cash generated from its trading activities. However, this only represents the first part of the strategy for the Group going forward; other parts include a more focussed selling effort to existing customers, using the cash generated to expand the user base and to finance further development of the TrueVue System.

New product development and the TrueVue System
The Group's initial - and principal - technology is doppler-based oesophageal haemodynamic monitoring. This technology generates highly accurate, real time data; however, it can only be easily used on anesthetised or sedated patients. Accordingly, it does not provide the hospital with the complete solution for the haemodynamic monitoring of all of its patients.

Deltex Medical recently launched its TrueVue System monitoring platform which comprises three haemodynamic monitoring technologies: (i) its existing oesophageal doppler ultrasound (TrueVue Doppler); (ii) high-definition impedance cardiography (TrueVue Impedance); and (iii) pulse pressure waveform analysis (TrueVue PressureWave). The TrueVue System enables the Group to sell its haemodynamic monitoring technologies into a larger addressable market within a given hospital.

The TrueVue System is currently available in the UK, continental Europe and a number of other international markets. 510(k) regulatory clearance has now been obtained from the US Food & Drug Administration (FDA) to market the TrueVue System in the USA, with product launches planned for 2019.

In general terms there is a trade-off between the ease-of-use and the precision of the data generated from each monitoring technology. The TrueVue platform enables clinicians to match the appropriate technology to the risk profile of the patients as they move through the hospital. For example, high-risk, anaesthetised patients undergoing surgery can be treated under the guidance of the extremely precise TrueVue Doppler, whereas lower-risk, awake patients in a high dependency unit can be monitored using non-invasive TrueVue Impedance.

The TrueVue System is implemented by upgrades to the existing Deltex Medical machines which are already installed with the users. However, the Group is also developing a new monitor which will provide clinicians with a more modern and user-friendly interface with the TrueVue System's capabilities.

Notwithstanding the importance of updating and extending the Group's technology-based products, the Board has decided to reduce the rate of new product development. This reduction in monthly cash expenditure on research and development will help to reduce the Group's cash breakeven point – and will also help ensure that in the short term the primary focus of the senior management of the Group will be on increasing probe usage by existing customers.

The UK market
The UK market – and in particular sales into NHS hospitals – remains challenging. In the last couple of years the Group had anticipated supressed UK revenues and accordingly had taken the decision to reduce its investment in sales and marketing into the UK market. However, Deltex Medical does believe that there are opportunities to build revenues from its existing UK customer base.

The US market
The US market remains critically important for the future prospects of the Group. The US healthcare system tends to support higher price points than other markets. Further, the US reimbursement system - involving both public payers such as Medicare, Medicaid and private sector insurance companies - has been shown to help drive the adoption of new technology as well as usage rates of disposables used within medical devices. In addition, the US market tends to influence other international territories – particularly in the Middle East and Asia - where a number of US hospital Groups own or manage prestigious overseas hospitals.

In recent years US hospitals have faced increasingly large financial penalties – in the form of reduced reimbursements by government-funded payers such as Medicare and Medicaid – in the event of patients experiencing avoidable post-operative complications such as AKIs and/or SSIs. Accordingly, Deltex Medical believes that its TrueVue Doppler technology, supported by the evidence base including the recently published FEDORA study, will be able to generate additional revenues from its existing US customers as a result of the increased focus on avoiding AKIs and SSIs. In addition, there are other opportunities to improve the commercial position of Deltex Medical's technology in the USA by better aligning the usage protocols of its technology more closely with the US reimbursement system.

The Board anticipates that the lower sales and marketing costs associated with the Group's US operation should result in the US subsidiary contributing meaningfully to the costs of running the UK operations which are in place to support the Group's users worldwide.

International sales
The Group has developed a large network of some 40 international distributors which sell Deltex Medical's haemodynamic monitoring technology, including the probes. The gross margin on the probes generated by distributor sales are inevitably lower than sales generated by the Group's direct sales activities in the USA and the UK; however, such distributed sales do not incur significant sales and marketing costs.

Financial information
Data on probe revenues has already been announced in the pre-close statement on 25 July 2018. The probe revenues in the table below show declines, however sales in the USA were held back by the weaker US dollar compared with H1 2017, together with changes in ordering by two large accounts, masking encouraging growth in use by major hospital systems. In addition, International sales were lower due to temporary inventory adjustment by the Group's French distributor in preparation for the transition to the previously announced new large Paris hospital contract.

Probe revenues	H1 2018 £'000	H1 2017 £'000
USA	**824**	1,029
UK	**540**	663
International	**611**	685
Total	**1,975**	2,377

The Board believes that there is scope to drive up probe usage in these three areas on the back of the commercial refocussing activities that have been put in place since the appointment of the new CEO.

The Group generates an attractive gross margin from the sales of probes used within its haemodynamic monitoring technology. The consolidated gross margin on probes was 78% (2017 H1: 83%).

Sales and distribution costs declined by 30% to £1,373,000 (2017 H1: £1,949,000). Other overheads were essentially unchanged resulting in total costs of £2,796,000 (2017 H1: £3,265,000).

In the first half there were net exceptional costs of £142,000 (2017 H1: Nil) relating to costs associated with the cost reduction programmes. An equivalent amount is expected in the second half. Further information on the exceptional items are set out in note 15 of the accompanying financial information.

The operating loss before exceptional costs and other gains was £999,000 (2017 H1: £1,081,000). The loss for the period was £1,194,000 (2017 H1: £1,093,000).

Following the fund raising at the beginning of the year, the Group has much improved financial resources with cash on the balance sheet of £1,065,000 at 30 June 2018 (2017: £219,000) and a lower operating cost-base.

Current trading and prospects
Deltex Medical has world-leading technology which has taken many years to develop and optimise. It has also taken significant time and investment to build – with the support of a number of Key Opinion Leaders around the world - the impressive body of supporting scientific publications which advocate the use of Deltex Medical's technology to improve patient outcomes.

More recently, there has been an increased focus in a number of healthcare systems in developed markets on patient safety. The introduction of financial penalties associated with avoidable post-operative complications such as AKIs and SSIs gives a platform for the Group's technology to play an important role in supporting a broad range of patient safety initiatives as well as helping hospitals reduce the financial penalties associated with avoidable complications.

The Board believes that Deltex Medical has good prospects to improve significantly the financial returns that it generates from its long-standing investment in haemodynamic monitoring technologies. As a first step the business has been re-focussed and costs have been significantly reduced, enabling it to build a platform to expand from via the adoption of its broader-applicability TrueVue System.

The Board notes that, as a result of the previously reported poor trading in H1 2018 and the implementation of the new strategy, revenues for the year ending 31 December 2018 will be behind market expectations and lower than those reported in 2017. However, the impact of lower revenues will be offset by the newly implemented cost reductions with the loss for the year expected to be in line with market expectations.

Although the revised strategy has only been in place since mid-June, there are already a number of encouraging signs relating to the performance of the Group based around its smaller, leaner and more focussed structure.

The Board is encouraged by the prospects for the Group going forward with a significantly lower cost base providing a solid platform for a more focussed sales approach and the delivery of the TrueVue System.

Condensed Consolidated Statement of Comprehensive Income for the period ended 30 June 2018

		Unaudited half year 2018			Unaudited half year 2017			Audited full year 2017		
	Note	**Probes £'000**	**Other £'000**	**Total £'000**	Probes £'000	Other £'000	Total £'000	Probes £'000	Other £'000	Total £'000
Total revenue	**6**	**1,975**	**350**	**2,325**	2,377	500	2,877	4,936	934	5,870
Total cost of sales		**(434)**	**(317)**	**(750)**	(402)	(292)	(694)	(762)	(726)	(1,488)
Gross profit		**1,541**	**33**	**1,575**	1,975	208	2,183	4,174	208	4,382
Administrative expenses				**(1,026)**			(1,088)			(2,070)
Sales and distribution expenses				**(1,373)**			(1,949)			(3,692)
Research and Development, Quality and Regulatory				**(255)**			(228)			(558)
Exceptional costs				**(142)**			-			-
Total costs				**(2,796)**			(3,265)			(6,320)
Operating loss before exceptional costs				**(999)**			(1,082)			(1,938)
Exceptional costs	**15**			**(142)**			-			-
Other gains	**4a**			**80**			-			-
Operating loss				**(1,141)**			(1,082)			(1,938)
Finance income				**-**			-			-
Finance costs				**(99)**			(82)			(163)
Loss before taxation				**(1,240)**			(1,164)			(2,101)
Tax credit on loss				**46**			71			100
Loss for the period/year				**(1,194)**			(1,093)			(2,001)
Other comprehensive (expense)/income										
Items that may be reclassified to profit or loss:										
Net translation differences on overseas subsidiaries				**(4)**			(14)			(113)
Other comprehensive (expense)/income for the year, net of tax				**(4)**			(14)			(113)
Total comprehensive loss for the period/year				**(1,198)**			(1,107)			(2,114)
Total comprehensive loss for the period/year attributable to:										
Owners of the Parent				**(1,203)**			(1,116)			(2,135)
Non-controlling interests				**5**			9			21
				(1,198)			(1,107)			(2,114)
Loss per share – basic and diluted	**9**			**(0.3p)**			(0.4p)			(0.7p)

Condensed Consolidated Balance Sheet

		Unaudited		Audited
	Note	**30 June 2018 £'000**	30 June 2017 £'000	31 December 2017 £'000
Assets				
Non-current assets				
Property, plant and equipment		**681**	284	274
Intangible assets		**2,529**	2,521	2,486
Total non-current assets		**3,210**	2,805	2,760
Current assets				
Inventories		**700**	921	754
Trade and other receivables		**1,480**	1,858	2,050
Current income tax recoverable		**139**	178	94
Cash and cash equivalents		**1,065**	188	219
Total current assets		**3,384**	3,145	3,117
Total assets		**6,594**	5,950	5,877
Liabilities				
Current liabilities				
Borrowings	**10**	**(594)**	(706)	(813)
Trade and other payables		**(2,043)**	(2,223)	(2,645)
Total current liabilities		**(2,637)**	(2,929)	(3,458)
Non-current liabilities				
Borrowings	**10**	**(1,276)**	(983)	(1,004)
Provisions		**(235)**	(259)	(115)
Total non-current liabilities		**(1,511)**	(1,242)	(1,119)
Total liabilities		**(4,148)**	(4,171)	(4,577)
Net assets		**2,446**	1,779	1,300
Equity				
Share capital	**13**	**4,927**	2,968	3,132
Share premium		**33,230**	32,570	32,915
Capital redemption reserve		**17,476**	17,476	17,476
Other reserve		**4,888**	4,733	4,752
Translation reserve		**143**	246	147
Convertible loan note reserve		**84**	84	84
Accumulated losses		**(58,160)**	(56,139)	(57,059)
Equity attributable to owners of the Parent		**2,588**	1,938	1,447
Non-controlling interests		**(142)**	(159)	(147)
Total equity		**2,446**	1,779	1,300

Condensed Consolidated Statement of Changes in Equity for the period ended 30 June 2018 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Other reserve	Convertible loan note reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018, as previously reported	3,132	32,915	17,476	4,752	84	147	(57,059)	1,447	(147)	1,300
Effect of new standards	-	-	-	-	-	-	98	98	-	98
Balance at 1 January 2018, as restated	3,132	32,915	17,476	4,752	84	147	(56,961)	1,545	(147)	1,398
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(1,199)	(1,199)	5	(1,194)
Other comprehensive income for the period	-	-	-	-	-	(4)	-	(4)	-	(4)
Total comprehensive income for the six-month period	-	-	-	-	-	(4)	(1,199)	(1,203)	5	(1,198)
Transactions with owners of the company										
Shares issued during the period	1,787	-	-	-	-	-	-	1,787	-	1,787
Premium on shares issued during the period	-	447	-	-	-	-	-	447	-	447
Issue expenses	-	(132)	-	-		-	-	(132)	-	(132)
Equity-settled share-based payment	-	-	-	136	-	-	-	136	-	136
Share options exercised	8	-	-	-	-	-	-	8	-	8
Balance at 30 June 2018	4,927	33,230	17,476	4,888	84	143	(58,160)	2,588	(142)	2,446

Condensed Consolidated Statement of Changes in Equity for the period ended 30 June 2017 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Other reserve	Convertible loan note reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2017	2,849	32,268	17,476	4,685	84	260	(55,037)	2,585	(168)	2,417
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(1,102	(1,102)	9	(1,093)
Other comprehensive income for the period	-	-	-	-	-	(14)	-	(14)	-	(14)
Total comprehensive income for the six-month period	-	-	-	-	-	(14)	(1,102)	(1,116)	9	(1,107)
Transactions with owners of the company										
Shares issued during the period	119	-	-	-	-	-	-	119	-	
Premium on shares issued during the period	-	307	-	-	-	-	-	307	-	307
Issue expenses	-	(5)	-	-	-	-	-	(5)	-	(5)
Equity-settled share-based payment	-	-	-	48	-	-	-	48	-	48
Balance at 30 June 2017	2,968	32,570	17,476	4,733	84	246	(56,139)	1,938	(159)	1,779

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2017 (audited)

	Share capital	Share premium	Capital redemption reserve	Other reserve	Convertible loan note reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	2,849	32,268	17,476	4,685	84	260	(55,037)	2,585	(168)	2,417
Comprehensive income										
Loss for the year	-	-	-	-	-	-	(2,022)	(2,022)	21	(2,001)
Other comprehensive income for the year	-	-	-	-	-	(113)	-	(113)	-	(113)
Total comprehensive income for the year	-	-	-	-	-	(113)	(2,022)	(2,135)	21	(2,114)
Transactions with owners of the company										
Shares issued during the year	283	-	-	-	-	-	-	283	-	283
Premium on shares issued during the year	-	694	-	-	-	-	-	694	-	694
Issue expenses	-	(47)	-	-	-	-	-	(47)	-	(47)
Equity-settled share-based payment	-	-	-	67	-	-	-	67	-	67
Balance at 31 December 2017	3,132	32,915	17,476	4,752	84	147	(57,059)	1,447	(147)	1,300

Condensed Consolidated Statement of Cash Flows
for the period ended 30 June 2018

	Unaudited		Audited
	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities			
Loss before taxation	**(1,240)**	(1,164)	(2,101)
Adjustments for:			
Net finance costs	**99**	82	163
Depreciation of property, plant and equipment	**122**	109	265
(Profit)/loss on disposal of loan monitors	**(6)**	1	-
Amortisation of intangible assets	**96**	85	195
Modification gain on convertible loan note	**(80)**	-	-
Share-based payment expense	**136**	72	91
Effect of exchange rate fluctuations	**4**	2	7
	(869)	(813)	(1,380)
(Increase)/decrease in inventories	**47**	(123)	(203)
Decrease in trade and other receivables	**564**	600	404
(Decrease)/(increase) in trade and other payables	**(513)**	(87)	251
Increase in provisions	**38**	68	8
Net cash used in operations	**(733)**	(355)	(920)
Interest paid	**(70)**	(62)	(123)
Income taxes received	**-**	-	115
Net cash used from operating activities	**(803)**	(417)	(928)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(13)**	(6)	(6)
Proceeds from the sale of loan monitors	**7**	-	-
Capitalised development expenditure	**(138)**	(210)	(286)
Interest received	**-**	-	-
Net cash used in investing activities	**(144)**	(216)	(292)
Cash flows from financing activities			
Issue of ordinary share capital	**2,216**	402	952
Expenses in connection with share issue	**(132)**	(5)	(47)
Outflow from decrease in invoice discounting facility	**(268)**	(131)	(7)
Repayment of obligations under finance leases	**(22)**	(18)	(28)
Net cash generated from financing activities	**1,794**	248	870
Net increase/(decrease) in cash and cash equivalents	**847**	(385)	(350)
Cash and cash equivalents at beginning of the period	**219**	582	582
Exchange (loss)/gain on cash and cash equivalents	**(1)**	(9)	(13)
Cash and cash equivalents at end of the period	**1,065**	188	219

Notes to the condensed consolidated interim financial statements

1. Reporting Entity

Deltex Medical Group plc is a company that is domiciled in the United Kingdom. It is incorporated in England and Wales (Company Number 03902895) and its registered office is at Terminus Road, Chichester, PO19 8TX, United Kingdom. These condensed consolidated interim financial statements (Interim Financial Statements) as at and for the period ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is principally involved with the manufacture and sale of advanced haemodynamic monitoring technologies.

2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 (Annual Report & Accounts 2017). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position.

These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The summary of results for the year ended 31 December 2017 is an extract from the published consolidated financial statements of the Group for that year which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The Independent Auditors' Report on the Annual Report & Accounts for 2017 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

These condensed consolidated interim 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 2017, except for the adoption of new standards effective from 1 January 2018 and the early adoption of IFRS 16 'Leases', and are expected to be applied in the preparation of the financial statements for the year ending 31 December 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time:

- IFRS 9 'Financial Instruments';
- IFRS 15 'Revenue from Contracts with Customers'; and
- IFRS 16 'Leases'.

As required by IAS 34, the nature and effect of these changes are disclosed in note 4 below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

These condensed consolidated interim financial statements were approved by the Board of Directors and approved for issue on 24 September 2018.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Although these estimates are based on the directors' best knowledge of the amount, event or actions, it should be noted that actual results may differ from those estimates.

Notes to the condensed consolidated interim financial statements (continued)

The significant judgements and estimates made by the directors in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those disclosed in Annual Report & Accounts 2017, except for new significant judgements and estimation uncertainty related to the application of IFRS 9, IFRS 15 and IFRS 16, which are described in note 4 below.

4. Changes in significant accounting policies

This note explains the impact of the adoption of the following accounting standards:

- IFRS 9 'Financial Instruments';
- IFRS 15 'Revenue from Contracts with Customers'; and
- IFRS 16 'Leases'.

and discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

a. IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. It makes substantial changes to the previous accounting guidance on the classification and measurement of financial instruments and introduces an 'expected credit loss' model for the impairment of financial assets. The new standard also requires the recognition of a modification gain or loss in profit or loss in the Statement of Comprehensive Income (SOCI) when the contractual cash flows of a financial liability are either modified or renegotiated and such action does not lead to its derecognition.

The Group has applied transitional relief and opted not to restate prior periods. There were no differences identified arising from the adoption of IFRS 9 in relation to classification, measurement and impairment that required recognition at the date of initial application, namely 1 January 2018.

The application of IFRS 9 has had an impact in the following areas:

- The application of the expected credit loss impairment model to financial assets. This affects the Group's trade receivable balances The Group has applied a simplified model in recognising expected lifetime credit losses as these items do not have a significant financing component. However, given the nature of the Group's customer base the directors do not expect to suffer credit losses from its trade receivables over and above those identified at the end of 2017. Consequently, the Group's estimate of expected credit losses is the same under IFRS 9 as that previously recognised under IAS 39.

- The recognition of modification gains or losses. This impacts the Group's convertible loan note that had its maturity date extended by two years in February 2018. A gain of £80,000 was recognised in the operating loss for the six-month period ending 30 June 2018. If the Group had applied its previous accounting policy, this gain would have been recognised over the remaining term of the convertible loan note through an adjustment to the effective interest rate because the terms and conditions of the loan remained broadly unchanged. The loss after tax was reduced by £80,000 following the recognition of this gain. No retrospective adjustments were required in relation to this change in accounting policy as none of the borrowings outstanding at 1 January 2018 had been modified in prior periods.

Notes to the condensed consolidated interim financial statements (continued)

b. IFRS 15 'Revenue from Contracts with Customers'

IFRS 15, 'Revenue from Contracts with Customers,' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18, 'Revenue', IAS 11 ', Construction Contracts', and several revenue-related Interpretations.

The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018.

In accordance with the transition guidance, IFRS 15 has only been applied to contracts that were incomplete at 1 January 2018.

The adoption of IFRS 15 has mainly affected the accounting for revenue relating to maintenance contracts. Under IFRS 15, revenue for the provision of an annual service of a monitor is recognised in the period that the monitor service is completed. Payment received from a customer in advance of completing the monitor service, which typically takes 1 – 2 days per monitor, is recognised as a contract liability and is reported as an other liability in the Condensed Consolidated Balance Sheet. Previously, under IAS 18, such revenue was recognised in equal monthly instalments over the period of the contract to match the benefits to the customer.

At 1 January 2018, the adjustment required under IFRS 15 to recognise a contract liability relating to consideration received in advance of carrying out the service of a monitor was not materially different to the amount of deferred income recognised under the Group's previous accounting policy. Consequently, no adjustment to opening reserves has been recognised. The contract liability recognised at 30 June 2018 was £74,362 which was higher by £21,238 compared to the amount of deferred revenue that would have been recognised under the Group's previous accounting policy.

c. IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17, Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 becomes effective from 1 January 2019, however, the Group has chosen to adopt the standard early. The adoption of the new standard has fundamentally changed the way in which the Group has accounted for the lease of its building in Chichester. Previously this lease was accounted for under IAS 17 as an operating lease and was off-balance sheet. However, the adoption of IFRS 16 has required the recognition of both a right to use asset and a lease liability. The consequence of this means that the lease rental that used to be an operating expense is now represented by a depreciation charge on the right-of-use asset and a finance cost relating to the lease liability. In addition, the application of IFRIC 1 'Changes in Existing Decommissioning, Restoration and Similar Liabilities' has required the Group to recognise the dilapidation provision as a component of the cost of the right-of-use asset. Any subsequent changes to this estimate will be accounted for as a change in the cost of the right-of-use asset and its related depreciation charge.

The Group leases its head office building in Terminus Road, Chichester. The non-cancellable period at 1 January 2018 was seven years and nine months with the next, and final, break clause in September 2022. The lease payments are due to be reviewed in October 2018 and October 2022 with the new annual rent payable being the higher of an open market rental determined by an independent chartered surveyor or the current rental charge. The lease payment also includes reimbursement of the landlord's insurance premium which are adjusted annually.

Notes to the condensed consolidated interim financial statements (continued)

The Group has applied the modified retrospective approach to its property lease. In doing so, the Group has elected to:

- measure the right-of-use asset at an amount equal to the lease liability at the date of initial application;
- applied the exemption not to recognise right-of-use and liabilities for leases with less than 12 months of lease term remaining; and
- apply the practical expedient to exclude initial direct costs from the right-of-use asset.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2018 were determined at the carrying amount of the leased assets and lease liabilities at that date.

On transition to IFRS 16, the Group recognised an additional £513,941 right-of-use asset and an additional £416,441 lease liability, recognising the difference of £97,500 in retained earnings. This being the dilapidation provision that had previously been charged to profit or loss in the Consolidated SOCI in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'. When measuring the lease liability, the Group discounted future lease payments using management's estimate of an incremental borrowing rate of 12%. The table below summarises the financial effect of adopting the new lease accounting standard:

	£'000
Operating lease commitment at 31 December 2017 as disclosed in the Group's Annual Report & Accounts 2017 (note 24)	674
Discounted at the Group's incremental borrowing rate at 1 January 2018	(245)
	429
Finance lease liabilities recognised at 31 December 2017	4
Recognition exemption for short-term leases	(17)
Lease liabilities recognised at 1 January 2018	**416**

5. Significant accounting policies

a. Revenue

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 occasionally enters into managed care service contracts with customers in both the UK and USA. These contracts typically provide for a specified number of patients to be treated over a period, which can range from between 1 and 3 years, and revenue is initially recognised on the number of consumable probes delivered to the customer in a particular month. As these contracts are negotiated with customers based on the number of patients expected to be treated on a monthly basis, the total revenue recognised in any month does not exceed the monthly contract fee. At the

Notes to the condensed consolidated interim financial statements (continued)

end of the contract term, there is neither a contractual right to a refund for any patients that may not have been treated under the contract nor for probes that have not been ordered under the contract to be delivered.

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

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

Preventative planned maintenance (PPM) agreements
The Group enters into PPM agreements with customers for the provision of an annual service for their monitors. These agreements can range in length from 1 to 3 years and provide for an annual service for each monitor specified by the serial number on the PPM agreement. Revenue is recognised when the service has been completed and the monitor is ready for use by the customer.

b. Financial instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows expire, or when the financial asset and substantially all of its risks and rewards have been transferred. Financial liabilities are derecognised at the point at which it is extinguished, discharged or expires.

Classification and measurement of financial assets
With the exception of trade receivables that do not have a significant financing element which are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at their fair value adjusted, where applicable, for transaction costs.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Notes to the condensed consolidated interim financial statements (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for the impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's cash and cash equivalents, trade and all of its other receivables fall into this category of financial instruments.

The Group does not have any other category of financial assets.

Impairment of financial assets

Trade and other receivables and contract assets
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses that require to be recognised.

At 30 June 2018, the expected credit loss provision equated to that which would have previously been recognised under IAS 39.

Classification and measurement of financial liabilities
In the light of the fact that the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not affected by the adoption of IFRS 9 at the transition date. However, for completeness, the accounting policy is disclosed below.

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, all financial liabilities are measured at amortised cost using the effective interest method. The Group does not have any financial liabilities that are measured at fair value.

All interest-related charges that are reported in profit or loss are included within finance costs or finance income.

Notes to the condensed consolidated interim financial statements (continued)

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

Following the extension of the convertible loan note maturity date from February 2019 to February 2021, a modification gain of £80,000 was recognised in other gains in profit or loss in the Consolidated SOCI for the six-month period ended 30 June 2018.

c. Leases

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

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

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

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

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

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

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

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

Notes to the condensed consolidated interim financial statements (continued)

d. Exceptional items

As permitted by IAS 1, ‘Presentation of Financial Statements’, certain items are presented separately in the Consolidated SOCI as exceptional where, in the judgement of management, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group’s underlying business performance.

6. Revenue

The Group’s revenue disaggregated by primary geographical markets is as follows:

For the six months ended 30 June 2018 (Unaudited)

	Direct markets				Indirect markets			
	Probes	Monitors	Third Party	Other	Probes	Monitors	Other	Total
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
UK	540	-	183	39	-	-	-	782
USA	824	-	-	10	-	-	-	834
France	-	-	-	-	365	66	32	463
Scandinavia	-	-	-	-	20	-	-	20
South Korea	-	-	-	-	134	-	-	134
Peru	-	-	-	-	-	-	-	-
Other countries	32	14	-	-	59	6	1	112
	1,396	14	183	49	578	72	33	2,325

For the six months ended 30 June 2017* (Unaudited)

	Direct markets				Indirect markets			
	Probes	Monitors	Third Party	Other	Probes	Monitors	Other	Total
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
UK	662	82	171	57	-	-	-	972
USA	1,030	120	-	8	-	-	-	1,158
France	-	-	-	-	431	3	9	443
Scandinavia	-	-	-		51	-	1	52
South Korea	-	-	-		67	-	4	71
Peru	-	-	-		-	-	1	1
Other countries	45	-	-	4	91	34	6	180
	1,737	202	171	69	640	37	21	2,877

For the year ended 31 December 2017* (Audited)

	Direct markets				Indirect markets			
	Probes	Monitors	Third Party	Other	Probes	Monitors	Other	Total
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
UK	1,354	92	378	118	-	-	-	1,942
USA	1,872	117	-	21	-	-	-	2,010
France	-	-	-	-	854	75	17	946
Scandinavia	-	-	-	-	101	-	8	109
South Korea	-	-	-	-	200	-	9	209
Peru	-	-	-	-	254	-	1	255
Other countries	89	15	-	6	212	59	18	399
	3,315	224	378	145	1,621	134	53	5,870

Notes to the condensed consolidated interim financial statements (continued)

Information on probe and monitor units are set out below:

	Six months ended 30 June 2018		Six months ended 30 June 2017		Year ended 31 December 2017	
	Probes Units	**Monitors Units**	**Probes Units**	**Monitors Units**	**Probes Units**	**Monitors Units**
Direct markets						
UK	**6,005**	**-**	7,450	13	15,295	13
USA	**4,845**	**-**	5,755	7	10,725	7
Other countries	**270**	**1**	365	-	715	1
	11,120	**1**	13,570	20	26,735	21
Distributor markets						
Europe	**7,340**	**51**	9,565	5	19,220	33
Rest of World	**3,300**	**-**	1,740	17	10,470	11
	10,640	**51**	11,305	22	29,690	44
	21,760	**52**	24,875	42	56,425	65

The above information is not audited financial data.

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

	Period ended		Year ended
	30 June 2018	30 June 2017*	31 December 2017*
	£'000	£'000	£'000
Sale of goods	**2,306**	2,840	5,792
Maintenance income	**20**	37	78
	2,326	2,877	5,870

* As noted, the Group has initially applied IFRS 15 at 1 January 2018. Under the transition provisions selected comparative information has not been restated.

The following table provides information about trade receivables and contract liabilities from contracts with customers. There were no contract assets at either 30 June 2018 or 1 January 2018.

	30 June 2018	1 January 2018*
	£'000	£'000
Trade receivables which are in 'Trade and other receivables'	**1,007**	1,620
Contract liabilities	**(75)**	(46)

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 30 June 2018:

	2018	2019	2020	2021	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Revenue expected to be recognised	66	3	3	3	**75**

Notes to the condensed consolidated interim financial statements (continued)

7. Segment results

The following analysis is regularly presented to the chief operating decision maker of the Group, the Chief Executive Officer, on a monthly basis. The segment results include items directly attributable to a segment, as well as those, which can be allocated on a reasonable basis.

The unaudited segment results for the six months ended 30 June 2018 were:

	Probes	Monitors £'000	Third party products £'000	Carriage £'000	Other £'000	**Total** **£'000**
Revenue from customers	**1,975**	**86**	**183**	**10**	**71**	**2,325**

Reconciliation to result for the period

Cost of goods sold	**(750)**
Total costs	**(2,796)**
Other gains	**80**
Operating loss	**(1,141)**
Finance income	**-**
Finance expense	**(99)**
Loss before taxation	**(1,240)**
Tax credit on loss	**46**
Loss for the period	**(1,194)**

The unaudited segment results for the six months ended 30 June 2017 were:

	Probes	Monitors £'000	Third party products £'000	Carriage £'000	Other £'000	Total £'000
Revenue from customers	2,377	239	171	12	78	2,877

Reconciliation to result for the period

Cost of goods sold	(694)
Total costs	(3,265)
Operating loss	(1,082)
Finance income	-
Finance expense	(82)
Loss before taxation	(1,164)
Tax credit on loss	71
Loss for the financial period	(1,093)

The audited segment results for the year ended 31 December 2017 were:

	Probes	Monitors £'000	Third party products £'000	Carriage £'000	Other £'000	Total £'000
Revenue from customers	4,936	360	378	25	171	5,870

Notes to the condensed consolidated interim financial statements (continued)

Reconciliation to result for the year

Cost of goods sold	(1,488)
Total costs	(6,320)
Operating loss	(1,938)
Finance income	-
Finance expense	(163)
Loss before taxation	(2,101)
Tax credit on loss	100
Loss for the year	(2,001)

8. Dividends

The Directors cannot recommend the payment of a dividend (2017: nil).

9. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares issued during the year. The loss per share calculation for six months to 30 June 2018 is based on the loss after tax attributable to owners of the parent of £1,199,000 and the weighted average number of shares in issue of 449,907,014. The loss per share calculation for six months to 30 June 2017 is based on the loss after tax attributable to owners of the parent of £1,102,000 and the weighted average number of shares in issue of 291,220,142. The loss per share calculation for the year ended 31 December 2017 is based on the loss after tax attributable to owners of the parent of £2,022,000 and the weighted average number of shares in issue of 301,117,957. While the Company is loss-making, the diluted loss per share and the loss per share are the same.

10. Borrowings

	Unaudited		Audited
	30 June 2018	30 June 2017*	31 December 2017*
	£'000	£'000	£'000
Current borrowings:			
Invoice discount facility	**453**	600	719
Convertible loan note	**88**	90	90
Finance leases	**-**	16	4
Lease liabilities	**53**	-	-
	594	706	813
Non-current borrowings			
Convertible loan note	**929**	983	1,004
Finance leases	**-**	-	-
Lease liabilities	**347**	-	-
	1,276	983	1,004
Total borrowings	**1,870**	1,689	1,817

* As noted, the Group has initially applied IFRS 16 at 1 January 2018. Under the transition provisions selected comparative information has not been restated.

Notes to the condensed consolidated interim financial statements (continued)

11. Convertible loan note

In February 2019, the terms of the convertible loan note were modified as part of the share placing and open offer that completed on 12 February 2018. The maturity date was extended to February 2021 and the conversion price was reduced from 6p per share to 4p share to fairly reflect the dilutive effect of the share issue that was undertaken. The convertible loan note recognised in the Condensed Consolidated Balance Sheet is calculated as:

	Financial liability £'000	Equity component £'000	Total £'000
Carrying amount at 1 January 2018	1,094	84	**1,178**
Loan note redemption	(25)	-	**(25)**
Modification gain	(80)	-	**(80)**
Interest expense	73	-	**73**
Interest paid	(45)		**(45)**
Carrying amount at 30 June 2018	**1,017**	**84**	**1,101**

12. Leases

Included within Property, plant and equipment is an amount of £514,000 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 £29,400 relating to the depreciation expense of this asset and included within finance costs is an amount of £20,800 relating to the finance charge on the related lease obligation. In addition, included within administration expenses in profit or loss in the Consolidated SOCI is an amount of £10,700 relating to short term leases.

The total cash outflow for leases in the period was £43,000.

As noted previously, the Group has elected to apply IFRS 16 Leases. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2018. Therefore, comparatives for the 2017 financial year have not been restated.

13. Share capital

In February 2018, the Company raised £2,208,125, before expenses, through subscriptions for 91,490,000 new ordinary shares at 1.25p per share and the placing of 85,160,000 new ordinary shares at the same price. All ordinary shares were issued with a nominal value of 1p per share. Additionally, 800,000 new ordinary shares were issued in the same month following the exercise of vested options from the Group's Enterprise Management Incentive Share Option Scheme by Ewan Phillips, Chief Executive Officer. These share options had an exercise price of 1p per share.

14. Related parties

Transactions with key management personnel

Ewan Phillips, Chief Executive Officer, who resigned from the Group on 12 June 2018 received compensation for loss of office amounting to £194,000.

In addition, he was subsequently granted 10,000,000 options under the Group's Enterprise Management Incentive Share Option Scheme with an exercise price of 1p per share as settlement of contractual bonuses owed of £144,200. The share options are exercisable until September 2019. It was also agreed that 1,666,666 of the 2,500,000 options granted in September 2017 under the Group's 2011 Executive Share Option Scheme which have an exercise price of 4p per share vested immediately

Notes to the condensed consolidated interim financial statements (continued)

and could be exercised at any time, subject to the rules of the scheme, within twelve months of leaving the Group. The aggregate share-based payment expense totalled £81,000.

15. Exceptional items

The net exceptional cost reported in the period relate to restructuring costs incurred during the year which includes payments for loss of office, redundancy payments, professional fees and share-based payment expense offset by the release of contractual bonus accruals.

	£'000
Compensation for loss of office	194
Redundancy payments	38
Legal and consulting fees	31
Share-based payment expense	81
Contractual bonus accruals reversal	(202)
	142

There were no exceptional items in the prior period/year.

16. Seasonal fluctuations

Revenues in our Distributor markets are traditionally higher in the second half of the financial year due to the purchasing patterns of customers. The sales for the first six months of 2018 represented 37% (six months period to 30 June 2017: 39%) of the annual level of these revenues for the year ended 31 December 2017.

17. Non-cash costs

The following table provides information on the nature of non-cash items that are included in the Group's loss for the period/year:

	Unaudited		Audited
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Depreciation of property, plant and equipment	**47**	23	44
Depreciation of loaned monitors	**75**	86	221
Profit on disposal of loan monitors	**(6)**	-	-
Amortisation of development costs	**96**	85	195
Share-based payments	**136**	60	91
Bonus accruals (released)/charged	**(202)**	-	40
Directors' fees	**53**	53	105
Accumulated absence movement	**38**	69	9
Barter prepayments release	**-**	109	194
Gain on convertible loan note	**(80)**	-	-
	157	485	899

Notes to the condensed consolidated interim financial statements (continued)

18. Principal foreign exchange rates

The following are the principal foreign exchange rates that have been used in the preparation of the condensed consolidated interim financial statements:

	Unaudited				Audited	
	30 June 2018		30 June 2017		31 December 2017	
	Average rate	**Closing rate**	Average rate	Closing rate	Average rate	Closing rate
GBP/US dollar	**1.3747**	**1.3155**	1.2639	1.2992	1.2931	1.3452
GBP/Euro	**1.1374**	**1.1303**	1.1665	1.1365	1.1450	1.1250
GBP/Canadian dollar	**1.7348**	**1.7348**	1.6831	1.6904	1.6786	1.6923

19. Distribution of the announcement

Copies of this announcement are sent to shareholders on request and will be available for collection free of charge from the Company’s registered office at Terminus Road, Chichester, PO19 8TX, United Kingdom. This announcement is available, free of charge, from the Company’s website at www. deltexmedical.com

20. Cautionary statement

This announcement contains forward-looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by several risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated. Nothing in this document should be considered to be a profit forecast.